



# **ANNUAL REPORT 2003**

# annual report 2003

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# Operational and financial information

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# Management report

To the Shareholders

We have called this Ordinary General Meeting to report on the activity and results of our Group, to invite you to approve our consolidated financial statements and the company's financial statements to 31st December 2003 and our proposed earnings allocation and to inform you about our prospects.

## 1> Main facts in 2003

### The economic environment

Stagnation of the GDP in 2003 led to a contraction of the demand for corrugated board with consumption down by about 1% with respect to 2002.

Certain market segments were more especially affected, such as the automotive and poultry industries and the wine and spirits sector for which Otor is an important supplier. The trend became more pronounced towards the end of the first half-year and was only reversed at the year end. Corrugated board consumption was strongly affected and the weak demand combined with the arrival of new paper-making capacities in Europe led to a substantial reduction in the sales price (more than 10%) as of July. The result was a gradual drop in corrugated board prices.

At the same time, the prices of raw materials (recycled paper, starch) and energy were higher on an average than those of 2002, leading to an erosion of operating margins in the corrugated and paper board sector.

To sum up, 2003 was a mediocre year for the paper-board packaging industry which experienced a 4% drop in sales and lower profit margins.

### The Group's activity

Despite the negative economic context, the Group succeeded in keeping total sales on a par with 2002.

Profit margins, however, suffered from the gloomy outlook, particularly in the second quarter for the paper mills and at the end of the year for the box plants. Both the tonnage of board produced and feedstock in the box plants is similar to that of 2002, with a slight drop for the latter (-1.5%). The stationery division sold all its entire production but without moving its 2002 surplus production. The Group's industrial policy was adapted to the current economic context. The new cost reduction scheme, started in 2002, was pursued. Investments focussed on environmental control with the new treatment stations in the paper mills in Rouen and Saint-Michel (near Angoulême) getting off to a flourishing start, bringing the scheme set up in 2001 to a successful conclusion.

## 2> Activity

### Consolidated financial statements

#### 2.1 Consolidated financial statements

The consolidation scope includes 24 companies:

In addition to the parent company Otor:

- 22 companies controlled exclusively by the Group and fully consolidated;
- 1 company in which the Group exercises significant influence, consolidated according to the equity method.

Company	% of interest and control	Consolidation method
OTOR	parent company	
OTOR BENELUX (in liquidation)	99.97	full consolidation
OTOR BRETAGNE	95.04	full consolidation
OTOR DAUPHINÉ	99.99	full consolidation
OTOR GmbH	95.20	full consolidation
OTOR GODARD	99.99	full consolidation

OTOR NORMANDIE	95.08	full consolidation
OTOR PAPETERIE DE ROUEN	99.99	full consolidation
OTOR CARTONNERIE DE ROUEN	99.99	full consolidation
SOCIETE ROUENNAISE DE PARTICIPATIONS	99.99	full consolidation
OTOR PICARDIE	99.97	full consolidation
OTOR RIQUET	99.99	full consolidation
OTOR SERVICES	99.99	full consolidation
OTOR SILESIA	97.75	full consolidation
OTOR SUISSE	99.20	full consolidation
OTOR SYSTEMS	98.10	full consolidation
OTOR VELIN	95.21	full consolidation
OTOR UK	100.00	full consolidation
ÉTUIS COGNAC	99.99	full consolidation
DELAIRE RECYCLAGE	95.02	full consolidation
NORMANDIE ONDULÉ	95.07	full consolidation
PINEL RECYCLAGE	47.49	equity affiliate
SARL CZULOW	78.69	full consolidation
GIE OTOR INVESTISSEMENT	99.99	full consolidation

### Income statement

The key figures in the income statement are as follows:

<i>EUR millions</i>	<i>2003</i>	<i>2002</i>	<i>2001</i>
Sales	405.8	409.0	412.5
Total income from operations	421.9	428.9	427.6
Gross operating income (*)	49.4	60.5	51.1
Operating profit	20.1	30.9	24.1
Net financial income	(10.1)	(10.6)	(11.4)
Pre-tax income from ordinary activities	10.1	20.3	12.7
Net exceptional income	(1.9)	(3.0)	(6.8)
Net income	4.7	12.1	4.1
Net attributable income	4.3	11.9	3.8

(\*) Operating income for 2003 factors in the profit sharing scheme, which amounted to EUR 2,899,00 up from EUR 3,767,000 in 2002.

Sales are close to the levels achieved in 2001 and 2002, particularly as a result of the good performance of lightweight paper sales. The drop in sales and purchasing prices affected the operating margins. Despite the weak market, the pre-tax income from operating activities remained satisfactory. The drop in the net exceptional income (which mainly comprises EUR 2.3 million for amortisation of charges taken to future fiscal years resulted in a net income similar to that of 2001.

### Balance sheet

The balance sheet totalled EUR 449.9 million.

The key figures reflecting the Group's financial structure were as follows:

### Consolidated balance sheet

<i>EUR thousands</i>	<i>31/12/2003</i>	<i>31/12/2002</i>
Equity	<b>166,712</b>	<b>162,940</b>
Long term capital employed	299,444	305,993
- Fixed assets	277,202	275,317
= Working capital	<b>22,242</b>	<b>30,676</b>
Medium term debts	99,117	106,541
+ Short-term debts	38,522	28,610
+ not yet due commercial paper discounted with banks	5,453	5,785
- Cash and equivalent	6,546	10,192
= Net debt	<b>136,454</b>	<b>130,744</b>

The Group did its best to maintain the financial balances achieved in 2002: the debt-to-equity ratio is near to 80%, while the working capital ratio is 108%. Investments were mainly financed internally.

### Improvement of application of accounting standards

### *Lease financing contracts*

The improvements implemented in 2002 were applied without change in 2003:

- restatement of all contracts with a value of over EUR 10,000 meeting the criteria adopted in the IFRS standards, thanks to an appropriate software program.
- individual follow-up of these contracts by subsidiaries permitting reliable and decentralised management. Follow-up is underpinned by entering the features of each contract, pooling contracts into homogeneous categories, taking a formal decision to restate them or not, analysing the financial cost and preparing the forms required for input in the computer.

### *Maintenance costs, fixed assets and charges taken to future fiscal years*

The method used in 2002 was used again in 2003: operations intended to improve a machine's initial performance, to introduce changes and/or to lengthen the working life are recorded under fixed assets. Standard replacement maintenance intended merely to reach the initially projected working life or to preserve a performance level are recorded under charges.

### *IFRS standards*

Studies of IFRS standards have in particular revealed the need for upgrades in the following areas (including options offered by the French reference base):

- **post-employment compensations:** compensations booked under liabilities, together with the corresponding deferred tax assets, complete overhaul of method used to book charges, impact on net position at start of year and on income. The lack of distance from the changes brought about by the new laws creates added valuation difficulties.
- **charges taken to future fiscal years:** elimination of this account, restatement of items under charges, pre-paid charges or fixed assets, modification of corresponding deferred tax liabilities, elimination of charge transfers and amortisation.
- **intangible fixed assets:** modification of classification of market shares, validation of amounts.
- **tangible fixed assets:** implementation of component-based accounting. Complex problem with many different forms of impact, certain practical mechanisms remain to be decided.
- **financial fixed assets:** discounting of interest-free loans, impact on net position at start of year and marginal impact on income statement.
- **interest-free debt:** mirror discounting and impact of those mentioned under the above point.
- **provisions:** restatement of certain provisions under liabilities as decreases of assets. No significant impact expected on net worth or income.
- **inventories:** possible restatement of part of inventories (spare parts) under fixed assets, analysis underway of valuation and impact on net position at start of year and possibly on income.
- **deferred tax assets and liabilities:** increase in offsetting be assets and liabilities, little impact expected on net position or income.
- **presentation of financial statements:** modification of aggregates in income statement and balance sheet, additional notes.

## **2.2 Activity by sector**

### **Paper/board sector (including holdings)**

Sales amounted to EUR 374,914,000 in 2003, while the contribution to gross operating income was 45,548,000 and the contribution to net income (including Otor tax benefits) EUR 3,445,000. A total of 27,753 employees are employed in this sector.

### **Other sectors (recycling – mechanisation)**

Total sales amounted to EUR 30,847,000 in 2003, while the contribution to gross operating income was EUR 3,817,000 and the contribution to the net income was EUR 1,227,000. The headcount is 145 employees.

## **2.3 Workforce**

The workforce averaged 2,898 employees in 2003 (including temporary staff, based on full-time equivalent).

## **2.4 Capital expenditure**

Gross tangible fixed assets increased by EUR 14.8 million.  
Net tangible fixed assets increased by EUR 1.76 million

Investments broke down as follows in 2003:

- ✓ EUR 15.5 million in capital expenditure, divided as follows:
  - EUR 7 million for safety and environmental concerns, including completion of the construction of the new purification plant of Papeterie Saint Michel (Otor Dauphiné), enlargement of the Otor Papeterie De Rouen plant, and improvement of the Otor Picardie plant.
  - EUR 4.8 million (about) for productivity and cost cutting measures .
  - EUR 2 million for measures to improve capacity.
  - EUR 1.8 million to replace a Bobst after a fire, paid for by the insurance company.
- ✓ EUR 1.7 million (about) for intangible investments (patents, research, etc.).
- ✓ EUR 3.6 million for restatement of leases.
- ✓ EUR 11.4 million for improvements.

Improvements were close to the 2002 figures at all box plants and significantly up at the paper mills, particularly Otor Papeterie De Rouen because of the switch to Test 100 of machine 3, which required fine-tuning, and anticipation of improvements required in 2004 to cater to the many new commercial contracts.

## 2.5 Quality, certification

### **Box plants**

All the box plants, plus Normandie Ondulé, are ISO 9001-certified.

### **Paper mills**

Otor Picardie obtained AFAQ certification as per ISO 9001 (version 2000) and the Novillars (Otor Velin), Saint-Michel (Otor Dauphiné) and Nantes (Otor Normandie) paper mills as per ISO 9002.

## 3> OTOR and sustainable development

Otor has always pursued a strategy in line with sustainable development: Otor operates in a sector which is indispensable to development of the economy. The materials used are recyclable and recycled. Otor has always pursued a policy to preserve local industry and use local labour, via both direct employment and outsourcing.

During the 2003 fiscal year, Otor developed its board and packaging weight-reduction policy in order to meet even the most stringent environmental demands.

### 3.1 Information on workforce

#### **- Permanent employees on 31/12/2003:**

France:	2,260
Abroad:	316
Total:	2,576 employees

#### **- Group-wide permanent employee hires:**

74 employees all populations combined.

#### **- Group-wide permanent employee departures:**

Seventy-two mostly dismissals, with 12 retirements and 12 resignations.

#### **- Fixed term contract hires: Nil.**

#### **- Overtime:**

An average of 5,686 hours per month in 2003.

#### **- Temporary workers:**

Average of 305 temporary workers in 2003.

#### **- Working hours:**

- Box plant division:

Weekly average = 35 hours  
- Paper mill division:  
Weekly average = 32.80 hours  
- Other divisions:  
Weekly average = 35 hours

**- Absenteeism in 2003:**

Number of hours of sick leave:  
An average of 14,109 hours per month  
Number of hours of industrial accident leave: an average of 3,326 hours per month.  
*N.B. The figures indicated in the 2002 annual report are expressed in average hours per month.*

**- Remuneration in 2003:**

Gross salaries for 2003 amounted to EUR 108 million.  
Gross salaries increased by an average of 1% during the year, mainly due to across-the-board increases, re-evaluation of existing bonuses and individual promotions.

**- Employers' contributions:**

Average rate: 46%

**- Incentive profit-related bonuses:**

7 agreements were signed in 2003.  
Total amount estimated for financial 2003: EUR 301,000.

**- Profit-sharing agreements:**

Agreements signed with each subsidiary  
Total amount for 2003: EUR 2,599,000

**- Collective agreements in 2003:**

As well as incentive profit-related bonuses, 4 company-wide agreements relating to medical expenses were signed and applied as of 1st January 2003.

**- Ratio of men to women:**

Number of men in the Group: 2,171 employees  
Number of women in the Group: 405 employees  
Equality in the workplace: no discrimination.  
Several executive positions are held by women.

**- Hygiene and safety agreements:**

The OTOR Group takes all necessary measures to ensure the safety and health protection of its own permanent and temporary staff and employees from outsourcing companies.  
These measures are both financial (prevention techniques) and organisational (respect of regulations). They also include training aimed at changing behaviour.  
In 2003, the OTOR group focussed on increasing safety-awareness on the part of outside companies working on its industrial sites, particularly by reinforcing the effectiveness of pre-servicing safety procedures.  
The OTOR group continued to tackle the problem at the roots particularly by setting up reflection and work groups to enhance safety at work.

**- Training included in the 2003 Training Plan:**

Number of employees trained: 1,626 employees  
Number of training hours: 29,022 hours

**- Employment and integration of disabled workers:**

Most of the Group's companies use vocational rehabilitation centres on either a permanent or temporary basis.  
Nearly all the companies in the Group employ disabled workers recognised by COTOREP giving entitlement to total or partial exemption from AGEFIPH contributions (fund for professional integration of the disabled).

**- Company benefit schemes:**

The contribution in 2003 to the Works Committee for welfare schemes (in addition to the operating budget), plus the employer's participation in funding the employee's private health fund, was EUR 945,000 i.e. 1.54% of the total wage bills of the companies concerned.

## - Outsourcing:

The company relies to a large extent on specifically local outsourcing, particularly for transport, maintenance and production. Outsourcing represents about 8.4% of total consolidated sales.

## - Impact of the activities of foreign subsidiaries on regional development and local populations:

The Polish subsidiary had a positive impact on employment since it employed an average of 305 permanent workers and 11 temporary workers in 2003 in a region in which mining activities have had to be totally or partially reconverted. This positive effect on the local economy is reinforced by the extensive use of outsourcing, particularly for transport and maintenance.

## 3.2 Environmental information

During the year, the Group actively pursued its environmental control actions, mainly concerning the following:

### • More efficient paper recycling.

In 2003, the average productivity level of paper recycling increased by 1% for all the French paper mills, up to 91%. The most significant increases in productivity concerned Rouen paper mill.

Depending on the site, the above actions focussed on the following:

- Quality control of raw materials received (Rouen and Saint-Michel paper mills),
- Recovery of cellulose fibres from process waters (Rouen paper mills).

### • Conformance with regulations.

The Group pursued its environmental investments.

The most significant investments in 2003 concerned completion of the water treatment plant at Saint-Michel paper mill and extensions to the Rouen paper mill treatment facility. Developments were also made to the Otor Picardie plant.

During the last three fiscal years, safety and environment investments have been steadily increasing:

- 2001: EUR 2,877,000
- 2002: EUR 5,360,000
- 2003: EUR 7,000,000

### • Reduction in water consumption.

In 2003, the reduction in water consumption per tonne of paper produced resulted in an average drop of 3.32% for all the French paper mills combined.

Depending on the site, actions focussed on the following:

- closing of water circuits on paper machines
- re-use of machinery cooling water.

### • Reduction in fossil fuel consumption

In 2003, fossil fuel consumption was stable in comparison with 2002 in relation to the mix of paper and board produced.

The final target is to reduce consumption by 4% within the next 2 years.

### • Reduction in power consumption

In 2002, the reduction in power consumption per tonne of paper produced resulted in an average decrease of 2.85% in all the paper mills.

For all the sites, actions focussed on the following:

- the installation of electric speed controllers and correctly dimensioned motors,
- optimisation of machinery operation e.g. pumps, kneaders, fluffers, refiners, etc.

In 2003, the ratio achieved in 2002 was maintained.

The target is to gradually reduce the average energy consumption by 2% within the next two years.

### • Improvement of screening efficiency.

In 2003, the screening efficiency of the Group's paper mill treatment units increased by 62% in terms of suspended matter discharged and by 32% in terms of COD screening efficiency.

These excellent results are due to extension of the Rouen treatment plant and the new treatment plant at the Saint Michel paper mills. The choice to invest in this field has proved to be particularly relevant.

We are very close to the results we have defined for 2006.

The aim in 2004 is to stabilise the results achieved thus far.

### • Energy recovery from waste

In 2002, 7,000 tonnes of slushing waste were incinerated on the Rouen site in a fluidised bed boiler, saving 3 000 tonnes of coal. Studies were continued this year to define the operating methods and treatments to be implemented in order to meet the latest regulations on the discharge of smoke into the atmosphere. The incineration solution has been upheld. In 2004, we should completely control the operational aspects of the waste recovery.

