

SQLI GROUP
REFERENCE DOCUMENT
2003



In application of COB (the French Stock Exchange Watchdog) ruling no. 95-01, l'Autorité des marchés financiers recorded this reference document on 2/7/2004 under number R.04-136. It can only be used to support a financial operation if it is supplemented by an operating note prescribed by the Autorité des marchés financiers. This reference document has been drawn up by the issuer and entails the responsibility of its signatories. This record, carried out during an examination of the pertinence and coherence of the information given on the company's financial situation, does not imply authentication of the accounting and financial elements presented.

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1 PERSON RESPONSIBLE FOR THE REFERENCE DOCUMENT AND PERSONS RESPONSIBLE FOR THE CONTROL OF THE FINANCIAL STATEMENTS

1.1 PERSON RESPONSIBLE FOR THE REFERENCE DOCUMENT

Mr **Yahya EL MIR**, Chairman of the Board of Directors of SQLI.

1.2 CERTIFICATION BY PERSON RESPONSIBLE FOR THE REFERENCE DOCUMENT

To the best of our knowledge, the information presented in this reference document fairly reflects the current situation and includes all information required by investors to assess the net asset position, activities, financial position, financial results, and prospects of the issuer. We confirm that no information likely to have a material impact on the interpretation of this document has been omitted.

Paris, 30 June 2004

Yahya EL MIR

Chairman of the Board of Directors of SQLI

1.3 NAMES, ADDRESSES AND QUALIFICATIONS OF THE STATUTORY AUDITORS OF THE FINANCIAL STATEMENTS

The table of auditors' fees can be found in chapter 5.3.

1.3.1 INCUMBENT STATUTORY AUDITORS

Fiduciaire de la Tour

represented by Mr Jean-Pierre PAUMARD
28, rue Ginoux
75015 Paris

Statutory Auditors registered under number 2060 in the Paris Region's list of Accountancy Firms and a member of « la Compagnie Régionale des Commissaires aux Comptes de Paris », a Paris based Accounting and Auditing body.

First appointed: 30 July 1995. Mandate renewed on 21 June 2001.

Mandate expiry date: mandate for six financial years which will expire following the Ordinary General Shareholders' Meeting called to assess the financial statements for the financial year ending 31 December 2006.

Constantin Associés

Represented by Mr Jean Marc BASTIER
26, rue de Marignan
75008 Paris

First appointed: 21 March 2000.

Mandate expiry date: mandate for six financial years which will expire following the Ordinary General Shareholders' Meeting called to assess the financial statements for the financial year ending 31 December 2005.

1.3.2 AUXILIARY STATUTORY AUDITORS

Mr Dominique BEYER

40 bis, rue Boissière
75116 Paris

First appointed: 28 February 2000, replacing Mr Jean-Marc Robinet, 53, rue Eugène Carrière, 75018 Paris, the former auxiliary auditor to the Company. This mandate was renewed on 21 June 2001.

Mandate expiry date: mandate for six financial years to expire following the Ordinary General Shareholders' Meeting called to assess the financial statements for the financial year ending 31 December 2006.

Mr François-Xavier AMEYE

114, rue Marius AUFAN
92532 Levallois-Perret Cedex

First appointed: 21 March 2000.

Mandate expiry date: mandate for six financial years to expire following the Ordinary General Shareholders' Meeting called to assess the financial statements for the financial year ending 31 December 2005.

1.4 ATTESTATION BY THE STATUTORY AUDITORS CONCERNING THE REFERENCE DOCUMENT

Dear Sir or Madam:

In our capacity as statutory auditors of SQLI and in compliance with COB regulation 95-01, we have verified the information with respect to the financial position and past financial statements included in this accompanying Reference Document according to accepted French accounting principles.

This reference document has been put together on the responsibility of Mr Yahya EL MIR, Chairman of the Board of Directors of SQLI. Our responsibility is to issue an opinion concerning the fairness of the information contained therein with respect to the financial position and financial statements.