- **Prevention and control of accidental pollution**

At the end of 2002, 5 crisis management plans were implemented in the paper mills and box plants.

In 2003, we carried out an environmental audit of all the paper mills and 3 box plants.

- **ISO 14001 certification pursued**

At the end of 2002, two of the box plants (Otor Normandie and Otor Dauphiné) implemented an environmental management system and were ISO 14001-certified.

At the end of 2002, two of the paper mills (Otor Picardie and Papeterie du Doubs) carried out their environmental analysis in accordance with the ISO 14001 requirements.

At the end of 2003, the environmental management system at Papeterie du Doubs was also ISO 14001-certified.

The Group continues to be actively involved in various organisations which largely contribute to better environmental management, especially PROCELPAC and REVIPAP.

## **4> Parent company corporate activity and financial statements**

### **4.1 Activity, results**

Otor SA provides the entire Group with assistance and cash management services.

This activity generated sales of EUR 12.0 million and a net loss of EUR 8.7 million in 2003, after a net exceptional loss of EUR 21.5 million and a tax gain of EUR 4 million.

The tax gain reflected nearly the entire gap between the tax calculated by Otor and its subsidiaries according to the general law provisions and the tax owed by Otor in application of the group tax rules.

The exceptional loss corresponds to appropriation to the reserves of certain equity interests held by Otor

#### **- ETUIS COGNAC:**

Results deteriorated in the wake of the difficulties experienced by the luxury industry. The new commercial strategy conducted for the last two years is beginning to produce results. While Etuis Cognac is expected to continue recovering in 2004, management has prudently taken a provision equal to half the value of its shares, i.e. EUR 638,067.

#### **- OTOR SILESIA:**

After heavy losses in 2002, Otor Silesia turned in significantly lower losses in 2003. Both 2002 and 2003 were disrupted by the consequences of a serious fire. In view of the ongoing measures, results can be expected to continue improving in 2004. Nevertheless, management has prudently taken an additional provision of EUR 1,866,415, i.e. 25% of the residual value of the shares.

#### **- SOCIÉTÉ ROUENNAISE DE PARTICIPATIONS (formerly OTOR PAPETERIE DE ROUEN)**

This company owns stakes in Otor Papeterie de Rouen and Otor Cartonnerie De Rouen.

In 2003, Otor Papeterie de Rouen continued research into lightweight boards and stepped up productivity and cost cutting actions. The company reported a loss despite good technical results due to worsening sales prices in 2003. The specialised firms Sorgem and Jaakko Poyry Two were commissioned to conduct two expert valuations to check the valuation of the company's shares in Otor's accounts:

- Sorgem Evaluation valued the shares of Otor Papeterie de Rouen and Otor Cartonnerie De Rouen based upon the economic benefits expected in the future.

- Jaakko Poyry made a technical valuation of the machinery and industrial buildings of Otor Papeterie de Rouen.

#### - OTOR PAPETERIE DE ROUEN

*Valuation according to the expected benefits method*

Sorgem looked at two scenarios: the first factored in additional investment in a shoe press and a size press, whose purpose is to increase paper mill production in order to meet growing demand for lightweight board. The second was based upon the existing machinery and did not factor in the increase in production resulting from the above investment.

The average valuation of both scenarios, according to the expected benefits method, is EUR 83 million:

EUR m	Low	High	Average
with investment	85	146	115
without investment	31	71	51
Average	58	108	83

A more detailed analysis including (i) the latest forecasts and (ii) only investments approved by the Board of Directors and financed, values Otor Papeterie De Rouen at EUR 70 million.

*Valuation according to the asset valuation method*

Jaakko Poyry valued machinery and industrial buildings at EUR 92 million according to the asset valuation method. After stripping out unvalued assets and debt, the asset value of Otor Papeterie de Rouen is an estimated EUR 79 million.

#### Conclusion

Valuation of the Otor Papeterie De Rouen shares according to the expected benefits and asset valuation methods produces relatively similar valuations averaging out at EUR 74 million.

	EUR m
Future benefits method	70
Asset valuation method	79
Average valuation	74

#### - OTOR CARTONNERIE DE ROUEN

Sorgem valued the Otor Cartonnerie De Rouen shares according to the expected benefits method and came up with EUR 10 million. After other relevant items were taken into account, the final valuation was EUR 13 million.

#### Valuation of SOCIETE ROUENNAISE DE PARTICIPATIONS

In view of the above, the aggregate valuation of Otor Papeterie de Rouen and Otor Cartonnerie De Rouen is EUR 87 million.

	EUR m
Valuation of Otor Papeterie de Rouen	74
Valuation of Otor Cartonnerie de Rouen	79
Valuation of Société Rouennaise de Participations	74

In 2003, a provision of EUR 19 million was taken for the shares of Société Rouennaise De Participations. This provision will be reviewed every year.

## 5> Ownership structure

The natural and legal persons holding more than 1/20th, 1/10th, 1/5th, 1/3rd, 1/2 or 2/3 of the capital are as follows:

Situation on 31/12/2003	Ownership %	Voting right %
OTOR FINANCE	80.14	80.15

In September 2001, a dispute arose between shareholders with regard to control of Otor Finance (and therefore Otor) and the composition of the management bodies. The Carlyle funds claimed the right to convert their Otor Finance

convertible bonds before maturity, which the other Otor Finance shareholders considered groundless.

The Carlyle funds requested application of the arbitration clause and Otor's founding shareholders summoned the Carlyle funds before the courts of Paris to void the shareholder agreement between them and the Carlyle funds and the ensuing transactions in Otor Finance.

This action does not concern the regularity of the capital increase completed by Otor in June 2000.

The company is not aware of any other shareholder with more than 5% of the share capital.

In pursuance of the law of 25<sup>th</sup> July 1994, no employee holds any share in the company by virtue of an employee stock option plan or a company fund or any share in the company that is blocked under Articles L.225-194 and L.225-197 of the New Commercial Code and Article 442-7 of the Labor Code.

#### **Treasury stock**

The treasury stock did not change in 2003.

## **6> Recent development and outlook**

### **. The Market**

Although volumes picked up in January, the economic outlook has turned sluggish again. The price of corrugated board is continuing to deteriorate.

In the board sector, an increase in recycled paper prices has produced an increase in the sales price of board, which should strengthen profit margins in this sector. However, volumes remain low and we will need to wait until the second half of the year to assess how the economic context is developing.

### **• OTOR**

Otor seems to be in a better situation in terms of volume than its competitors, thanks to its new corrugated board products and widespread acceptance of lightweight paper made by Rouen paper mills whose capacity is now below demand.

The Group's financial objectives for 2004 are:

- increasing consolidated sales
- keeping investments low and continuing to cut costs
- strengthening the financial structure and reducing debt in reasonable proportions.

No noteworthy events have occurred between 31 December 2003 and the date of this report.

## **7> Licenses and patents**

Packaging developed using Otor technology is marketed by a network of licensees, partners and patent owners covering the main countries of Europe, the American continent, Australia, Japan and part of South-East Asia.

The network of licensees was completed in May 2003 by a licensing agreement signed with SES, covering Tunisia.

## **8> R&D activities**

The main research and development aims in 2003 were as follows:

### **Papers**

- Launching of lightweight 100 g/m<sup>2</sup> Testliner on an N3 machine in the Rouen paper mills
- Development of 80 g/m<sup>2</sup> Multilight on an N4 machine in the Rouen paper mills
- Research to improve the printability of white paper
- New research on the properties of paper in direct contact with wet, greasy food products.

### **Products and packaging**

- Development of a patented booster system for Otor 8 bag-in-the-boxes.
- Development of a new display pallet consisting of a patented mechanised 2-piece display for the distribution of loaded pallets to form a P.O.S. display.
- Development of the new Hightray, more resistant to handling damage, made of 3 lightweight recycled boards, for rigid and semi-rigid products.
- In the field of weight reduction, development of Prodsim, a dedicated software package for design departments in order to simulate the behaviour and resistance of packaging when products are semi-weight-bearing.

### **Mechanisation**

- Continuation of studies designed to replace mechanical action with actuators throughout the entire machine range.
  - Development of a high-speed display packaging erector equipped with a large-capacity magazine.
  - Development of a new patented machine to erect the Hightray around a mandrel
  - Development of a new multi-piece packaging erector to erect large-size packaging with optional shrink-wrapping.
- As a result of its various research and development activities, Otor filed 5 new patent applications in France in 2003.

## **9> Directors**

Pursuant to the law, we herewith inform you that company directors held the following offices and functions in 2003:

### **- Mr Jean-Yves BACQUES**

- Chairman and Managing Director of Otor and Otor Finance
- Chairman of Otor Participations (SAS) and Emballage 48 (SAS)
- Chairman of the Management Board of Otor Silesia
- Director of Otor Bretagne, Otor Godard, Etuis Cognac, Otor Normandie, Otor Picardie, Otor Velin, Otor Riquet, Société Rouennaise de Participations (formerly Otor Papeterie de Rouen), Otor Cartonnerie de Rouen (formerly Cartonnerie de Rouen) et Otor Papeterie de Rouen (formerly Papetiere de Touen).
- Permanent representative of Otor Participations on the Boards of Directors of Otor Services, Otor Dauphiné and Normandie Ondulé
- Permanent representative of Emballage 48 on the Board of Directors of Delaire Recyclage.

### **- Ms Michèle BOUVIER**

- Delegate General Manager of Otor
- Chair and General Manager of Otor Services
- Chair of the Supervisory Board of Otor Silesia
- Director of Otor Finance, Otor Bretagne, Otor Dauphiné, Otor Godard, Otor Normandie, Otor Picardie, Otor Riquet, Société Rouennaise de Participations (formerly Otor Papeterie de Rouen), Otor Cartonnerie de Rouen (formerly Cartonnerie de Rouen) et Otor Papeterie de Rouen (formerly Papetiere de Rouen).
- Permanent representative of Otor Participations on the Boards of Directors of Etuis Cognac, Otor Velin and Otor Systems • Permanent representative of Otor Normandie on the Boards of Directors of Normandie Ondulé
- Permanent representative of Delaire Recyclage on the Boards of Directors of Pinel Recyclage.

### **- Ms Julie BACQUES**

- Director of Otor, Otor Finance and Otor Services.

### **- Mr Hervé AUBERT**

- Director of Otor, Otor Finance and Otor Bretagne.

### **- Mr Jean-Pierre MILLET**

- Partner of CCEP Investment Advisors France and Société Civile Duck
- Chairman of the Board of Directors, Financière Genoyer
- Vice-Chairman of the Supervisory Board, Genoyer SA
- Director of Otor, Tecnoforge, Aprovia Group Holding SARL and Santémedia Group Holding SARL.

#### **- Mr Franck FALEZAN**

- Director of Otor, Otor Finance, Otor Services, Société Rouennaise de Participations (formerly Otor Papeterie de Rouen), Otor Cartonnerie de Rouen (formerly Cartonnerie de Rouen), Otor Papeterie de Rouen (formerly Papetiere de Rouen), Aprovia Group Holding SARL (Lux.) and Santémedia Group Holding SARL (Lux.)
- Permanent representative of Otor Finance on the Boards of Directors of Delaire Recyclage, Otor Riquet, Otor Bretagne, Otor Dauphiné, Otor Godard, Otor Normandie, Normandie Ondulé, Otor Picardie, Otor Velin, Otor Systems and Étuis Cognac
- Member of the Supervisory Board of Otor Silesia.

#### **- Mr Jonathan ZAFRANI**

- Director of Otor, Otor Finance, Otor Services , Société Rouennaise de Participations (formerly Otor Papeterie de Rouen), Otor Cartonnerie de Rouen (formerly Cartonnerie de Rouen),and Otor Papeterie de Rouen (formerly Papetiere de Rouen).
- Permanent representative of Otor on the Boards of Directors of Delaire Recyclage, Otor Riquet, Otor Bretagne, Otor Dauphiné, Otor Godard, Otor Normandie, Normandie Ondulé, Otor Picardie, Otor Velin, Otor Systems and Étuis Cognac
- Member of the Supervisory Board of Otor Silesia.

The remunerations and benefits received at the company or at subsidiaries were as follows:

- Mr Jean-Yves Bacques, remuneration (net pre-tax income), EUR 408,329 at Otor Participations.

This remuneration is rebilled to Otor under the management contract between Otor Participations and Otor.

- Ms Michèle Bouvier, remuneration (net pre-tax income), EUR 67,637.24 for her offices and EUR 223,964.75 for her employment contract.

- Mr François Roussel, EUR 3,050 by way of attendance fees.

### **10> Resolutions**

We propose to:

1. Approve the company's financial statements and the consolidated financial statements as presented.
2. Allocate the profit to retained earnings and note that no dividend was paid for the last three years.

3. Discharge your Board of Directors for its management during the 2003 fiscal year.

4. Renew the terms of office of the incumbent director for a period of one year ending on adjournment of the General Meeting called to vote on the financial statements of 2004, i.e.:

- Mr Jean-Yves Bacques
- Ms Michèle Bouvier
- Mr Hervé Aubert
- Ms Julie Bacques

5. Not to renew the term of office of the following directors:

- Mr Franck Falezan
- Mr Jean-Pierre Millet
- Mr Jonathan Zafrani

6. Renew the appointment of Durand et Associés as incumbent statutory auditor and Mr Roland Weyant as alternate statutory auditor.

7. Approve the agreements mentioned in the special statutory auditors' report.

8. Fix the amount of the attendance fees allocated by the Board of Directors for Fiscal Year 2003 at EUR 4,000.

These are the resolutions submitted to you for approval.

# Reports required under the Financial Security act

# REPORT BY THE CHAIRMAN & MANAGING DIRECTOR PURSUANT TO THE “FINANCIAL SECURITY ACT” (Article L.225-37 of the law of 1<sup>st</sup> August 2003)

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##### 2.4.9. Insurance procedures

Pursuant to Article L.225-37 of the Commercial Code, the Chairman & Managing Director here reports the conditions on which the Board's work is prepared and organised and the internal control procedures in force at the Group.

## **Introduction**

Even before publication of the "Financial Security" act, the Otor group proactively pursued a business strategy intended to provide a clear view of internal control procedures to meet the constraints and objectives of the Financial Security Act, involving the development of formal internal control procedures and delegated powers, and verification of the effectiveness of existing procedures in order to upgrade the Group's legal, financial and economic security.

While the group has a rich control environment, there is definitely room for improvement in certain areas. This law provides the Group with an opportunity to build on past initiatives and to upgrade management even further in order to keep performing its mission under optimum conditions.

As this law was voted in August 2003, the Group was unable to implement all of the planned reports and verifications during the first year of application. Our first goal was to draw up an inventory of existing tools. In the years ahead, we will steadily keep enriching and upgrading our array of internal control procedures.

## **1. Preparation and organisation of the work done by the Board of Directors**

### **1.1. Conditions on which the Board prepares and organises its work**

#### **1.1.1. Organisation of the Board of Directors**

Otor's Board is currently made up of the Group's historic managers, Jean-Yves Bacques and Michèle Bouvier, representatives of the main minority shareholder (Carlyle), Hervé Aubert (the former manager of one of the Group's box plants) and Julie Bacques (Vice President Sales for Otor's Paper division).

The Board of Directors at subsidiaries of the Group is generally made up of the following:

- the Chairman & Managing Director of the Subsidiary, responsible for the subsidiary's activity and performance;
- the historic managers of the OTOR group
- representatives of the shareholders of Otor Finance, a majority shareholder of OTOR group.

Board membership at a few subsidiaries includes corporate managers with special expertise related to the machinery of the subsidiary in question (e.g. the Corporate Vice President Technical Operations is a Board member of Otor Picardie) or to the importance of the subsidiary's paper mill business (e.g. the Paper Mill Managers of Otor Normandie, Otor Dauphiné and Otor Velin, respectively, sit on their Board)

Disagreement between the shareholders has so far made it impossible for management to set up an Audit Committee.

#### **1.1.2. Organisation of meetings**

The dates of important Board meetings (particularly the meetings held to approve the annual financial statements and the budget) are scheduled in the beginning of January for the entire year. About ten days before each meeting the directors receive a written notice to attend together with an information file. On average, about 20% of the directors do not regularly attend the Board meetings of Otor and its subsidiaries.

#### **1.1.3. Themes discussed by the Board**

The Board mainly discusses the following themes:

- approval of accounts
- budget
- market environment and company situation
- authorisation of financing and related guarantees
- investments
- maintenance and rental
- environment
- research and development
- changes in workforce
- ISO standards

The Board also reviews OTOR's financial press releases and the draft of OTOR's results released for the financial community.

## 1.2. Restrictions put by the Board of Directors on the powers of the Managing Director

The entire Group has decided to keep the functions of Chairman & Managing Director together. At OTOR SA, the Chairman & Managing Director is not authorised to sign security interests, pledges and guarantees not approved by the Board of Directors. Under the Articles of Association, the Chairman & Managing Director can make the company accept any other commitment. In practice, major and strategic decisions (e.g. consolidated budgets, investment programmes, acquisitions, etc.) are submitted to the Board for approval. The Board limits the powers of the Chairmen of subsidiaries in accordance with the procedures laid down by the Group.

## 2. Internal control procedures in force at the OTOR group

The internal control system consists of the organisational measures and procedures intended to provide at all times reasonable assurance that the following objectives are achieved:

- the company's assets are protected,
- operations are conducted according to the applicable rules, effectively and efficiently,
- the accounting and financial information is reliable and of high quality,
- the company complies with all applicable directives, laws and regulations.

### 2.1. Description of method used by the Group during the first year of application of the Act

At the OTOR group, everyone (the Board of Directors, management, the operational and functional management units, the workforce), is at all times responsible for applying the internal control procedures effectively.

In addition to the legislative, regulatory and institutional constraints, the OTOR group has always been aware that sustainable competitiveness requires an effective internal control system at the holding company and all subsidiaries: since the Group's inception, management has implemented procedures to provide reasonable protection against the risks connected with its activities.

Such procedures can only be effective when subject to internal control whose purpose is to cover all competences used by the Group, to permit identification and analysis of as many risks as possible, and to take the necessary measures to eliminate identified risks. Internal control leads as necessary to adjustment of operational procedures. Control is obviously more exhaustive and easier to verify and offers a higher degree of protection when all existing procedures are laid down and explained formally.

The Group's rapid expansion over the past 15 years has meant that priority was given to commercial and industrial growth, and that internal control procedures were not adopted at the same pace at every operational or functional management unit.

The OTOR group decided to use the Financial Security Act of 1st August 2003 to identify targets for improvement in this area. Its goal is to organise and structure the internal control process at each management unit at the head office and each subsidiary, starting 2003 and continuing for the next two to three fiscal years.

During the 2003 fiscal year, the Group accomplished significant results:

- the first was to make a precise inventory of points which can or must be subjected to internal control procedures at all or some subsidiaries of the Group.
- in 2003, a database was developed for this purpose, listing all non-confidential information available about the procedures used in the Group.
- in addition to listing points to be covered by internal control procedures, the management also prepared a list of internal control procedures already laid down formally in writing.
- these procedures were also evaluated in the light of risk control requirements and as necessary adjusted; this work was partly wrapped up in 2003. The remainder is currently being completed.
- evaluation also made it possible to implement a procedure to update the database.
- each manager involved in aspects whose internal control procedures require further analysis has been asked to develop an adequate formal risk control procedure during 2004 and in any event before 30th June 2005.

## 2.2. Inspection environment

### 2.2.1. Inspection environment within the Group: internal control bodies

#### **2.2.1.1. Audit committee**

There is no Audit committee.

#### **2.2.1.2. Self-assessment of internal control**

The Group has long used a self-assessment process to check the effectiveness of internal procedures. In 2003, it was analysed in depth in order to give it a formal structure. Self-assessment involves an annual review by each manager of existing procedures in order to check their exhaustiveness and relevance. This process was strengthened by the update procedure implemented in 2003. In 2003, management inter alia lay down an internal control assessment standard, applicable in most areas from 2004 onwards. In the future, each manager must conduct an annual review of all internal control points for which he is responsible. He must examine content, organisation, homogeneity and validity. On completion of the annual review, the department managers will propose general management to:

- fill gaps in existing procedures revealed during the annual review, or
- update the documents, or
- create a new procedure for points not yet covered by existing procedures. General management will oversee application of this process, determine the relevance of the proposed upgrades and validate their content.

#### **2.2.1.3. Executive Committee**

The Executive Committee consists of the following members:

- Chairman & Managing Director, Otor SA
- Delegate General Manager
- Chief Financial Officer
- Vice President Technical Operations
- Vice President Human Resources
- Vice President Marketing and Development
- Vice President Operations
- Vice President Paper Mills
- one representative from the corrugated board business (replaced every six months)
- two representatives from the main minority shareholder, Carlyle.

The Executive Committee meets every two weeks to discuss:

- standing business, such as the paper mill in Rouen, product innovation, estimated financial results of the past month, debt, cash projections;
- topical issues (procurement, personnel, follow-up of activity at the paper mill in Rouen, Otor Silesia, investments, etc.). This Committee examines all important corporate decisions (such as opening and shutdown of sites, etc.).

#### **2.2.1.4. Corporate Financial Committee**

This Committee was set up in September 2003. It meets twice a month. Its membership consists of the Chairman & Managing Director, the Delegate General Manager, the Chief Financial Officer, the Vice President Operations (inter alia in charge of the budgetary process and financial reports), the Vice President Accounting and Tax and the Corporate Treasurer. The objective of this Committee is to develop and implement the corporate financial and accounting policy and to examine general issues connected with financing, accounting, reports and the cash position of the Group and its subsidiaries. This is the forum where Otor Group's main financial and accounting decisions are taken.

#### **2.2.1.5. Decision-making meetings and cross-functional briefings**

In addition to the foregoing, regular meetings are held (generally once a month) to take certain decisions and to circulate information.

These meetings are:

- meeting of corrugated board managers
- meeting of paper mill managers
- meeting of sales managers
- meeting of technical managers
- meeting of product managers
- meeting to monitor patents, licence agreements and patent disputes
- meeting of head office managers
- meeting of accounting and financial managers
- meeting of human resource managers

#### **2.2.2. Inspection environment outside the group**

The OTOR group is listed on the Second Marché. It is therefore subject to stiff requirements and regulatory supervision by:

#### **2.2.2.1. AMF (Autorité des Marchés Financiers)**

Created by the Financial Security Act, the Autorité des Marchés Financiers pools the former Commission des Opérations de Bourse (COB), Conseil des Marchés Financiers (CMF) and Conseil de Discipline de la Gestion Financière (CDGF). One of its key missions is to check that companies disclose complete high-quality information, released fairly and on time to all stakeholders.

#### **2.2.2.2. Statutory auditors**

Two statutory auditors audit the Group at the level of the holding company.

### **2.3. Procedures for preparing and processing accounting and financial information**

#### **2.3.1. Procedures for preparing and processing accounting information**

##### **2.3.1.1. Organisation of accounting and financial function**

The accounting and financial function is the responsibility of the Delegate General Manager, who supervises both the Financial department and the Accounting and Tax department. The budget and reporting function is directly answerable to the Chairman & Managing Director. Procedures for subsidiaries are sent in the form of memorandums for their chairmen and accountants and announced at two annual meetings (generally a few weeks prior to the cutoff dates) between the Corporate Financial and Accounting departments and the accountants of the Subsidiaries. The information at the disposal of the Corporate Financial and Accounting departments is updated and underpinned by means of subscriptions to accounting and tax magazines, traditional accounting manuals and reference books and participation in vocational training seminars.

##### **2.3.1.2. Procedures and systems for compiling the presentation of accounting data**

Before every interim and annual cutoff, the Corporate Accounting and Tax department lays down procedures and systems for compiling the presentation of accounting data, which it sends to the Subsidiaries.

##### **2.3.1.3. Consolidation procedures**

The Group's consolidated financial statements are prepared in accordance with the laws and regulations in force in France (Regulation 99-02). These standards require the restatement of non-consolidated accounts in order to factor in the features of consolidated accounts. The Corporate Accounting and Tax department is responsible for the necessary verifications and inspections, particularly of the organisation and procedures implemented to ensure the homogeneity of the accounts included in the consolidation structure. These procedures include:

- mandatory allocation of accounts according to the consolidation codes
- preparation of non-consolidated accounts according to an identical structure and in standard format (reporting package)
- review and verification of all packages by the consolidation manager
- arrangement of a hot line during the cutoff period, manned by the consolidation manager
- centralisation of consolidation entries
- whenever possible, application of methods at foreign subsidiaries which are analogous to the French methods.

##### **2.3.2. Procedure for monitoring off balance sheet commitments**

The head office keeps a central file which is updated every year to reflect guarantees granted, etc. by the Board of Directors. Discounted trade bills not yet due are monitored on a monthly basis as part of a special procedure. At the end of the year, this figure is checked against the figure in the consolidation file.

##### **2.3.3. Procedures for preparing and filing tax documents and applying tax regulations**

All managers of the group who are concerned keep a "watch" whose results are pooled by the Corporate Tax manager and disseminated to all subsidiaries. A cross-functional manager is appointed to make an in-depth analysis of certain specific points, to contact the Board of Directors or the tax authorities as necessary and to send the relevant information to all subsidiaries via the Corporate Accounting and Tax department.

##### **2.3.4. Reporting procedures**

###### **Monthly reports**

Every month, the subsidiaries send computerised management packages to the head office management department. These packages are not intended for accounting but to provide the managers of the Group and its subsidiaries with management and budget comparison indicators. The management packages provide different types of information,

particularly including an income statement, both in general form and broken down by business line (in the form of a management account). This key data are aggregated by activity, allowing management to produce a monthly income statement (in the form of a management account) with consolidated management data.

#### **Budgetary procedure**

The budgets of the Group's are prepared each year in October/November by the management of each unit and submitted for approval to Corporate Management in December. Each activity has its own presentation format: Recycling /Paper/Board/Board packaging/Holding companies. The final figures are presented in the same format as used for the monthly reports, which facilitates comparison between budgeted and real figures. Each budget is prepared according to a homogeneous methodology, which the Corporate Budget manager verifies directly with the subsidiaries. A consolidated budget is prepared at the head office, based upon the budgets prepared by the subsidiaries and approved by Corporate Management.

### **2.4. Other Procedures**

#### **2.4.1. Procedures for monitoring production (paper, board, mechanisation, other)**

The Group has many statistics and data allowing the Corporate Vice President Technical Operations to monitor production in real time.

These statistics are prepared on a daily, weekly, monthly, quarterly and annual basis. They provide detailed summaries of production at all plants, including machine hours, production hours, working hours, down time, areas, tonnages, etc., as well as changes from earlier periods, which permits real-time analysis of differences and the implementation of any necessary correction measures.

The same process is used to inspect the maintenance budget of Otor Group's corrugated board plants and paper mills and to monitor investment requests against the budget for each plant and against actually accepted requests.

Management also inspects the way each plant recognises fixed assets in the accounts and monitors fixed assets compared with the technical budgets for the entire Group.

This procedure also factors in alignment of budgetary preparations for the investments to be provided for each plant, consolidation of investment budgets and comparison with the Group's overall budget.

The Corporate Vice President Technical Operations also monitors changes in the productivity indicators of Group's machinery over the long term (ten years).

#### **2.4.2. Procurement and storage procedures**

- Suppliers: the main suppliers of materials and energy are assessed and approved according to criteria laid down by the head office.
- Transport: most carriers entering an Otor plant are given a set of safety rules for loading/unloading operations. Liquids and powder are delivered in tanks by their suppliers, who are responsible for checking that their tanks are clean and in possession of certificates that they have been washed by an officially approved centre.
- Waste removers: waste removers must at all times be able to show their licence and inform us of the destination of the waste.
- New installations and machinery: when the Group buys new installations or machinery, safety and environmental criteria are systematically analysed and included in our procurement criteria.

#### **2.4.3. Procedures for monitoring commitments, investments and fixed assets and for implementing technical resources**

Appropriation of funds for investments requires the prior signature of an investment request by the Group's Chairman & Managing Director, the Vice President Technical Operations and, in the case of investments requiring bank facilities, the Chief Financial Officer.

#### **2.4.4. Payroll and human resource management procedures**

For reasons of confidentiality, the wages of the Group's French executives are processed at the head office at the same time as the wages of the staff of the holding company. Moreover, all labour decisions - all companies and employee categories combined - are taken after dialogue between the Group's Chairman, the management teams of the subsidiaries and the Corporate Human Resources department.

#### **2.4.5. Debt and cash management procedures**

In 2001, management implemented a cash projection model known as the cash flow projection table, based upon accounting data and shared by all of the Group's companies.

This model is used to establish the annual cash budget (each year in November for year n+1) and to update projections on a monthly basis (monthly cash flow projection table) for the three months ahead. This is used to determine to which a negative cash flow, if any, generated during the period under review can be covered by unused short term facilities.

Every day, the real potential cash position is calculated and compared with the projected potential cash position in order to determine whether the change in cash position reflects projections. In the case of a significant difference, an analysis is conducted in order to determine whether a corrective measure is required.

Moreover, management prepares every month a table monitoring changes in the Group's debt by type of debt and by subsidiary, including monthly maturities for the current year and annual maturities until the final repayment date.

#### **2.4.6. IT security procedures**

The main procedures are:

- physical security of hardware and software. Servers at main sites are grouped in a fully equipped air-conditioned IT room.

As most applications are installed on site, Otor uses outsourcing contracts for maintenance and rapid repair services for servers and printers.

- Network security

Important links are backed up by a Numéris (ISDN) line between each site and Global Intranet. Internet connections are protected by a firewall and antivirus software.

- Access management

The Group's IT department centralises the creation and management of user accounts: such accounts are requested by department managers.

- Backup procedure

At each site, two persons are responsible for making nightly backups.

In early 2004, the Group recruited an IT security manager, whose role is inter alia to upgrade the security procedure.

#### **2.4.7. R&D and quality supervision procedures**

R&D procedures reflect the research plan for each of the Group's activities, whose aims align with the Group's packaging objectives. A central unit at the head office in Paris is charged with overseeing eight regional centres, directing research, ensuring transfer of studies between offices, coordinating operations and keeping a watch on the international research environment.

This team is also responsible for monitoring patents.

It further oversees the development of specific modelling and simulation programmes.

Machines are developed by the design unit of Otor Systems, which has the same CAD-CAM hardware and software as the corrugated board plants.

#### **2.4.8. Environmental, health and safety procedures**

##### **Environment**

One of the Group's procedures is to describe the rules governing oversight and measure of Otor Group's environmental indicators, defined in order to:

- track significant environmental aspects,
- monitor the achievement of objectives and the targets of the Environmental Management Programme,
- check compliance with the applicable regulations and other constraints,
- handle internal and external requests.

The persons responsible for monitoring this procedure are: the management of OTOR group and the managers of all of the Group's sites.

##### **Quality supervision**

All French corrugated board plants and Normandie Ondulé are in possession of an ISO 9001 certificate. The French paper mills have the ISO 9002 certificate except for Otor Picardie, which was awarded the AFAQ certificate based upon the ISO 9001 standard.

As part of preparations for these certificates, the subsidiaries concerned implemented in-depth quality control and assurance procedures.

#### **2.4.9. Insurance procedures**

The insurance procedures are monitored by a head office manager who oversees the Group's policies and supervises claims management in coordination with the subsidiaries.

Durand et Associés  
Statutory auditors  
113, avenue Victor Hugo  
16100 Cognac

Barbier Frinault & Cie  
Ernst & Young  
Statutory auditors  
Tour Ernst & Young  
11, allée de l'Arche  
92097 Paris-La Défense Cedex

Statutory auditors' report pursuant to the last paragraph of article L. 225-235 of the Commercial Code, on the report of the Chairman of Otor's Board of Directors with regard to the internal control procedures applied to the preparation and processing of accounting and financial information

To the shareholders:

In our capacity as Otor's statutory auditors and pursuant to the last paragraph of article L. 225-235 of the Commercial Code, we herewith present our report on the report drafted by the Chairman of your company under article L. 225-37 of the Commercial Code for the fiscal year ended 31st December 2003. Under the aegis of the Board of Directors, management is responsible for developing and implementing adequate and effective internal control procedures. It is the responsibility of the Chairman to report inter alia on the way the Board's work is prepared and organised and on the company's internal control procedures. It is our responsibility to inform you of any comments on the data given in the Chairman's report on the internal control procedures applied to the preparation and processing of accounting and financial information. Our work reflects professional principles and standards applicable in France, which require tests and checks to evaluate the accuracy and fairness of the data in the Chairman's report about the internal control procedures applied to the preparation and processing of accounting and financial information. These checks consisted mainly in:

- acquainting ourselves with the objectives and general organisation of the internal control system and with the internal control procedures applied to the preparation and processing of accounting and financial information described in the Chairman's report;
- acquainting ourselves with the work underlying the data given in this report.