Our work consisted, pursuant to the professional standards applicable in France, in assessing the fairness of the information on the financial position and financial statements in accordance with French professional standards and verifying its consistency with the audited accounts. It also entailed reading the other information contained in the reference document so as to identify the significant inconsistencies, if any, by comparison with the information bearing on the financial situation and on the accounts, and indicating any obviously erroneous information that we noted on the basis of our general knowledge of the company acquired in connection with our assignment. This document does not contain any isolated forecast data resulting from a structured development process. The prospective data mentioned in section 3.8.2 page 49, of the present reference document correspond to management objectives.

The annual financial statements and the consolidated financial statements for the financial years ending on 31 December 2002 and 31 December 2003, established in accordance with the French accounting rules and principles and closed out by your executive board, and for the financial year ending on 31 December 2001 established in accordance with the French accounting rules and principles and closed out by your board of directors, were audited by us in accordance with the professional standards applicable in France, and they have been certified without any reserves or remarks.

Our reports concerning the annual and the consolidated financial statements for financial year 2003 include the justifications for our judgements in application of the provisions laid down in article L.225-235 of the Code of Commerce, which apply to the said financial year for the first time:

With respect to the annual financial statements:

?? In application of the provisions of article L.225-235 of the Code of Commerce, introduced by the law on financial security of 1 August 2003 and applicable for the first time to this financial year, we hereby inform you that the judgements that we made in order to issue the following opinion concerning the annual financial statements taken as a whole, and which bore in particular on the accounting principles applied and the significant estimates used in closing out the accounts, as well as their general presentation, do not call for any particular remarks.

As to the consolidated financial statements:

?? The notes concerning "end-of-career indemnities" and "5" of the appendix (notes) explain the accounting done for the first time on the provision for end-of-career indemnities, the effect of the said change of accounting methods on shareholders' equity, as well as the assumptions adopted for calculation of the said provision. Within the framework of our judgement of the accounting rules and principles followed by your company, we made sure of the justification for this change of accounting methods, mentioned above, and of the presentation made thereof.

The judgements that we made of these elements are part of our auditing approach to the consolidated financial statements, taken as a whole, and hence contributed to development of our opinion without reserves, expressed in the first part of our report concerning the consolidated financial statements.

On the basis of this work, we have no remarks to make concerning the accuracy of the information on the financial position and financial statements contained in this Reference Document.

Paris, 30 June 2004

The Statutory Auditors

Constantin Associés

Fiduciaire de la Tour

Jean-Marc Bastier

Jean-Pierre Paumard

The auditors' report concerning the report submitted by the chairman of the supervisory board relative to the company's internal control appears in the present reference document in section 6.5, page 158.

1.5 PERSON RESPONSIBLE FOR INFORMATION

Mr Yahya EL MIR

Chairman of the Board of Directors of SQLI

Immeuble Le Pressensé

268, avenue du Président Wilson

93210 La Plaine Saint-Denis

Tel.: 01 55 93 26 00 – Fax: 01 55 93 26 01

www.sqli.fr

1.6 INFORMATION POLICY

The company for the most part communicates with its shareholders by means of its website (www.sqli.com / www.sqli.fr) as well as by its Financial Communications agency (www.equityconseil.com). The group's financial communiqués are published in the AGEFI and on the Euronext Internet Sites (www.euronext.fr) and the Boursorama sites (boursorama.com). The Companynewsgroup company distributes the financial communiqués concerning a substantial number of financial information platforms, sites and web portals and editorial offices.

Quarterly and bi-annual financial announcements are made by press releases according to the following annual schedule :

- ? ? Total Revenues 2003: 11 February 2004
- ? ? Earnings 2003: 5 April 2004
- ? ? Total Revenues 1st Quarter 2004: 12 May 2004
- ? ? Total Revenues 1st Quarter 2004: 11 August 2004
- ? ? Earnings 1st Half 2004: 29 September 2004
- ? ? Total Revenues 3rd Quarter 2004: 9 November 2004

Investor and Analyst Meetings take place at the time of the announcements of the half-yearly results. The meeting concerning 2003 results took place on 6 April 2004, and the meeting concerning the 1st half 2004 results will take place in October 2004, but the final date has not yet been set.