Based upon this work, we have no comment on the data given in the report of the Chairman of the Board of Directors on the internal control procedures applied to the preparation and processing of accounting and financial information described in the Chairman's report, drawn up in accordance with the last paragraph of article L. 225-37 of the Commercial Code.

Paris-La Défense and Cognac, 13th May 2004

The statutory auditors

Durand et Associés  
Philippe Durand

Barbier Frinault & Cie  
Dominique Thouvenin

## RESULTS FOR THE LAST FIVE YEARS

### Results (and other key figures) for the last five years

Item	1999 EUR	2000 EUR	2001 EUR	2002 EUR	2003 EUR
<b>1- CAPITAL AT THE END OF THE YEAR</b>					
Share capital	85 900 194	22 167 792	22 167 792	22 167 792	22 167 792
Number of ordinary shares outstanding	6 927 435	22 167 792	22 167 792	22 167 792	22 167 792
Number of non-voting preference shares outstanding	-	-	-	-	-
Maximum number of future shares to be created	-	-	-	2 032 052	2 032 052
• by bond conversion	-	-	-	-	-
• by exercise of warrants	-	-	-	2 032 052	2 032 052
<b>2- OPERATIONS AND RESULTS</b>					
Net sales	10 440 004	13 350 711	11 964 527	11 163 614	11 984 231
Income before tax, employee profit sharing and Depr., Prov., and Amort.	-10 682 418	4 772 054	7 985 570	11 192 492	14 457 617
Corporation tax	-5 509 957	-7 959 365	-3 297 110	-2 608 060	-3 955 643
Employee profit sharing	0	0	0	0	0
Income after tax, employee profit sharing and DPA	-4 715 130	6 266 871	2 102 088	9 681 971	-8 723 846
Distributed profit	0	0	0	0	0
<b>3- EARNINGS PER SHARE</b>					
Earnings after tax and employee profit sharing but before DPA	-0.75	0.57	0.51	0.62	0.83
Earnings after tax, employee profit sharing and DPA	-0.68	0.28	0.09	0.44	-0.39
Dividend per share	0.00	0.00	0.00	0.00	0.00
<b>4-PERSONNEL</b>					
Average workforce	47	49	36	36	38
Payroll	2 972 869	3 098 747	2 880 706	3 359 162	2 973 412
Employee benefits (social security, social works, etc.)	1 346 510	1 458 023	1 230 003	1 462 164	1 287 663

### Securities held by the group

EUR	No. of securities	Unit purchase price	Unit market price on 31.12.2003	Total provision on 31/12/2003	Total net book value on 31/12/2003	Total market value on 31/12/2003
OTOR BRETAGNE - Ecureuil Expansion	7	14 614.31	15 678.86	0	102 300.17	109 752.02
OTOR - Ecureuil Expansion	39	15 676.92	15 678.86	0	611 400	611 475.54
TREASURY STOCK	22 974	17.29	3.52	313 634	83 625	80 868.48

## CONSOLIDATED FINANCIAL STATEMENTS

## BALANCE SHEET

	NOTES	2003 <i>Eur 000</i>	2002 <i>Eur 000</i>
<b>ASSETS</b>			
Intangible assets	3	85 109	85 038
Tangible assets	4	185 584	183 825
Financial assets	5	5 099	4 885
Goodwill not taken to specific accounts	6	1 410	1 569
<b>Total fixed assets</b>		<b>277 202</b>	<b>275 317</b>
Inventories	7	66 202	65 769
Trade receivables	8	82 688	77 436
Other receivables	8	10 424	13 545
Accruals (incl. prepaid expenses)	8	4 772	5 602
Charges taken to future fiscal years	9	2 099	4 616
Cash and investment securities	13	6 546	10 192
<b>Total current assets</b>		<b>172 731</b>	<b>177 160</b>
<b>TOTAL ASSETS</b>		<b>449 933</b>	<b>452 477</b>
<b>LIABILITIES</b>			
Capital		22 168	22 168
Issues premiums		41 594	41 594
Reserves-group shares		94 222	82 899
Net attributable income		4 346	11 872
<b>Total equity-group share</b>	<b>10</b>	<b>162 330</b>	<b>158 533</b>
Minority interests	10	4 382	4 407
<b>Subtotal</b>		<b>166 712</b>	<b>162 940</b>
Badwill taken to specific accounts	11	2 287	2 287
Provisions	11	22 525	28 078
Subsidies and grants	12	108	112
Medium and long-term borrowings and debt	13	99 117	106 541
Employee profit sharing	13	8 695	6 035
<b>Subtotal</b>		<b>299 444</b>	<b>305 993</b>
Short-term borrowings and debt	13	38 522	28 610
Trade payables		73 491	71 336
Other debts	14	38 476	46 538
<b>TOTAL LIABILITIES</b>		<b>449 933</b>	<b>452 477</b>

## INCOME STATEMENT

	NOTES	2 003 <i>Eur 000</i>	2 002 <i>Eur 000</i>
Sales	16	405 761	409 021
Other income from operations	16	16 152	19 896
<b><i>Total income from operations</i></b>		<b><i>421 913</i></b>	<b><i>428 917</i></b>
Raw materials supplies, other purchases and external charges	16	-244 026	-236 458
Other operating charges	16-17	-122 001	-121 475
Profit sharing	17	-2 899	-3 767
Appropriations to amortization of charges taken to future fiscal years		-3 622	-6 691
<b><i>Gross operating income</i></b>		<b><i>49 365</i></b>	<b><i>60 526</i></b>
Appropriations to Depreciation, Provisions and Amortization	16	-29 229	-29 632
<b><i>Operating profit</i></b>		<b><i>20 136</i></b>	<b><i>30 894</i></b>
Net financial income (expense)	18	-10 074	-10 576
<b><i>Income before tax and extraordinary items</i></b>		<b><i>10 062</i></b>	<b><i>20 318</i></b>
Net exceptional income	19	-1 946	-2 997
Corporation tax	20	-3 285	-6 258
Amortization of goodwill		-159	-159
Net income before adjustment of financial leases from previous years		<b><i>4 672</i></b>	<b><i>10 904</i></b>
Income in relation to previous years from accounting adjustment of financial lease restatements	20		1 243
<b><i>Net income</i></b>		<b><i>4 672</i></b>	<b><i>12 147</i></b>
Minority interests		326	275
Net attributable income		4 346	11 872
Net attributable income per share (EUR)		0,20	0,54

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been prepared in accordance with the laws and regulations currently in force in France, notably the act of 3 January 1985, the decree of 17 February 1986 and the government order of 9 December 1986 adapted to take into account International accounting principles for the tangible assets.

### **NOTE 1 - CONSOLIDATION PRINCIPLES AND METHODS**

#### *Consolidation scope*

The consolidation scope includes 24 companies.

All consolidated companies close their financial statements on 31 December. The ownership percentages are given in the table below.

On 31 December 2003, Société Rouennaise de Participations (formerly Otor Papeterie de Rouen) contributed its paper business to Otor Papeterie de Rouen. (created in November 2003 under the name Papeterie de Rouen), and its carton business to Otor Cartonnerie de Rouen (created in November 2003 under the name Cartonnerie de Rouen). This change in consolidation structure did not affect the comparability of the consolidated financial statements.

#### *Consolidation method*

Companies in which the Group holds exclusive control are fully consolidated.

Companies in which the Group holds joint control with a limited number of partners are consolidated according to the French proportional consolidation method.

Companies in which the Group has significant influence are consolidated according to the equity method.

Subsidiaries and interests of marginal size compared with the assets, financial situation and results of the group formed by the consolidated companies are not consolidated but included under the heading "Other interests".

#### Consolidated companies

Companies	% of interest and control	Consolidation method
OTOR	Parent company	
OTOR BENELUX	99,97	full consolidation
OTOR BRETAGNE	95,04	full consolidation
OTOR DAUPHINE	99,99	full consolidation
OTOR GmbH	95,20	full consolidation
OTOR GODARD	99,99	full consolidation
OTOR NORMANDIE	95,08	full consolidation
OTOR PAPETERIE DE ROUEN	99,99	full consolidation
OTOR CARTONNERIE DE ROUEN	99,99	full consolidation
SOCIETE ROUENNAISE DE PARTICIPATIONS	99,99	full consolidation
OTOR PICARDIE	99,97	full consolidation
OTOR RIQUET	99,99	full consolidation
OTOR SERVICES	99,99	full consolidation
OTOR SILESIA	97,75	full consolidation
OTOR SUISSE	99,20	full consolidation

OTOR SYSTEMS	98,10	full consolidation
OTOR VELIN	95,21	full consolidation
OTOR UK	100,00	full consolidation
ETUIS COGNAC	99,99	full consolidation
DELAIRE RECYCLAGE	95,02	full consolidation
NORMANDIE ONDULE	95,07	full consolidation
PINEL RECYCLAGE	47,49	consolidation according to the equity method
SARL CZULOW	78,69	full consolidation
GIE OTOR INVESTISSEMENT	99,99	full consolidation

### ***Conversion of financial statements denominated in foreign currencies***

The financial statements of the subsidiaries are converted at the exchange rate at the close of the fiscal year:

- all assets and liabilities are converted at the exchange rate at the close of the fiscal year;
- items of the income statement and annual income are converted at the average annual exchange rate.

Translation differences are taken to consolidated reserves.

### ***Elimination of transactions***

Intercompany accounts and transactions are eliminated. In view of their marginal character, intercompany operating profits are not adjusted. When significant, gains on intercompany equipment sale or transfers are eliminated.

## **NOTE 2 - VALUATION PRINCIPLES AND METHOD**

Otor's consolidated financial statements have been prepared according to the valuation principles used for the parent company's financial statements, except for the following items:

- leased fixed assets (note 2.8);
- recognition of ISO 9000 certification costs under charges taken to future fiscal years (note 9);
- treatment of deferred taxation (note 2.7).

### **1. R & D**

For many years, the Group has pursued a major R&D strategy, which has led to registration of many patents. Almost all expenses are recorded under operating charges.

The cost of researching new packaging devices is immediately taken to charges. Certain specific costs, connected with clearly identified projects whose expenses can be individualised on a reliable basis and for which the existence of a potential market has been shown, are taken to fixed assets and amortized over 5 years, or 10 years when resulting in a patent. The patent registration fees paid in France and other countries are taken to fixed assets.

In certain cases, Otor may assign certain patents for limited geographical areas. The net value of such assignments is taken to operating profit, like licenses.

Capitalized R&D focuses almost entirely in the field of mechanisation (development of new packaging and packing machine concepts).

## 2. Intangible assets

- **Market shares**

In 1989, the Group wrapped up the restructuring of its divisions and formed a homogeneous packaging unit by contributing companies acquired or created in different phases, each of which operates a box plant and a paper mill in France.

At the time of their contribution, these companies were valued according to traditional methods for this type of transaction, both legally (statutory appraisers) and financially (valuation method based on mathematic values and yield), backed by independent valuations. The following main elements were used:

- restated income (before exceptional items);
- revalued net asset value.

These contributions generated consolidation surpluses. Two companies, Otor Godard and Etais Cognac, were not contributed but valued according to the same methods as the contributed companies in order to reflect the revaluation of the consolidated group.

In 1991, when the Group was first consolidated as such, in line with CNC recommendation 85 of April 1990, these consolidation surpluses were taken to a specific account. In view of the specific features of the industrial sector, their valuation as market shares was most representative.

During the last 20 years, the Group's commercial position in France has grown sharply, helped by considerable efforts to acquire know-how, and to set up technical, commercial, training and marketing structures. These initiatives led to the creation of a proprietary concept combining the materials and the specific features of the industrial base with efforts to gear products optimally to customer needs.

The value of these market-shares was confirmed by an independent valuation. It is checked each year by repeat valuations using calculation methods based primarily on cash flow and sales:

- the first calculation is based on restated cash flow (before exceptionals);
- the second calculation is based on the weighting of restated cash flow and consolidated board sales.

The multiples are reviewed:

- when transactions involving companies in this segment are likely to have affected these multiples;
- when Otor's market share changes significantly (1.5 point up or down).

The calculation criteria (cash flow, sales, market share) are calculated according to the same consolidation scope as their initial calculation.

These market shares are not amortized but may result in depreciation provisions when their value has decreased in the light of these methods.

- **Other fixed assets**

Intangible assets other than market share are valued at historic cost.

Amortization is calculated according to the straight-line method based on the following durations:

- Start-up costs..... 3 to 5 years
- Business value..... 5 years
- Software..... 1 to 5 years

- Patents..... 5 or 10 years (*see note.2.1.*)
- Research and development costs taken to charges or amortized over 5 years (*see note.2.1.*)

### 3. Tangible assets

- ***Valuation and duration of depreciation***

Tangible assets are valued at historic cost. Depreciation is calculated according to the line-line method based on the expected working life and the nature of the asset.

The durations are as follows:

- Buildings..... 20 to 30 years
- Plant and machinery: new ..... 2 to 20 years
- Plant and machinery: second-hand 2 to 10 years
- Other tangible assets:..... 2 to 10 years.

- ***Maintenance charges and capital expenditure***

Analysis of machine maintenance shows that certain expenses connected with replacements or conversions go beyond standard replacement and improve performance and/or extend working life.

Replacements or conversions resulting in improvement are recorded under fixed assets at total cost (parts and labor).

The number of such restatements was recently boosted by the impact of technological changes, aging machinery and stronger focus on performance and safety, significantly lowering overhaul expenses recorded under charges taken to future fiscal years.

The increase in maintenance taken to fixed assets in 2003 was driven by:

- the fire of machine 3 and its conversion for the manufacture of testliner
- work in anticipation of increased demand in 2004

Moreover, application of this method was refined, tweaking the amounts taken to fixed assets by about EUR 1 million.

### 4. Financial assets

- ***Goodwill not taken to a specific account***

Goodwill corresponds to the balance after allocation to identifiable assets of the difference between the acquisition price of the consolidated companies and the Group's interest in their capital on the acquisition date.

Such goodwill is amortized over 20 years except under special circumstances.

- ***Interests in companies consolidated by equity method***

Interests in the equity (including the annual result based on consolidation rules) of equity affiliates are recognized in this account.

## 5. Inventories

- **Finished products**

Inventories include finished and unfinished board products as well as paper to be sold outside the Group.

Inventories are valued at cost. When cost is higher than market value, a depreciation is recorded.

The cost of finished board products is in most cases estimated, applying a rebate coefficient of 5 to 30% to the sales price.

- **Raw materials**

Paper supplied by the Group's paper mills is valued at market price. Other stocks are valued at cost. The FIFO method is used.

## 6. Translation differences

Unrealized currency losses or gains in the accounts of the consolidated companies are immediately taken to financial charges or income.

## 7. Taxation

Deferred taxes are recognized according to the broad interpretation and therefore include all temporary differences between book income and tax income.

However, deferred tax credits connected with tax loss carry-forwards are provisioned save when, exceptionally, the Group is highly likely to use these losses in the future.

Deferred taxes are booked according to the flow-through (liability) method. Changes in the tax rate therefore immediately affect annual income.

Valuation of deferred tax credits and liabilities factors in the 3% surtax and the social security contribution. Hence they are calculated at a rate of 35.43%.

## 8. Leases

Financial leases with a unit value of over EUR 10,000 and the resulting obligations are recognized in the consolidated balance sheet under fixed assets and depreciation, on the one hand, and under medium and long-term borrowings and debt, on the other.

In line with IASC standards, lease contracts are regarded as financial leases when the contracts provides for most of the risks and benefits inherent in ownership to be transferred to the lessee, e.g.:

- when ownership is automatically transferred on termination of the lease;
- or when a purchase option is likely to be exercised during or on termination of the lease;
- or when the term of the lease is close to the asset's operating life;
- or when the discounted value of the minimum payments is close to the fair value.

Leased equipments installed at Group's customers premises, which allow to sell Group's products to such customers and which are not intended to remain the Group's property, are not restated as fixed assets.

### **NOTE 3 - INTANGIBLE ASSETS**

(EUR 000)

<b>Gross</b>	<b>31.12.02</b>	<b>Increase</b>	<b>Decrease</b>	<b>31.12.03</b>
Market share	80 011			80 011
Business value	770			770
Patents and R&D	11 004	939		11 943
Other	6 409	787	186	7 010
<b>Total</b>	<b>98 194</b>	<b>1 726</b>	<b>186</b>	<b>99 734</b>

The gross value of leased intangible assets amounted to EUR 2.0 million.

Geographical breakdown : entirely within the European Union

<b>Amortization</b>	<b>31.12.02</b>	<b>Increase</b>	<b>Decrease</b>	<b>31.12.03</b>
Business value	505	98		604
Patents and R&D	8 049	784		8 833
Other	4 602	771	185	5 188
<b>Total</b>	<b>13 156</b>	<b>1 653</b>	<b>185</b>	<b>14 625</b>

### **NOTE 4 - TANGIBLE ASSETS**

(EUR 000)

<b>Gross</b>	<b>31.12.02</b>	<b>Increase</b>	<b>Decrease</b>	<b>31.12.03</b>
Land	8 363	200		8 563
Buildings	80 596	5 337	1 031	84 902
Plant and machinery	330 051	25 268	12 062	343 257
Other	15 617	2 055	2 557	15 115
Advances and installments, construction in progress	5 584		2 407	3 177
<b>Total</b>	<b>440 211</b>	<b>32 860</b>	<b>18 057</b>	<b>455 014</b>

Decreases include a currency translation difference of EUR 2,411,000.

<b>Depreciation</b>	<b>31.12.02</b>	<b>Increase</b>	<b>Decrease</b>	<b>31.12.03</b>
Buildings	38 214	3 955	639	41 530
Plant and machinery	207 283	21 215		228 498
Other	10 889	1 379	10 523	21 745
<b>Total</b>	<b>256 386</b>	<b>26 549</b>	<b>2 343</b>	<b>284 592</b>

The decrease in depreciation included a currency translation difference of EUR 1,297,000.

The gross value of leased tangible assets amounted to EUR 68.0 million (including EUR 17.7 million for land and buildings and EUR 41.0 million for plant and machinery).

Geographical breakdown of net tangible assets:

European Union: EUR 176.0 million      Poland: EUR 9.6 million

## **NOTE 5 - FINANCIAL ASSETS**

*(EUR 000)*

	<b>2003</b>	<b>2002</b>
Affiliates consolidated under the equity method	415	389
Loans	4 006	3 922
Other	678	574
<b>Gross total</b>	<b>5 099</b>	<b>4 885</b>

## **NOTE 6 - GOODWILL NOT TAKEN TO SPECIFIC ACCOUNT**

*(EUR 000)*

	<b>2003</b>	<b>2002</b>
Gross value	3188	3188
Amortization	(1 778)	(1 619)
<b>Net</b>	<b>1410</b>	<b>1569</b>

Geographical breakdown: entirely within the European Union

## **NOTE 7 - INVENTORIES**

*(EUR 000)*

	<b>2003</b>	<b>2002</b>
Raw materials, supplies and goods	44 204	45 824
Finished products	21 998	19 945
<b>Total</b>	<b>66 202</b>	<b>65 769</b>

Finished products include paper stocks for sale outside the Group.

## **NOTE 8 - TRADE RECEIVABLES AND OTHER RECEIVABLES**

*(  
EUR 000)*

<b>Trade receivables</b>	<b>2003</b>	<b>2002</b>
Trade receivables	86 406	81 807
Provisions	(3 718)	(4 371)
<b>Net</b>	<b>82 688</b>	<b>77 436</b>

All trade receivable accounts are regularly reviewed and analysed individually.

Bad debts are fully provisioned.

There are no statistical provisions. However, if certain customers present special risks, risk provisions are taken.

<b>Other receivables</b>	<b>2003</b>	<b>2002</b>
Other receivables	10 535	13 662
Provisions	(111)	(117)

Other receivables in 2003 included recoverable VAT of EUR 6,700,000 (EUR 6,700,000 in 2002). Net trade receivables and other receivables are due within 1 year.

<b>Accruals</b>	<b>2003</b>	<b>2002</b>
Treasury stock	84	23
Prepaid expenses	927	792
Net deferred tax assets	3 761	4 787
<b>Total</b>	<b>4 772</b>	<b>5 602</b>

<b>Deferred tax assets</b>	<b>2003</b>	<b>2002</b>
Gross	5 056	21 512
Provisions	(1 295)	(16 725)
<b>net</b>	<b>3 761</b>	<b>4 787</b>

Provisioned deferred tax assets represent the losses that of those subsidiaries - which are now included in the tax consolidation group - incurred before they were added to the tax consolidation group, as well as the deferrable losses and non-deductible provisions of the Polish companies.

#### **NOTE 9 - CHARGES TAKEN TO FUTURE FISCAL YEARS**

<i>(EUR 000)</i>	<b>2003</b>	<b>2002</b>
Start-up costs	747	2 997
Maintenance and linings	1 065	1 226
ISO 9000 certification costs	114	179
Cost of borrowings	0	98
Other	173	116
<b>Total</b>	<b>2 099</b>	<b>4 616</b>

ISO 9000 certification costs are amortized over 5 years from the certification date. Maintenance and the linings of certain paper machines are amortized over at most 12 months.

Start-up costs are costs incurred when equipment is taken into use, during the interim period between completion of installation and use at normal production capacity. This heading covers all costs incurred during the start-up period until normal operation. They are amortized over 5 years.

These mainly represent the remaining start-up costs of Otor Papeterie de Rouen.

## **NOTE 10 – SHAREHOLDERS NET EQUITY**

euros 000	Capital	Issue premiums	Consolidated reserves	Annual profit (loss)	Total equity	Minority interests
Net worth on 1 January 2002	22 168	41 594	79 525	3 828	147 115	4 575
Profit (loss)			3 828	8 044	11 872	275
Dividends						(311)
Currency gains and miscellaneous			(454)		(454)	(132)
Subscription of warrants						
Change in consolidation scope						
Net worth after profit on 31 December 2002	22 168	41 594	82 899	11 872	158 533	4 407
Profit (loss)			11 872	(7 526)	4 346	326
Dividends					-	(267)
Currency gains			(564)		(564)	(84)
Subscription of warrants			15		15	
Change in consolidation scope					-	
Net worth after profit on 31 December 2003	22 168	41 594	94 222	4 346	162 330	4 382

### **Warrants**

In the fourth quarter of 2001, Otor launched a warrant issue for the Group's executives at a price of EUR 0.15 per warrant in two tranches:

- 1,231,286 were subscribed by GIE Otor Investissement,
- 800,766 were subscribed by the Group's managers.

The warrants owned by GIE Otor Investissement are also intended to be sold at the same price to the Group's executives. The exercise period is five years. Each warrant permits subscription of one Otor share at a price of EUR 3. Exercise of these warrants is subject to several conditions described in the contract note signed by the COB and recorded under number R 00-177.

These warrants may only be exercised if the theoretical internal rate of return generated by investments made by Otor Finance in Otor SA since 12 May 2000 is 30% or more.

## **NOTE 11 - PROVISIONS**

(EUR 000)

### **11.1 Badwill taken to specific accounts**

	31.12.03	31.12.02
OTOR PAPETERIE DE ROUEN retirement funds	2 287	2 287

### **11.2 Other provisions**

	31.12.02	Increases	Decreases	31.12.03
Risk provisions	5 262	269	1 516	4 015
Charge provisions	3 265	236	1 978	1 523
Net deferred tax provisions	19 551		2 564	16 987
<b>Total</b>	<b>28 078</b>	<b>505</b>	<b>6 058</b>	<b>22 525</b>

All provisions for unrealized taxes are recorded as deferred tax provisions and valued at a rate of 35.43%. These provisions mainly consist of deferred taxation on the consolidation entry of Otor Papeterie de Rouen (EUR 12.6 million), restated finance leases (EUR 3.8 million) and charges to be taken to future fiscal years (EUR 1.6 million).

#### **NOTE 12 - SUBSIDIES AND GRANTS**

(EUR 000)

	<b>31.12.02</b>	<b>Increases</b>	<b>Decreases</b>	<b>31.12.03</b>
Subsidies related to capital expenditure	112	10	14	108

#### **NOTE 13 - BORROWINGS AND DEBTS**

Medium and long term borrowings and debts include payment dates of less than one year for these borrowings.

##### **13.1 Breakdown by type and maturity**

(EUR 000)

Maturities	Medium and long-term borrowings from credit institutions	Trade payables and miscellaneous	Blocked profit sharing accounts	Total long-term debt	Short-term borrowings and debts	<b>Total</b>
2004	19 943	311	307	20 561	38 522	59 083
2005/2008	75 323	229	8 388	83 940		83 940
Longer term	3 223	88		3 311		3 311
<b>Total</b>	<b>98 489</b>	<b>628</b>	<b>8 695</b>	<b>107 812</b>	<b>38 522</b>	<b>146 334</b>

Medium and long-term borrowings and debts to credit institutions include EUR 28.2 million from lease contracts restated as borrowings.

##### **13.2 Medium and long- term debts**

(EUR 000)

	<b>31.12.02</b>	<b>Increases</b>	<b>Decreases</b>	<b>31.12.03</b>
Medium and long-term borrowings and debts to credit institutions	104 932	12 414	18 858	98 488
Miscellaneous Borrowings and debts	7644	3737	2057	9 324
<b>Total</b>	<b>112 576</b>	<b>16 151</b>	<b>20 915</b>	<b>107 812</b>

##### **13.3 Short-term debt**

(EUR 000)

	<b>2003</b>	<b>2002</b>
Operating facilities	38 522	28 610
Cash	(6 472)	(9 124)
Investment securities		(1 068)
<b>Total</b>	<b>32 050</b>	<b>18 418</b>

##### **13.4 Rate hedges**

The entire short-term debt is at a floating rate.

Medium and long-term debt breaks down in EUR 35.4 million at fixed rate and EUR 77.2 million at floating rate. The base rate for floating-rate debt is the EURIBOR.

The rate hedge set up in 2002 covered a total of EUR 88,000,000 on 31.12.2003.

**NOTE 14 - OTHER DEBTS***(EUR 000)*

Tax and social security liabilities	30 838	39 482
Suppliers of fixed assets	4 562	3 690
Other	3 076	3 366
<b>Total</b>	<b>38 476</b>	<b>46 538</b>

**NOTE 15 – FINANCIAL COMMITMENTS***(EUR 000)*

	<b>2003</b>	<b>2002</b>
Charges still to be paid on non-restated rental contracts	2 000	2 900
Mortgages, pledges, security interests and other commitments reflected in liabilities in the consolidated balance sheet	72 079	85 727
<i>of which security interests:</i>	<i>69 262</i>	<i>81 741</i>
Other commitments	3 550	3 550
Discounted trade bills not yet due	5 453	5 785

The Group's estimated retirement liabilities, calculated according to the discounted projection method, amounted to EUR 14 million, of which EUR 2.3 million were recorded under liabilities (note 11).

**NOTE 16 - OPERATING PROFIT (LOSS)***(EUR 000)***16.1 Sales**

	<b>2003</b>	<b>2002</b>
Paper and board operations - France	321 706	321 662
Paper and board operations - international	78 922	79 494
Other	5 133	7 865
<b>Total</b>	<b>405 761</b>	<b>409 021</b>

Aggregate sales by activity broke down as follows:

	<b>2003</b>	<b>2002</b>
Corrugated board packaging and sheet plants products (cumulative)	319 300	311 700
Paper	212 700	221 008
Mechanization	6 240	7 645
Recycling	24 597	22 472
<b>Total</b>	<b>562 837</b>	<b>562 825</b>

## 16.2 Other income

	2003	2002
Production taken to inventory	1 445	3 357
Capitalized production costs	5 556	3 414
Provision writebacks	3 281	2 785
Charge transfers	3 999	5 548
Patent royalties and assignments	558	3 152
Operating grants	128	123
Other	1 185	1 517
<b>Total</b>	<b>16 152</b>	<b>19 896</b>

Provision writebacks in 2003 include mainly:

- writebacks of provisions for risks and charges (EUR 2.2 million) and doubtful debts (EUR 1.1 million)
- writebacks of provisions for risks and charges primarily cover the cost of destroying waste of Otor Papeterie de Rouen (EUR 1.3 million)

Charge transfers covered the following:

- costs recognized under charges taken to future fiscal years (EUR 3.4 million), mainly the cost of overhauls and linings;
- costs transferred to exceptional charges and insurance indemnities (EUR 0.6 million);

## 16.3 Raw material supplies and other purchases and external charges

	2003	2002
Raw material supplies	121 236	121 042
Other purchases and external charges	122 790	115 416
<b>Total</b>	<b>244 026</b>	<b>236 458</b>

The increase in other purchases and thus part of the decrease in the cost of goods sold was mainly due to the installation of a cogeneration plant at Otor Papeterie de Rouen.

## 16.4 Other operating charges

	2003	2002
Taxes	12 691	13 347
Wages and other social charges	108 379	107 600
Other charges	931	528
<b>Total</b>	<b>122 001</b>	<b>121 475</b>

## 16.5 Depreciation, Provisions and Amortization

	2003	2002
Provisions	949	3 082
Amortization and depreciation	28 280	26 550
<b>Total</b>	<b>29 229</b>	<b>29 632</b>

Amortization and depreciation included EUR 3.8 million deriving from the valuation at fair value of Otor Papeterie de Rouen's fixed assets.

#### **NOTE 17 - WAGES AND OTHER SOCIAL CHARGES**

*(EUR 000)*

	<b>2003</b>	<b>2002</b>
Wages	75 598	75 724
Other social charges	32 781	31 876
<i>Subtotal</i>	108 379	107 600
Employee profit sharing	2 899	3 767
<b>Total</b>	<b>111 278</b>	<b>111 367</b>

Pursuant to the applicable accounting presentation rules, profit sharing has been recorded under operating charges since 2001.

	<b>2003</b>	<b>2002</b>
Workforce	2898	2 929

The above workforce includes all employees with permanent contracts, fixed-term contracts and temporary contracts.

#### **NOTE 18 - NET FINANCIAL INCOME**

*(EUR 000)*

	<b>2003</b>	<b>2002</b>
Financial charges	(9 612)	(10 167)
Financial income	399	241
Net currency gain (loss)	(957)	(722)
Net profit of affiliates consolidated under equity method	96	72
<b>Total</b>	<b>(10 074)</b>	<b>(10 576)</b>

#### **NOTE 19 - EXCEPTIONAL INCOME**

*(EUR 000)*

	<b>2003</b>	<b>2002</b>
Capital gains on divestment of fixed assets	(201)	807
Other net income (loss)	(1 745)	(3 804)
<b>Total</b>	<b>(1 946)</b>	<b>(2 997)</b>

In accordance with the french general accounting plan and the Commercial Code, net exceptional income includes charges and income not connected with day-to-day operations, whether part of ordinary or extraordinary activity.

Other net exceptional income include EUR 2.3 million for amortisation of charges taken to future fiscal years connected with the start-up of Otor Papeterie de Rouen.

#### **NOTE 20 - IMPACT ON PREVIOUS YEARS OF RESTATEMENT OF FINANCIAL LEASES OF LOW VALUE**

In 2002, the threshold above which financial leases are restated was lowered from EUR 100,000 to 10,000. The impact of this error correction was fully charged to the annual profit for 2002, including the fraction of earlier years, which amounted to EUR 1,243,000

## **NOTE 21 - CORPORATION TAX**

(EUR 000)

	<b>2003</b>	<b>2002</b>
<b>21.1 Total corporation tax:</b>		
- on income before correction	3 285	6 258
- on correction (note 20)	0	682
<b>Total</b>	<b>3 285</b>	<b>6 940</b>

	<b>2003</b>	<b>2002</b>
<b>21.2 Breakdown of corporate tax:</b>		
- current	4 810	10 089
- deferred	(1 525)	(3 149)
<b>Total</b>	<b>3 285</b>	<b>6 940</b>

	<b>2003</b>	<b>2002</b>
<b>21.3 Breakdown of tax between income from ordinary activities and income from exceptional activities:</b>		
EUR 000		
Tax on income from ordinary activities	4 043	7 388
Tax on exceptional income	(758)	(1 130)
Tax on restatement of leases		682
<b>Total</b>	<b>3 285</b>	<b>6 940</b>

	<b>2003</b>	<b>2002</b>
<b>21.4 Reconciliation of tax liabilities:</b>		
Consolidated pre-tax income	7 957	19 087
Theoretical annual tax liability	2 819	6 737
Impact of non-deductible losses and non-deductible expenses	883	1 841
Equalization tax	133	155
Income not subject to tax at normal rate	(417)	(1 023)
Impact of recovered earlier losses and regularization of deferred taxation	(60)	(252)
Readjustment of deferred tax rate (from 36,43% to 35,43%)2002	0	(518)
Research tax credit	(73)	
Consolidated tax	<b>3 285</b>	<b>6 940</b>

### **21.5 Tax consolidation:**

It should be noted that Otor S.A. pays corporation tax for the companies falling within the French tax consolidation, i.e.