2 INFORMATION ABOUT THE COMPANY AND ITS CAPITAL

2.1 GENERAL INFORMATION ABOUT THE COMPANY

The combined shareholders' meeting held on 26 June 2002 decided to change the company's legal status to that of an SA (Société Anonyme = Corporation), with an Executive Board and a Supervisory Board.

2.1.1 COMPANY'S NAME (ARTICLE 2)

SQLI

2.1.2 HEADQUARTERS (ARTICLE 4)

Immeuble Le Pressensé
268, avenue du Président Wilson
93210 La Plaine-Saint-Denis

2.1.3 LEGAL FORM (ARTICLE 1)

SQLI is a corporation (a French "Société Anonyme"), with an Executive Board ("directoire") and a Supervisory Board ("conseil de surveillance"), under French law. It is subject to the requirements of the French Commercial Code (Code de Commerce) and Executive Order no. 67-236 of 23 March 1967 relating to commercial companies.

2.1.4 DATE OF INCORPORATION

SQLI was incorporated on 22 March 1990.

2.1.5 COMMERCIAL REGISTER (REGISTRE DU COMMERCE ET DES SOCIETES)

SQLI has been listed in the Bobigny Commercial Register under number 353 861 909. The company's constitution was registered with the Clerk's Office of the Commercial Court of Paris on 28 March 1990.

2.1.6 LEGAL DURATION

The legal duration of the Company is fixed at 99 years commencing 22 March 1990, unless it is prolonged or dissolved beforehand in accordance with the Company's articles of incorporation.

2.1.7 PURPOSE (ARTICLE 3)

The Company's purpose, both directly and indirectly, in France and in all other countries is as follows:

- ? ? Communications and web marketing consulting,
- ? ? The design and ergonomics of websites,
- ? ? Consulting regarding the choice of IT systems architecture and IT systems,
- ? ? Consulting regarding the choice of IT systems architecture and IT systems,
- ? ? Design and development of IT software,
- ? ? Distribution of IT software,
- ? ? IT training, and
- ? ? All industrial and commercial operations pertaining to:
 - ~~??~~ creation, purchasing, hiring, and management leases of any businesses, taking of leases, installation and exploitation of any establishments, businesses, factories, workshops, pertaining to one or other of the Company's activities;
 - ~~??~~ acquisition, purchasing, exploitation or disposal of any procedure/process or patent concerning the Company's activities;
 - ~~??~~ the direct or indirect participation of the Company in any finance, property or asset operations or industrial or commercial companies that are associated with the Company's purpose or a similar or connected purpose;
 - ~~??~~ all operations that contribute to the achievement of the Company's purpose.

2.1.8 BUSINESS CODE (APE)

721 Z

2.1.9 INFORMATION AND CONSULTATION OF DOCUMENTS (ARTICLES 11 AND 32)

Company documentation can be examined pursuant to the legal conditions at SQLI's headquarters.

2.1.10 BUSINESS CALENDAR (ARTICLE 5)

Every financial year runs for 12 months, commencing on 1st January of each year and finishing on 31 December.

2.1.11 STATUTORY APPROPRIATION AND DISTRIBUTION OF PROFITS (ARTICLE 35)

First of all, the amounts that be deducted in accordance with law are deducted from the year's profits, after deduction of the losses carried forward from previous business periods, if any. Five percent is then deducted from the profits to constitute the legal reserve fund (this deduction no longer being necessary once the fund reaches one-tenth of the Company's capital, resuming when it falls below the said level of one-tenth).

The distributable profits consist of the profit at the end of the year less losses carried over from the previous financial years, less the amount allocated pursuant to law or the Company's articles of incorporation to the Company's reserve fund, plus any retained earnings.

From this profit, the Shareholders' Meeting may deduct any amounts that it considers it appropriate to assign to optional, ordinary and extraordinary reserve funds, or it may assign amounts to retained earnings.

The balance, if any, is divided among all shares in proportion to the paid-up and non-redeemed amount of the said shares.

However, excepted in case of a capital reduction, no distribution may be made to shareholders when the shareholders' equity is, or would become as a result of such distribution, less than the capital together with the reserves that the law or the articles of incorporation preclude from distribution.