- OTOR GODARD
- OTOR NORMANDIE
- OTOR BRETAGNE
- OTOR VELIN
- OTOR PICARDIE
- ETUIS COGNAC
- OTOR SERVICES
- DELAIRE RECYCLAGE

- NORMANDIE ONDULÉ
- OTOR DAUPHINÉ
- OTOR SYSTEMS
- OTOR RIQUET
- SOCIETE ROUENNAISE DE PARTICIPATIONS (formerly OTOR PAPETERIE DE ROUEN).

The parent company records the difference between the tax calculated according to general law provisions and the tax calculated according to the French "group's tax regime" in the income statement during the year in which it is recognized. The resulting tax gain recognized in 2003 amounted to EUR 3,882,884.

## CASH FLOW STATEMENT

(EUR 000)

	2 003	2 002
<b>Cash flow from operations</b>		
Consolidated net income	4 672	12 147
Elimination of charges and income without impact on the cash position or not connected with the activity:		
. Depreciation, Provisions and Amortization	28 361	26 708
. Change in deferred taxation (including provisions)	(1 538)	(3 051)
Capital gains (losses) on divestments, net of tax	214	(807)
. Profit of equity affiliates	(96)	(72)
. Impact on previous years of restatement of financial leases under EUR100,000	-	(1 925)
Consolidated cash flow	31 613	33 000
Dividends received from equity affiliates	70	75
Change in operating provisions	(2 989)	(306)
Change in working capital requirement	(5 818)	15 962
<b>Cash flow from operations</b>	22 876	48 731
<b>Cash flow from investing activities</b>		
Acquisition of tangible and intangible fixed assets	(32 252)	(21 844)
Other fixed assets	(188)	(448)
Divestment of fixed assets net of tax	892	963
Impact of change in consolidation structure	-	-
<b>Cash flow from investing activities</b>	(31 548)	(21 329)
<b>Cash flow from financing activities</b>		
Dividends paid to the parent company's shareholders	-	-
Dividends paid to the minority interests in consolidated companies	(267)	(311)
Cash capital increases (net of costs)	15	
Increase in medium and long-term borrowings and subsidies	16 161	10 914
Repayment of medium and long-term borrowings and subsidies	(20 804)	(19 556)
<b>Cash flow from financing activities</b>	(4 895)	(8 953)
<b>Change in cash position : income / (needs)</b>	(13 567)	18 449
- Cash position at the beginning of the year	(24 203)	(43 302)
+ Cash position at the end of the year	(37 429)	(24 203)
+ Impact of change in exchange rates	341	650
<b>Change in cash position (including cash from discounted trade bills)</b>	(13 567)	18 449

Durand & Associates	Barbier Frinault & Cie Ernst & Young	Statutory
auditors	Statutory auditors	
113, Avenue Victor Hugo 16100 Cognac	Tour Ernst & Young 11, Allée de l'Arche 92042 Paris-La Défense Cedex	

Otor  
Fiscal year ended 31 December 2003

Statutory auditors' report on the consolidated financial statements

To the Shareholders of Otor

In compliance with the assignment entrusted to us by your shareholder's annual general meeting, we hereby report to you, for the year ended 31 December 2003, on our audit of Otor's consolidated financial statements. The consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements, based on our audit.

#### I. Our opinion of the consolidated financial statements

We conducted our audit in accordance with the professional standards applied in France, which require that we plan and perform the audit in order to obtain a reasonable assurance as to whether the consolidated financial statements are free of material misstatement. An audit includes the examination, on a test basis, of evidence supporting the amounts and disclosures in the financial statements. An audit also includes an assessment of the accounting principles used and significant estimates made by management as well as an evaluation of the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the group's financial position and its assets and liabilities as at 31 December 2003, and of the results of its operations for the year then ended in accordance with accounting principles generally accepted in France.

#### II Justification of appreciations

In application of the provisions of article L. 225-235 of the French code of commercial law relating to the justification of our appreciations, introduced by the Financial Security Act of 1<sup>st</sup> August 2003 and applicable, for the first time, to this fiscal year, we wish to inform you of the following.

Your company makes a depreciation provision for market shares when the utility value is lower than the book value of the shares held, as set out in note 2 of the appendix. We assessed the approaches used by your company to estimate the utility value of the market shares held based on elements available to date. We verified the reasonableness of the hypotheses used, the resulting assessments and any depreciations applied.

The appreciation thus made is part of our consolidated financial statement approach taken as a whole and therefore contributed to our unreserved opinion, expressed in the first part of this report.

#### III Special verification

We also performed verification of the information given in the Board of Directors' management report. Except for the impact of the factors set out above, we have no comment as to its fair presentation or its conformity with the consolidated financial statements.

Paris-La Défense and Cognac, 13 May 2004  
The statutory auditors

Durand & Associés  
Philippe Durand

Barbier Frinault & Cie  
Dominique Thouvenin

# Otor S.A. Financial statements

## Balance sheet

Assets	31.12.03,	31.12.02
EUR		
Issued and uncalled capital		
Start-up costs		
- Amortization		
Research and development expenses	4,039,735	3,225,707
- Amortization	-2,737,352	-2,594,088
Concessions, patents and similar rights	7,903,211	7,778,258
- Amortization	-6,095,609	-5,455,241
Business value	30,490	30,490
- Amortization		
Other intangible fixed assets	2,477,602	2,373,149
- Amortization	-2,064,784	-1,803,677
<b>Total intangible fixed assets</b>	<b>3,553,293</b>	<b>3,554,598</b>
Other tangible fixed assets	376,001	370,702
- Amortization	-349,110	-333,477
<b>Total tangible fixed assets</b>	<b>26,891</b>	<b>37,225</b>
Investments in subsidiaries	219,473,375	126,357,535
- Depreciation	-27,404,259	-5,899,777
Shares of companies consolidated under the equity method		
- Depreciation		
Receivables on subsidiaries	10,832,427	73,754,495
- Provisions		
Other immobilised securities		
- Provisions		
Loans	256,273	246,855
- Provisions		
Other	2,775	2,775
- Provisions		
<b>Total financial assets</b>	<b>203,160,591</b>	<b>194,461,883</b>
<b>Total fixed assets</b>	<b>206,740,775</b>	<b>198,053,706</b>
Goods	457,347	457,347
- Provisions	-450,000	-450,000
<b>Total inventories and production in progress</b>	<b>7,347</b>	<b>7,347</b>
Advances and down payments on orders	0	0
Trade receivables and similar accounts	2,088,848	1,456,150
- Provisions	-951	-951
Other operating receivables	30,204,024	40,154,040
- Provisions	-18,907	-18,907
Issued and called-up but unpaid capital		
Transferable investment securities	1,008,659	1,362,590
- Provisions	-313,634	-374,169
Cash and equivalent	14,707	180,342
Prepaid expenses	209,034	2,476
<b>Total current assets</b>	<b>33,199,127</b>	<b>42,768,918</b>
Expenses carried forward to future fiscal years		21,958
Bond redemption premiums		
Currency translation difference	824,368	147,223
<b>Total Assets</b>	<b>240,764,270</b>	<b>240,991,805</b>

## Balance sheet

### Liabilities

EUR	31.12.03	31.12.02
Share capital	22,167,792	22,167,792
Paid-in surplus, call and merger premiums	41,779,091	41,779,091
Revaluation difference		
Legal reserve	8,448,645	8,448,645
Statutory or contractual reserves		
Regulated reserves		
Other reserves	86,395,240	86,395,240
Retained earnings (loss carry forwards)	17,689,452	8,007,481
Annual profit (loss)	-8,723,846	9,681,971
Investment grants		
Regulated provisions		
<b>Total equity</b>	<b>167,756,374</b>	<b>176,480,220</b>
Risk provisions	14,044,368	13,407,223
Charge provisions		
<b>Total provisions</b>	<b>14,044,368</b>	<b>13,407,223</b>
Loans and debts with credit institutions	3,750,336	3,310,789
Other borrowings and loans	51,002,332	43,617,697
Advances and down payments received on outstanding orders		
Trade payables and equivalent	1,465,921	1,486,916
Tax and social security liabilities	1,320,911	1,735,377
Debts on fixed assets and equivalent	814,028	281,929
Other debts	610,000	645,291
<b>Total current liabilities</b>	<b>58,963,528</b>	<b>51,077,999</b>
Accrued liabilities		
Foreign exchange (credit balance)	0	26,363
<b>Total Liabilities</b>	<b>240,764,270</b>	<b>240,991,805</b>

## Income Statement

EUR	31.12.03	31.12.02
Sale of goods - France		
+ Services - France	11,959,367	11,162,311
<b>= Total sales - France</b>	<b>11,959,367</b>	<b>11,162,311</b>
Sale of goods - Outside France		
+ Services - Outside France	24,864	1,303
<b>= Total sales - Outside France</b>	<b>24,864</b>	<b>1,303</b>
<b>Total sales</b>	<b>11,984,231</b>	<b>11,163,614</b>
Production taken to inventories		
Capitalized production costs		
Operating grants	0	0
Writebacks from DPA, charge transfers	1,930,000	0
Other operating income	867,385	3,241,123
<b>Total operating income</b>	<b>14,781,616</b>	<b>14,404,737</b>
Purchase of goods	1,890,000	
Change in goods inventory		
Raw material supplies		
Change in raw material inventory		
Other purchases and external charges	6,530,594	5,931,361
Taxes and levies	206,714	265,560
Salaries and wages	2,973,412	3,359,162
Social security and other social charges	1,287,663	1,462,164
Appropriations for depreciation of fixed assets	1,082,329	1,349,813
Appropriations for fixed asset provisions		
Appropriations for current asset provisions		
Appropriations for risk & charge provisions		
Other operating expenses	96,129	65,551
<b>Total operating expenses</b>	<b>14,066,841</b>	<b>12,433,611</b>
<b>Operating profit (loss)</b>	<b>714,775</b>	<b>1,971,126</b>
Allocated profit or transferred loss		
Financial income from affiliates		
Income from other transferable securities and claims	10,659,619	5,925,338
Other interest and similar income	13,347	45,854
Writebacks from provisions and charge transfers	207,758	
Currency gains	1,417	3,032
Net income from the sale of transferable investment securities	18,573	40,485
<b>Total financial income</b>	<b>10,900,714</b>	<b>6,014,709</b>

EUR	31.12.03	31.12.02
Appropriations to DPA	824,368	176,729
Interest and similar charges	1,965,454	859,537
Currency losses	592	2,676
Net charges on the sale of transferable investment securities		
<b>Total financial charges</b>	<b>2,790,414</b>	<b>1,038,942</b>
<b>Net financial income</b>	<b>8,110,300</b>	<b>4,975,767</b>
<b>Income before tax and exceptional items</b>	<b>8,825,075</b>	<b>6,946,893</b>
Exceptional income from management operations	1,890,000	116,082
Exceptional income from capital transactions	0	1,288
Writebacks from provisions and charge transfers	0	25,781
<b>Total exceptional income</b>	<b>1,890,000</b>	<b>143,151</b>
Exceptional charges on management operations	1,890,082	6,373
Exceptional charges on capital transactions		
Exceptional appropriations to provisions and charge transfers	21,504,482	9,760
<b>Total exceptional charges</b>	<b>23,394,564</b>	<b>16,133</b>
<b>Net exceptional income</b>	<b>-21,504,564</b>	<b>127,018</b>
Employee profit sharing		
Corporation tax	-3,955,643	-2,608,060
<b>Total income</b>	<b>27,572,330</b>	<b>20,562,597</b>
<b>Total charges</b>	<b>36,296,176</b>	<b>10,880,626</b>
<b>Profit (loss)</b>	<b>-8,723,846</b>	<b>9,681,971</b>

### Breakdown of exceptional income and charges – FY 2003

EUR	Charges	Income
Purchase of machinery and its contribution to Otor Silesia	1,890,000	1,890,000
Depreciation of Societe Rouennaise De Participations	19,000,000	
Depreciation of Etais Cognac	638,067	
Depreciation of Otor Silesia	1,866,415	
Miscellaneous	82	
<b>Total</b>	<b>23,394,564</b>	<b>1,890,000</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 1. Accounting rules and methods

The general accounting methods have been applied in accordance with the principle of conservatism and the following basic assumptions:

- continuity of operations;
- consistency;
- time-period concept;

and the general rules governing the preparation and presentation of the annual financial statements.

The historic cost method was the basic valuation method.

The principal methods used were as follows:

### 1.1 Intangible assets

Intangible assets were valued at acquisition or production cost. Amortization was calculated according to the straight-line method over the following periods:

- Patents 10 years
- R&D 5 years
- Other intangible assets: software 1 to 5 years

### 1.2 Tangible assets

Tangible assets were valued at acquisition cost (purchase price and incidental expenses excluding the acquisition charges connected with fixed assets) or production cost.

Depreciation was calculated according to the straight-line method over the following periods:

- Buildings 20 years
- Plant and machinery 10 years

### 1.3 Financial assets

Securities were valued at acquisition or contribution costs without using the equity method and excluding incidental expenses. A depreciation provision was taken whenever the carrying value was lower than the book value

The carrying value reflects the subsidiary's utility for the Group and inter alia factors in the following criteria: EBITDA, market share in a given zone or for a given product, sales, sales volumes, contribution to consolidated EBITDA.

The criteria used to value securities in the non-consolidated accounts are the same as the criteria used to value securities in the consolidated accounts.

Special situations:

ETUIS COGNAC: Results deteriorated in the wake of the difficulties experienced by the luxury industry. The new commercial strategy conducted for the last two years is beginning to produce results. While Etuis Cognac is expected to continue recovering in 2004, management has prudently taken a provision equal to half the value of its shares, i.e. EUR 638,067.

OTOR SILESIA: After heavy losses in 2002, Otor Silesia turned in significantly lower losses in 2003. Both 2002 and 2003 were disrupted by the consequences of a serious fire. In view of the ongoing measures, results can be expected to continue improving in 2004. Nevertheless, management has prudently taken an additional provision of EUR 1,866,415, i.e. 25% of the residual value of the shares.

SOCIETE ROUENNAISE DE PARTICIPATIONS (formerly OTOR PAPETERIE DE ROUEN): In 2003, Otor Papeterie de Rouen continued research into lightweight boards and stepped up productivity and cost cutting actions. The company reported a loss despite good technical results due to worsening sales prices in 2003. Independent experts were commissioned to value the company's shares. The final valuation of EUR 87 million is the average of the asset valuation and the expected benefits methods. Accordingly, a provision of EUR 19 million was taken in 2003. This provision will be reviewed every year.

## 1.4 R&D

For many years, Otor has pursued a major R&D strategy, which has led to registration of many patents. Otor may assign certain patents for limited geographical areas. The net value of such assignments is taken to operating profit through the charge transfer account.

## 1.5 Warrants

In the fourth quarter of 2001, Otor launched a warrant issue in favour of the Group's executives at a price of EUR 0,15 per warrant in two tranches:

- 1,231,286 were subscribed by GIE Otor Investissement,
- 800,766 were subscribed by the Group's executives.

The warrants owned by GIE Otor Investissement are also intended to be sold at the same price to the Group's executives. The exercise period is five years. Each warrant permits subscription of one Otor share at a price of EUR 3.

The applicable conditions are described in the prospectus approved by the COB, recorded under number R 00-177.

These warrants may only be exercised in the theoretical internal rate of return resulting from Otor Finance's investment in Otor SA since 12 May 2000 is 30% or more.

## 1.6 Corporation tax

Otor pays tax for the companies included in the tax consolidation group, i.e.:

- OTOR GODARD
- OTOR NORMANDIE
- OTOR BRETAGNE
- OTOR VELIN
- OTOR PICARDIE
- ETUIS COGNAC
- OTOR SERVICES
- DELAIRE RECYCLAGE
- NORMANDIE ONDULÉ

- OTOR DAUPHINÉ
- OTOR SYSTEMS
- OTOR RIQUET
- SOCIETE ROUENNAISE DE PARTICIPATIONS (formerly OTOR PAPETERIE DE ROUEN)

The parent company records the difference between the tax calculated according to general law provisions and the tax calculated according to the Group's consolidated tax statute in the income statement during the year in which it is recognized. The resulting tax gain recognized in 2003 amounted to EUR 3,882,884 .

## 2. Fixed assets

### 2.1 - Change in fixed assets (gross value)

EUR	Amount on 31.12.02	Increase	Decrease and other movements	Amount on 31.12.03
Intangible assets	13,407,604	1,043,434		14,451,038
Tangible assets	370,701	5,300		376,001
Financial assets	200,361,660	95,795,659	65,592,470	230,564,849
<b>Total</b>	<b>214,139,965</b>	<b>96,844,393</b>	<b>65,592,470</b>	<b>245,391,888</b>

### 2.2 - Change in amortization & depreciation

EUR	Amount on 31.12.02	Appropriations and other movements	Writebacks and other movements	Amount on 31.12.03
Intangible assets	9,853,007	1,044,738	0	10,897,745
Tangible assets	333,477	15,633	0	349,110
Financial assets	0			0
<b>Total</b>	<b>10,186,484</b>	<b>1,060,371</b>	<b>0</b>	<b>11,246,855</b>

## 3. Current assets

### 3.1 - Receivables

Receivables are available in the short term.  
Doubtful receivables are fully provisioned.

### 3.2 - Treasury stock

	Amount on 31.12.02	Variation	Amount on 31.12.03
Number	22,974		22,974
EUR			
Total gross value	397,259		397,259
Total provision	374,169	-60,535	313,634
Total net value	23,090		83,625

## 4. Change in equity

EUR	2003	2002
Equity on 1 January	176,480,220	166,797,761
Annual profit (loss)	-8,723,846	9,681,971
Capital increase and issue premiums	0	488
Appropriations to regulated provisions	0	0
Writebacks from regulated provisions	0	0
Dividends	0	0
Other changes	0	0
<b>Total</b>	<b>167,756,374</b>	<b>176,480,220</b>

## 5. Change in provisions

EUR	Amount on 31.12.02	Appropriations	Writebacks	Amount on 31.12.03
Risks and charges	13,407,223	824,368	187,223	14,044,368
Depreciation of financial assets	5,899,777	21,504,482		27,404,259
Inventory depreciation	450,000			450,000
Other receivables and investment securities	394,027		60,535	333,492
<b>Total</b>	<b>20,151,027</b>	<b>22,328,850</b>	<b>247,758</b>	<b>42,232,119</b>

The provisions for risks and charges consist mainly of a provision for the foreign exchange risk (EUR 824,368) and a provision for doubtful claims held by Otor on its subsidiaries Otor Riquet and Otor Benelux (EUR 13,200,000).

The provision for depreciation of financial assets is for the shares of Otor Silesia (EUR 7,583,253), Etuis Cognac (EUR 638,067), Coffrets de France (EUR 182,939) and Société Rouennaise de Participations (EUR 19,000,000).

## 6. Debts

EUR	Amount on 31.12.02	Increase	Decrease	Amount on 31.12.03
Convertible bonds	0			0
Borrowings and debts to credit institutions:				
• Medium and long term	3,310,789		775,815	2,534,974
• Short term (change)	0	1,215,362		1,215,362
Other borrowings and debts:				
• Medium and long term	0			
• Short term (change)	43,617,697	7,384,635		51,002,332
<b>Total</b>	<b>46,928,486</b>	<b>8,599,997</b>	<b>775,815</b>	<b>54,752,668</b>

Other borrowings and debts consist almost entirely of the current accounts at the Group's companies.

Maturities:

- 2004	1,991,385	*o.w.:	
- 2005 - 2008	52,761,283	Credit institutions	3,750,336
- After	0	Other borrowings and debts	51,002,332
<b>Total*</b>	<b>54,752,668</b>		<b>54,752,668</b>

## 7. Financial commitments

EUR	Amount on 31.12.03	Amount on 31.12.02
Commitments given:		
• guarantees	67,976,889	80,954,630
• Securities pledged	1,429,515	1,429,515
• Machinery and equipment pledged	0	0
• Debt forgiveness (clause providing for payment on recovery)	0	0
• Land and building mortgages	0	0
• Leases	0	0
Commitments received:		
• Guarantees	0	0
• Debt forgiveness (clause providing for payment on recovery)	12,000,000	12,000,000
Discounted bills not yet due	0	0

The amount of collaterals corresponds to the principal due at the end of the fiscal year.

The amount of liabilities relating to staff retirement severance, calculated according to discounted projected method, is valued at EUR 500,000.

## 8. Shares outstanding

EUR	Number	Par value
1. - Shares outstanding at the start of the fiscal year	22,167,792	1.00
2. - Reduction of par value	0	0
3. - Capital increase	0	0
4. - Shares outstanding at the end of the fiscal year	22,167,792	1.00

All shares making up the share capital have the same rights except registered shares held for more than 4 years by the same shareholder, which have double voting rights.

## 9. Average workforce

	2003	2002
Executives	28	26
Supervisors and technicians	5	7
Administrative staff and equivalent	5	4
Workers and drivers	0	0

## 10. Breakdown of sales

EUR	2003	2002
Services	10,903,462	10,255,841
Finished paper products	0	0
Other goods	0	0
Re-billing of costs and miscellaneous	1,080,769	907,773
Total	11,984,231	11,163,614

## 11. Income receivable and prepaid expenses

EUR	2003	2002
Prepaid outside services	209,034	2,476
Discounts	474,705	231,366
Income receivable	623,207	26,971
Tax receivable from subsidiaries - Group tax statute	3,882,884	2,592,815
Other	46,762	44,602

## 12. Charges payable and unearned revenue

EUR	2003	2002
Purchases	0	0
Outside services	276,343	559,926
Taxes	77,325	115,199
Personnel expenses	436,302	452,910
Financial charges	272,003	0
Discounts	610,000	645,100
Credit notes to be established	0	0
Fixed asset payables	814,028	281,829

### 13. Charges taken to future fiscal years

EUR	Amount on 31.12.02	Charge transfers	Amortization	Amount on 31.12.03
Fees	21,958	0	21,958	0

### 14. Balance of group intercompany transactions

EUR	2003	2002
Other receivables	22,694,187	32,929,053
Trade receivables	1,830,254	1,455,199
Long-term advances	10,832,427	73,754,495
Other borrowings and debts	50,976,399	43,591,764
Trade payables	369,721	568,831
Sales	11,317,303	11,121,073
Charge transfers (1)	1,890,000	
Other income	159,477	75,712
Purchase of goods (1)	1,890,000	
Outside services	2,013,753	2,109,455
Financial income (Dividends)	10,659,619	5,925,338
Financial charges	549,933	677,115
Exceptional income and charges (1)	1,890,000	
Purchase of fixed assets	814,028	281,929

(1) Pursuant to the accounting plan, the industrial assets purchased from the Group's companies and contributed to Otor Silesia were booked as follows:

a) purchase of machinery	Débit	Crédit
purchase of goods	1,890,000	
Trade payables		1,890,000
b) contribution		
Charge transfers		1,890,000
Exceptional charges	1,890,000	
interests	1,890,000	
Exceptional income		1,890,000

## 15. Taxation

### 15.1 - Breakdown of corporation tax

EUR	2003	2002
Tax gain - Group tax statute	3,882,884	2,608,060
Research tax credit	73,395	
Miscellaneous	-636	
<b>Total</b>	<b>3,955,643</b>	<b>2,608,060</b>

### 15.2 - Impact of special tax valuations

Not applicable.

### 15.3 - Decrease and increase in future tax liabilities

Not significant.

## 16. Subsidiaries and affiliates

Companies or groups of companies	Capital		Share in the capital as a %	Inventory value of securities held	
	in € or foreign currency	Equity before allocation of profit (*) in € or foreign currency		Gross in €	Net in €
<b>1/ Subsidiaries (at least 50% of the capital held by OTOR S.A.):</b>					
	€	€			
OTOR GODARD	5,776,000	5,909,999	99.99%	12,057,917	12,057,917
OTOR NORMANDIE	4,575,000	10,625,659	95.08%	22,192,404	22,192,404
OTOR BRETAGNE	3,442,500	8,979,346	95.04%	11,735,891	11,735,891
OTOR PICARDIE	3,213,000	15,154,247	99.97%	13,697,284	13,697,284
OTOR VELIN	6,105,000	13,263,170	95.21%	11,936,037	11,936,037
ETUIS COGNAC	1,269,200	-3,453,715	99.99%	1,276,133	638,066
OTOR SERVICES	5,497,200	7,340,600	99.99%	6,513,864	6,513,864
OTOR DAUPHINE	3,109,750	9,615,799	99.99%	18,974,938	18,974,938
SOCIETE ROUENNAISE DE PARTICIPATIONS	106,425,840	27,670,139	99.99%	106,470,665	87,470,665
OTOR SYSTEMS	988,000	-180,303	98.10%	972,061	972,061
GIE OTOR	200,000	199,715	99.99%	199,982	199,982
INVESTISSEMENT					
	in foreign currency	in foreign currency			
OTOR SILESIA (PLN)	20,499,900	14,858,097	96.15%	13,182,497	5,599,244
OTOR UK (GBP)	50,000	-332,553	100.00%	80,763	80,763
<b>2/ Interest (10% to 50% of the capital held by OTOR S.A.):</b>					
Not applicable					

\*including the lapsed fiscal year's result

Companies or groups of companies	Loans and advances granted and not repaid	Guarantee and other commitments supplied	Sales of lapsed fiscal year	Profit (loss) of lapsed fiscal year	Dividends collected during lapsed F.Y.
	in €	in €	in € or foreign currency	in € or foreign currency	in €
<b>1/ Subsidiaries(at least 50% of the capital held by OTOR S.A.):</b>					
			€	€	
OTOR GODARD	3,161,155	1,690,527	48,022,156	1,157,016	0
OTOR NORMANDIE	0	10,910,892	70,659,252	2,402,369	1,854,008
OTOR BRETAGNE	0	11,805,591	47,717,611	1,536,954	555,981
OTOR PICARDIE	0	6,772,567	64,011,036	5,470,997	3,988,670
OTOR VELIN	0	1,461,161	54,123,988	2,266,127	1,999,382
ETUIS COGNAC	4,237,825	72,500	12,262,583	-241,596	0
OTOR SERVICES	0	0	4,704,774	1,056,828	893,283
OTOR DAUPHINE	3,463,062	5,416,587	70,587,121	2,859,870	1,368,282
SOCIETE ROUENNAISE DE PARTICIPATIONS	0	0	101,962,667	-9,058,264	0
OTOR SYSTEMS	1,068,462	87,048	6,239,640	120,619	0
GIE OTOR INVESTISSEMENT	0	0	0	-61	0
			In foreign currency	In foreign currency	
OTOR SILESIA (PLN)	3,678,257	975,198	77,919,215	-7,759,859	0
OTOR UK (GBP)	0	0	603,158	-221,243	0

**2/ Interest(10% to 50% of the capital held by OTOR S.A.):**

Not applicable.

\*including the lapsed fiscal year's result

**Durand et Associés**

The Statutory Auditors

113, avenue Victor Hugo  
16100 Cognac

**Barbier Frinault & Cie**

**Ernst & Young**  
Statutory Auditors

Tour Ernst & Young  
11, allée de l'Arche  
92097 Paris-La Défense Cedex

Otor

Fiscal year ended 31 December 2003

General statutory auditors' report

To the Shareholders of Otor,

In compliance with the assignment entrusted to us by your shareholder's annual general meeting, we hereby report to you for the year ended 31 December 2003, on:

- our audit of Otor's annual financial statements as appended to this report;
- the reasons for our evaluations,
- the specific verifications and information required by law.

These financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

**I. Opinion on the financial statements**

We conducted our audit in accordance with the professional standards applied in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements give a true and fair view of the company's financial position and its assets and liabilities as of 31 December 2003, and of the results of its operations for the year then ended in accordance with accounting principles generally accepted in France.

**II. Reasons for evaluations**

Pursuant to article L. 225-235 of the Commercial Code with regard to the reasons for our evaluations, introduced by the Financial Security Act of 1 August 2003 and this year applicable for the first time, we are herewith informing you of the following: your company takes a provision for depreciation of equity interests when the useful value is less than the book value of the equity interests in question, as described in note 1. We have evaluated the methods used by your company to estimate the useful value of the equity interests on the basis of currently available information. We have made sure the underlying assumptions, the resulting valuations and any depreciations were reasonable.

This evaluation is part of our audit of the overall annual financial statements and therefore helped form the unqualified opinion expressed in the first part of this report.

**III. Special verifications and information**

We also performed the specific verifications required by law, in accordance with professional standards applied in France.

As the statutory auditors failed to agree on the special verifications and information, their positions are explained below:

1. Position of Barbier Frinault & Cie

In our opinion, the information given in the management report and the documents sent to the shareholders on the financial position agrees with the annual financial statements.

2. Position of Durand et Associés

Pursuant to article L. 225-240 of the Commercial Code, we herewith inform you that our audits showed that the invoices for certain fees paid by Otor did not correspond to their titles, although their aggregate amount does not significantly affect our opinion on the financial statements.

Paris-La Défense and Cognac, 13 May 2004

The Statutory Auditors

Durand et Associés  
Barbier Frinault & Cie

Philippe Durand  
Dominique Thouvenin

**Barbier Frinault & Cie**  
11 Allée de l'Arche  
92097 PARIS-La Défense

**Durand & Associés**  
113 Avenue Victor Hugo  
16100 COGNAC

## 2003 FISCAL YEAR

### SPECIAL STATUTORY AUDITORS' REPORT

To the Shareholders

In our capacity as Statutory Auditor of your company, we hereby present you our report on the regulated agreements.

#### Agreements authorised during the fiscal year

Pursuant to Article L 225-40 of the Commercial Code, we have been informed of the agreements which were subject to the prior approval of your Board of Directors.

Our assignment does not involve seeking out the possible existence of any other such agreements but consists in informing you, on the basis of the information provided to us, of the essential characteristics and terms and conditions of those agreements brought to our attention, without having to express an opinion on their usefulness or appropriateness. Pursuant to Article 92 of the decree of 23 March 1967, it is your responsibility to assess the interest for the company of concluding these agreements with a view to their approval.

We have carried out our work in accordance with auditing standards generally accepted in France; these standards involve the implementation of the procedures required in order to verify that the information which was given to us is consistent with the source documents from which it was taken.

#### 1. Guarantee authorization

Board meetings	Secured companies	Beneficiaries	Amount
22 September 2003	OTOR GODARD	GIAC	1.000 K €
22 September 2003	OTOR PICARDIE	GIAC	1.000 K €
29 October 2003	OTOR DAUPHINE	Banco Popolare Di Verona e Novara	1.600 K €
29 October 2003	OTOR PAP ROUEN	EUROFACTOR	6.000 K €
29 October 2003	OTOR (UK) LIMITED	Lettre de confort	
17 December 2003	OTOR SILESIA	Crédit Lyonnais Polska	2.600 KPLN
17 December 2003	OTOR PAP ROUEN	Renault SAS (performance bond)	

#### 2. Board meeting of 29 October 2003

- Approval of a capital increase in kind of EUR 1,890,000 for Otor Silesia, corresponding to machinery owned by Otor Picardie, Otor Velin and Otor Riquet, and sold to Otor before the contribution, based upon a valuation made by independent experts.

#### 3. Board meeting of 17 December 2003

- Authorisation to assign the claim held by Otor Services on Otor Papeterie de Rouen to Otor at its nominal value of EUR 2,668,000.

#### Agreements approved in earlier fiscal years and continued during the past year

Moreover, pursuant to the decree of 23 March 1967, we have been informed that the following agreements, approved during previous fiscal years, were continued during the past year:

#### 1. General assistance by OTOR for its subsidiaries

- Continuation of the assistance agreement between Otor and the companies in the OTOR Group in the form of remuneration equal to Otor's operating expenses plus a 5% margin.