The Shareholders' Meeting may decide to pay out amounts deducted from the reserves available to it in order to provide or supplement a dividend, or to pay an exceptional dividend. In such a case, the decision must explicitly indicate the reserves to be used for the said distributions. However, dividends are preferably to be paid from the distributable profits for the financial year.

Upon approval of the financial statements by the Shareholders' Meeting, the losses, if any, are allocated to a special account to be offset against the profits for subsequent (?) financial years until they are extinguished.

2.1.12 PAYMENT OF DIVIDENDS (ARTICLE 36)

The Shareholders' Meeting ruling on the financial statements for the financial year may offer an option to each shareholder for payment of all or part of the dividend to be distributed or of the interim dividends in cash or in shares.

The procedures for payment of dividends in cash are to be laid down by the Shareholders' Meeting or, failing that, by the Executive Board.

However, dividends must be paid within a maximum of nine months following the end of the financial year, unless that period is legally extended.

When a balance sheet drawn up during or at the end of a financial year and certified by the statutory auditors shows that, since the end of the previous financial year and after any amortisation, depreciation and appropriation to provisions, and after deducting, if

necessary, any previous losses recorded and the amounts to be allocated to the reserves in application of law or of the articles of incorporation, and after taking any retained earnings into account, the Company has made a profit, it may pay out interim dividends before the year's financial statements are approved. The amount of the said interim dividends may not exceed the profit as defined in this way.

The Company may not require the shareholders to refund dividends, unless the distribution was made in violation of legal provisions and only if the Company can prove that the beneficiaries knew that the dividend payment was irregular at the time it was made, or could not have been unaware thereof in the light of the circumstances.

Action for dividend refunds lapses three years following payment of the dividends. Any dividends not claimed for five years following payment lapse.

2.1.13 **SHAREHOLDERS' MEETINGS (ARTICLES 23 TO 31)**

A proposal will be put to the combined shareholders' meeting held on 10 June 2004 to supplement certain provisions of the articles of incorporation and to update them to take the latest legislative modifications into account. The proposed modifications are underlined.

Meeting notices (article 24 of the Articles of incorporation)

Shareholders' Meetings are to be called by the Executive Board, or failing that, by the Statutory Auditors, or by an agent appointed by the Presiding Judge of the Commercial Court pursuant to a request by one or several shareholders holding, altogether, at least 5% of the capital, or at the request of any interested party in urgent cases.

Shareholders holding a majority of the capital or of the voting rights after a public purchase offer (takeover bid) or a public exchange offer or after transfer of a controlling block of shares may also call a Shareholders' Meeting.

(...)

The author of the convocation is to indicate, if appropriate, in the meeting notice and in the convocation notice, if any, whether shareholders would be able to take part in the meeting by videoconference or by telecommunication means. He is to make sure that the means used conform to the legal and regulatory requirements.

Shareholders taking part in a Shareholders' Meeting by videoconference or by telecommunication means are regarded as present for calculation of the quorum and of the majority.

Shareholders' Meetings are held at the Company's headquarters or at any other place indicated in the notice. A notice concerning the meeting containing the information required under 130 of executive decree no. 67-236 of 23 March 1967 is to be published in the bulletin of mandatory legal announcements (BALO) at least thirty (30) days before the date of the Shareholders' Meeting.

The notice is to be issued at least two (2) weeks before the date of the Shareholders' Meeting by publication in the legal announcements newspaper of the department in which the Company has its headquarters, by a notice published in the bulletin of mandatory legal announcements (BALO) and by ordinary letter addressed to each shareholder holding registered Company shares (...).

Meeting Agenda (article 25 of the Articles of incorporation)

The Shareholder's meeting agenda is drawn up by the author of the convocation. One or more shareholders, who together hold the required quota of capital and acting in accordance with the timeframe and conditions set out in the law, can request, by registered post with notification of receipt, the inclusion in the agenda for the

Shareholder's meeting of other resolutions. The Works Council has the same option, subject to the same conditions and periods.

The Shareholder's meeting cannot deliberate on a question that has not been written up in the agenda, which cannot be modified by a second convocation. The Meeting can, however, revoke one or several members of the Supervisory Board and move to replace them.