This assistance is provided directly by Otor employees or by Otor Participations employees under the management agreement between Otor and Otor Participations.

The remuneration came to EUR 9,603,410 in 2003.

## 2. Central cash management agreement between Otor and its subsidiaries and conditional advances

- interest on cash and conditional advances at EURIBOR + 1%
- Net financial income for Otor: EUR 549,933

## 3. Licenses granted by Otor to its subsidiaries (all patents)

- fee of 0.5% over net sales
- amount of this fee in 2003: EUR 159,477

## 4. Management by Otor of raw materials purchased outside the Group except waste paper

- amount discounted to subsidiaries: EUR 610,000

## 5. Agreement between Otor and Otor Participations

- by virtue of which Otor Participations:
  - defines the Group's general strategy and main objectives
  - supervises the Group's administrative and legal departments
  - conducts accounting and tax consolidation and accounting and tax audits of the Group's companies
  - conducts management control
  - runs general management and determines the main purchase and marketing options

Fee for 2003: EUR 1,819,815 (expenses + 5%)

## 6. Conditional advances to the subsidiaries

Continuation of the following conditional advances and loans:

	EUR	Interest
- OTOR GODARD	3.154.170	Euribor + 1%
- ÉTUIS COGNAC	4.000.000	interest free
- OTOR SILESIA	3.678.257	0.10 %
Total	10.832.427	

## 7. Convention avec OTOR SYSTEMS

Re-billing of R&D costs incurred by Otor Systems on the Group's behalf for patents registered by Otor, i.e. the sum of EUR 814,028.

In carrying out our work, we applied generally accepted standards in force in France. Those standards require that we carry out such checks and tests as are necessary to check conformity of the information supplied to us with the underlying documents.

### DIRECTORS CONCERNED BY THE AGREEMENTS:

#### Mr Jean-Yves BACQUES

Chairman and Managing Director of your company is also:

- Chairman and Managing Director of Otor Finance
- Chairman of Otor Participations and Emballage 48
- Chairman of the Management Board of Otor Silesia
- Director of Otor Bretagne, Étuis Cognac, Otor Godard, Otor Normandie, Otor Velin, Otor Picardie, Otor Papeterie de Rouen and Otor Riquet
- Permanent representative of Otor Participations on the Board of Directors of Otor Services, Otor Dauphiné and Normandie Ondulé
- Permanent representative of Emballage 48 on the Board of Directors of Delaire Recyclage.

#### Ms Michèle BOUVIER

Delegate general manager of your company is also:

- Chair and general manager of Otor Services
- Vice-Chair and member of the Supervisory Board of Otor Silesia,
- Director of Otor Bretagne, Otor Dauphiné, Otor Finance, Otor Godard, Otor Normandie, Otor Picardie, Otor Papeterie de Rouen and Otor Riquet
- Permanent representative of Otor Participations on the Board of Directors of Otor Systems, Otor Velin, Étuis Cognac
- Permanent representative of Otor Normandie on the Board of Directors of Normandie Ondulé

- Permanent representative of Delaire Recyclage on the Board of Directors of Pinel Recyclage

**Ms Julie BACQUES**

Director of your company and also:  
- Director of Otor Finance and Otor Services

**Mr Hervé AUBERT**

Director of your company and also:  
- Director of Otor BRETAGNE and Otor FINANCE

**Mr Franck FALEZAN**

Director of your company and also:  
- Director of Otor Finance, Otor Services and Otor Papeterie de Rouen  
- Permanent representative of Otor on the Board of Directors of Otor Bretagne, Otor Dauphiné, Otor Godard, Otor Normandie, Otor Picardie, Otor Riquet, Otor Systems, Delaire Recyclage, Étuis Cognac, Normandie Ondulé and Otor Velin Otor Benelux  
- Member of the Supervisory Board of Otor Silesia

**Mr Jonathan ZAFRANI**

Director of your company and also:  
- Director of Otor Finance, Otor Services and Otor Papeterie de Rouen  
- Permanent representative of Otor Finance on the Board of Directors of Otor Bretagne, Otor Dauphiné, Otor Godard, Otor Normandie, Otor Picardie, Otor Riquet, Otor Systems, Delaire Recyclage, Étuis Cognac, Normandie Ondulé & Otor Velin Otor Benelux  
- Member of the Supervisory Board of Otor Silesia

Paris, 13 May 2004

The statutory auditors

Barbier Frinault & Cie  
Durand et Associates

Dominique Thouvenin  
Philippe Durand

# Draft resolutions

## for the ordinary general meeting of 9 June 2004

# DRAFT RESOLUTIONS FOR THE ORDINARY GENERAL MEETING OF 9 JUNE 2004

## 1. Draft resolutions presented by the Board of Directors

### First resolution

The Ordinary General Meeting of Shareholders, after having been provided with following information:

- the management report of the Board of Directors,
  - the Chairman's report on the internal control system,
  - the general statutory auditors' report on the parent company's financial statements for 2003,
  - the statutory auditors' report on the consolidated financial statements for 2003,
  - the statutory auditors' report on the Chairman's report on the internal control system,
  - the parent company's financial statements for 2003 and the consolidated financial statements,
- approves these reports, the company's financial statements and the consolidated financial statements for the fiscal year ended 31 December 2003 as presented, including all transactions reflected or mentioned in these reports.

### Second resolution

The General Meeting discharges the directors for their management during the past fiscal year.

### Third resolution

At the proposal of the Board of Directors, the General Meeting resolves to allocate net profit for the past year, which breaks down as follows:

- |                               |                 |
|-------------------------------|-----------------|
| • annual profit               | EUR (8,723,846) |
| • loss carry over to end 2003 | EUR 17,689,452  |
| • Balance                     | EUR 8,965,606   |
- to retained earnings, which is therefore EUR 8,965,606.

The General Meeting notes that no dividend has been paid for the past three fiscal years.

### Fourth resolution

At the proposal of the Board of Directors, the General Meeting resolves to renew Mr Jean-Yves Bacques' directorship for a one-year term expiring on adjournment of the General Meeting convened to vote on the financial statements for 2004.

### Fifth resolution

At the proposal of the Board of Directors, the General Meeting resolves to renew Ms Michèle Bouvier's directorship for a one-year term expiring on adjournment of the General Meeting convened to vote on the financial statements for 2004.

### Sixth resolution

At the proposal of the Board of Directors, the General Meeting resolves to renew Mr Hervé Aubert's directorship for a one-year term expiring on adjournment of the General Meeting convened to vote on the financial statements for 2004.

### Seventh resolution

At the proposal of the Board of Directors, the General Meeting resolves to renew Ms Julie Bacques's directorship for a one-year term expiring on adjournment of the General Meeting convened to vote on the financial statements for 2004.

#### **Eighth resolution**

At the proposal of the Board of Directors, the General Meeting resolves not to renew Mr Franck FALEZAN's directorship.

#### **Ninth resolution**

At the proposal of the Board of Directors, the General Meeting resolves not to renew Mr Jean-Pierre MILLET's directorship.

#### **Tenth resolution**

At the proposal of the Board of Directors, the General Meeting resolves not to renew Mr Jonathan ZAFRANI's directorship.

#### **Eleventh resolution**

At the proposal of the Board of Directors, the General Meeting resolves to renew the term of Durand et Associés as incumbent statutory auditors and of Mr Roland Weyant as alternate statutory auditor.

#### **Twelfth resolution**

After having heard the special statutory auditors' report prepared pursuant to Articles L 225-38 to L 225-42, the General Meeting approves the agreements mentioned in said report.

#### **Thirteenth resolution**

At the proposal of the Board of Directors, the General Meeting resolves that the amount of the attendance fees allocated to the Board of Directors for the 2003 fiscal year shall be EUR 4,000.

#### **Fourteenth resolution**

At the proposal of the Board of Directors, the General Meeting invests the bearer of a copy or excerpt of the minutes of this General Meeting with the authority to carry out all legal registration and publication formalities.

## **2. Draft resolutions presented by shareholders and reasons**

### **2.1 At the request of Otor Finance**

#### **• Reasons for resolution**

Because of conduct which does not reflect professional practices and a serious loss of confidence by Otor Finance, Otor's majority shareholder, in Durand et Associés, Otor Finance proposes:

- not to renew the appointment of Durand et Associés as incumbent statutory auditor nor Mr Roland Weyant's appointment as alternate statutory auditor,
- and to appoint Bellot Mullenbach et Associés as the new statutory auditor and Mr Pascal de Rocquigny as the new alternate statutory auditor.

#### **• Draft resolution**

The General Meeting resolves to appoint Bellot Mullenbach et Associés, 14 rue Clapeyron 75008 Paris, as the new incumbent statutory auditor to replace Durand et Associés, whose term has expired, and to appoint Mr Pascal de Rocquigny, residing 14 rue Clapeyron 75008 Paris, as the new alternate statutory auditor to replace Mr Roland Weyant, whose term has expired.

These appointments are for a term of six fiscal years, i.e. until the Ordinary General Meeting charged with voting on the financial statements of the fiscal year ended 31 December 2009.

## 2.2 At the request of Odysées, Ulysse and Sphinx, c/o Tocqueville Finance

### • Reasons

Otor has suffered serious financial difficulties which obliged it in May 2000 to increase the capital in the amount of EUR 45.7 million. After losses in 1999 and 2000, and despite high exceptional charges, Otor has turned in positive results and reported a significantly improved financial situation in the last three years.

During this period, the quality of the balance sheet of our company has markedly improved. Consolidated net debt was reduced from EUR 154.9 million at the end of 2001 to EUR 136.54 million at the end of 2003, and equity was raised from EUR 151.69 million to EUR 166.71.

The entire profits for 2001 and 2002 were taken to retained earnings. This is also proposed in the third resolution submitted to the General Meeting scheduled for 9 July.

In this case, the retained earnings account would show a credit of EUR 27.96 million, i.e. EUR 1.26 per share. Moreover, the legal reserve would amount to EUR 8.44 million and other reserves to EUR 86.39 million.

Lastly, allow me to remind you that the company was by definition organised to share the resulting profits. A company which, like an association, never distributes its profits, does not live up to its purpose. Moreover, Otor's minority shareholders should not suffer from the conflict that appears to oppose them to the shareholders of Otor Finance.

We are therefore requesting you to add the following resolution, pursuant to which about 50% of the consolidated net profit for 2003 is distributed, to the agenda of the Ordinary General Meeting of 9 June 2004.

### • Draft resolution

The General Meeting notes a profit of EUR 10.27 million for the fiscal year and resolves to allocate it as follows:

Determination of distributable profit (in EUR):

Annual profit	10,276,154
Returned earnings end 2003	17,689,452
Profit available for allocation	27,965,606
Declared dividend	2,216,792
Retained	25,748,814
Total	27,965,606

Net dividend per share is therefore EUR 0.10.

Dividend will be made available for payment on 1 July 2004. Pursuant to the law, we herewith inform you that no dividend was declared for the previous three fiscal years.

Design: Mission Image  
Illustration: Stéphane Cauchefer  
Photos: Otor Photo Library

## Final resolutions

## FINAL RESOLUTIONS SUBMITTED FOR APPROVAL TO THE GENERAL MEETING OF 9 JUNE 2004

### First resolution

The General Meeting, after having heard:

- the management report of the Board of Directors,
- the Chairman's report on the internal control system,
- the general statutory auditors' report on the parent company's financial statements for 2003,
- the statutory auditors' report on the consolidated financial statements for 2003,
- the statutory auditors' report on the Chairman's report on the internal control system, on the parent company's financial statements and on the consolidated financial statements,

approves these reports, the company's financial statements and the consolidated financial statements for the fiscal year ended 31 December 2003 as presented, including all transactions reflected or mentioned in these reports.

*This resolution was adopted.*

### Second resolution

The General Meeting discharges the directors for their management during the past fiscal year.

*This resolution was adopted.*

### Third resolution

At the proposal of the Board of Directors, the General Meeting resolves to allocate net profit for the past year, which breaks down as follows:

- |                               |                 |
|-------------------------------|-----------------|
| • annual profit               | EUR (8,723,846) |
| • loss carry over to end 2003 | EUR 17,689,452  |
| • Balance                     | EUR 8,965,606   |

to retained earnings, which is therefore EUR 8,965,606. The General Meeting notes that no dividend has been paid for the past three fiscal years.

*This resolution was adopted.*

### Fourth resolution

At the proposal of the Board of Directors, the General Meeting resolves to renew Mr Jean-Yves Bacques' directorship for a one-year term expiring on adjournment of the General Meeting convened to vote on the financial statements for 2004.

*This resolution was adopted.*

### Fifth resolution

At the proposal of the Board of Directors, the General Meeting resolves to renew Ms Michèle Bouvier's directorship for a one-year term expiring on adjournment of the General Meeting convened to vote on the financial statements for 2004.

*This resolution was adopted.*

#### **Sixth resolution**

At the proposal of the Board of Directors, the General Meeting resolves to renew Mr Hervé Aubert's directorship for a one-year term expiring on adjournment of the General Meeting convened to vote on the financial statements for 2004.

*This resolution was adopted.*

#### **Seventh resolution**

At the proposal of the Board of Directors, the General Meeting resolves to renew Ms Julie Bacques's directorship for a one-year term expiring on adjournment of the General Meeting convened to vote on the financial statements for 2004.

*This resolution was adopted.*

#### **Eighth resolution**

At the proposal of the Board of Directors, the General Meeting resolves not to renew Mr Franck FALEZAN's directorship.

*This resolution was adopted.*

#### **Ninth resolution**

At the proposal of the Board of Directors, the General Meeting resolves to renew Mr Jean-Pierre MILLET's directorship.

*This resolution was rejected*

#### **Tenth resolution**

At the proposal of the Board of Directors, the General Meeting resolves to renew Mr Jonathan ZAFRANI's directorship.

*This resolution was rejected*

#### **Tenth resolution (bis)**

At the proposal of the Board of Directors, the General Meeting resolves to appoint Ms.

Véronique Cochais-Widmer as a new director for a one-year term expiring on adjournment of the General Meeting convened to vote on the financial statements for 2004.

#### Eleventh resolution

At the proposal of the Board of Directors, the General Meeting resolves to renew the term of Durand et Associés as incumbent statutory auditors and of Mr Roland Weyant as alternate statutory auditor.

*This resolution was rejected*

#### Twelfth resolution

After having heard the special statutory auditors' report prepared pursuant to Articles L 225-38 to L 225-42, the General Meeting approves the agreements mentioned in said report.

*This resolution was adopted.*

#### Thirteenth resolution

At the proposal of the Board of Directors, the General Meeting resolves that the amount of the attendance fees allocated to the Board of Directors for the 2003 fiscal year shall be EUR 4,000.

*This resolution was adopted.*

#### Fourteenth resolution

At the proposal of the Board of Directors, the General Meeting invests the bearer of a copy or excerpt of the minutes of this General Meeting with the authority to carry out all legal registration and publication formalities.

*This resolution was adopted.*

#### Fifteenth resolution at the request of Otor Finance:

The General Meeting resolves to appoint Bellot Mullenbach et Associés, 14 rue Clapeyron 75008 Paris, as the new incumbent statutory auditor to replace Durand et Associés, whose term has expired, and to appoint Mr Pascal de Rocquigny, residing 14 rue Clapeyron 75008 Paris, as the new alternate statutory auditor to replace Mr Roland Weyant, whose term has expired. These appointments are for a term of six fiscal years, i.e. until the Ordinary General Meeting charged with voting on the financial statements of the fiscal year ended 31 December 2009.

*This resolution was adopted.*

**Sixteenth resolution at the request of Odysées, Ulysse and Sphinx, c/o Tocqueville Finance, 16 Avenue de Friedland - 75008 Paris:**

The General Meeting notes a profit of EUR 10.27 million for the fiscal year and resolves to allocate it as follows:

Determination of distributable profit (in EUR):

Annual profit	10,276,154
Returned earnings end 2003	17,689,452
Profit available for allocation	27,965,606
Declared dividend	2,216,792
Retained	25,748,814
Total	27,965,606

Net dividend per share is therefore EUR 0.10.

Dividend will be made available for payment on 1 July 2004. Pursuant to the law, we herewith inform you that no dividend was declared for the previous three fiscal years.

*This resolution was rejected*