2.1.14 ACCESS TO THE MEETINGS AND POWERS (ARTICLE 26)

Every shareholder has the right to participate in Shareholder's Meetings and in the deliberations either personally or by proxy regardless of the amount of shares s/he holds, upon proof of identity as soon as her/his shares are fully paid up and registered in her/his name at least five days before the date of the Meeting.

Every shareholder has the right to vote using a postal vote using a form that s/he can obtain according to the conditions laid out in the notice of the meeting and the convocation notice for the Shareholder's meeting.

A shareholder can only be represented by his/her spouse or by another shareholder given proxy rights.

The procedures regarding participation in Shareholders' Meetings by videoconference or by telecommunication means are specified by the author of the convocation, if any, in the meeting notice, and if appropriate in the convocation notice.

2.1.15 HOLDING OF THE MEETING, OFFICES, MINUTES (ARTICLE 27)

A register is taken at every Shareholder Meeting in conformance with the legal requirements.

Shareholders' Meetings are chaired by the Chairman of the Supervisory Board or in her/his absence by a member of the Supervisory Board who has been assigned this task by the Supervisory Board. Failing this, the Shareholders' Meeting elects a chairman. If the Meeting has been convened by the Statutory Auditors or by a legal proxy, the Shareholders' Meeting is chaired by the author of the convocation.

Two shareholders, present and willing, representing themselves and by proxy the biggest amount of votes carry out the function of vote scrutinizers. The holders of this office then designate a secretary who cannot be a shareholder.

Those holding this office have the task of checking, certifying and signing the register, upholding the orderliness of the debates, sorting out any ensuing incidents, overseeing the voting and to ensure its correctness and making sure that the minutes of the meeting have been drawn up.

2.1.16 CALCULATION OF THE QUORUM, VOTING IN THE SHAREHOLDER'S MEETING AND THE CONDITIONS FOR ACQUIRING DOUBLE VOTING RIGHTS (ARTICLES 11, AND 28 TO 31)

In the Shareholder's meeting voting rights attached to shares in the Company's capital or interest are proportional to the proportion of capital that they represent. Each share has one vote.

Double voting rights

As an exception to what has just been stated, a voting right double the one granted to the other shares, conferred with respect to the proportion of capital represented, is attributed as follows:

? ? to all shares that are entirely paid up and for which can be proven a nominative registration dating back at least three (3) years in the name of the same shareholder;

? ? to all nominative shares attributed to a shareholder, in the case of a capital increase by incorporations of reserves, profits or share premium, at the rate of old shares that benefit from this right.

Double voting rights have been included in the articles of incorporation by the Combined shareholder's meeting of 21 March 2000.

Double voting rights end for each share that has been the object of conversion to bearer or of a transfer, except any nominative to nominative transfer as a result of inheritance or family donation.

A Double voting right can be removed by the decision of the Extraordinary Shareholder's meeting, after it has been ratified by the special beneficiary shareholders meeting.

Limiting voting rights

No arrangement to limit voting rights has been made by the Shareholder's meeting.

Quorum

The quorum is calculated using all of the shares that make up the capital, except in Special Shareholders' Meetings where it is calculated using all of the shares of the particular share category concerned, all of these are calculated less those shares which hold no voting rights according to the dispositions laid out in the law.

In the case of postal voting, only those votes which are duly completed and received by the Company at least three days before the date of the Shareholder's Meeting will be taken into account in the calculation of the quorum.

Voting takes place by raising one's hand, by a nominal call or by a secret ballot according to the decision of the office of the Shareholder's Meeting or by the shareholders. Shareholders can also make use of postal voting.

2.1.17 DIFFERENT TYPES OF MEETING (ARTICLES 29 TO 31)

Ordinary Shareholder's Meeting

The Ordinary Shareholder's Meeting can take all decisions that go beyond the powers of the Board of Directors and which do not include the changing of the Company's articles of incorporation. The Ordinary Shareholder's Meeting meets at least once a year within six months of the close of the financial year in order to rule on the financial statements of that year unless that period is prolonged by a legal ruling.

The Meeting can only act legally when it is first convened if the number of shareholders present or represented, or having sent postal votes, adds up to a quarter of those shares holding the right to vote. No quorum is required if the Meeting is convened for a second time.

The Meeting can make decisions using a simple majority of the votes of the shareholders present, represented or having voted by post.

Extraordinary Shareholder's Meeting

The Extraordinary Shareholder's Meeting can modify any of the Company's articles of incorporation and decide upon the transformation of the Company's legal both civil and commercial framework. This Meeting cannot, however, increase the commitments of the shareholders subject to the operations that result from regular regroupings of shares.

The Extraordinary Shareholder's meeting can only legally make decisions if the number of shareholders present, represented or having voted by post adds up to, on the first convocation of the Meeting, a third, and on the second convocation of the Meeting, a quarter of all shares holding voting rights. If this quorum is not reached, the second

Meeting can be adjourned to a later date that must take place within the two months following the second convocation.

The Extraordinary Shareholder's meeting can rule using a two thirds majority of those votes present, represented or having been cast by post, unless there have been legal infringements with those votes. In the Extraordinary Shareholder's meetings with a constitutive form, i.e. those called to deliberate on the approval of a contribution in kind or on the granting of a particular benefit, the contributor or the recipient is not entitled to vote either for himself or as a proxy.

Special Shareholder's Meetings

If several classes of shares exist, no modification can be made to the rights of any type of share without a vote in conformance with an Extraordinary Shareholder's meeting that is open to all shareholders and, additionally, without a vote in conformance with a Special Shareholders' Meeting just for those shareholders of the particular class of shares concerned.

Special Shareholders' Meetings can only make legally valid decisions if the number of shareholders present or represented adds up to at least, on the first convocation of the Meeting, half, and on the second convocation of the Meeting, a quarter of the outstanding shares of the concerned share class.

For the remainder, Special Shareholders' Meetings can be convened and can make decisions according to the same conditions as Extraordinary Shareholder's meetings subject to the particular provisions applicable to the holders of preference shares that do not hold voting rights.

2.1.18 SHARE INDIVISIBILITY (ARTICLE 11)

As far as the Company goes, shares are indivisible. Shares that are co-owned are represented at Shareholder's meetings by one of the owners or by a mutually agreed proxy. Failing agreement between them on the choice of a proxy, a proxy is designated by the order of the Chairman of the Commercial Courts (Tribunal de Commerce) ruling at the request of the most diligent co-owner.

The right to vote that is attached to the share belongs to the usufructuary in the Ordinary Shareholder's meetings and to the owner in the Extraordinary Shareholder's meetings. However, shareholders can agree amongst themselves the sharing out of the use of votes in Shareholder's meetings. In this case they do have to let the Company know what they have agreed by a registered letter sent to the Company's headquarters. The Company is held to respect this agreement for all Shareholder's meetings that meet following a timeframe of one month pursuant to the sending off of the registered letter; the post mark on the letter will act as the proof of the sending date.

2.1.19 THE PURCHASE BY THE COMPANY OF ITS OWN SHARES

2.1.19.1 Repurchase programme authorised by the meeting of 26 June 2002

The authorisation granted by the Combined shareholder's meeting on 26 June 2002 allowed the company's executive board to make stock market operations using the Company's own shares in accordance with the following conditions and aims. This authorisation ended at the conclusion of the meeting held on 30 June 2003. The shares held on that date were transferred during the month of July 2003.

Conditions of the authorisation that ended on 30 June 2003:

? ? the company can only buy shares in itself at a price that is, at the most, equal to 7 Euros,

? ? the company will only be able to sell all or part of the shares that have been acquired in this fashion at a price that is, at least, equal to 80 cents. Please note that these shares can be freely attributed in accordance with the conditions laid down by the law, notably

in accordance to articles L. 443-1 and those following it in the Employment Code (Code du Travail),

the period during which acquisitions may take place expires at the time of the Shareholders' Meeting called to approve the financial statements for the financial year ending on 31 December 2002, and at the latest eighteen months following the date of the meeting held on 26 June 2002,

during the timeframe referred to above, the maximum number of shares which the Company will be able to acquire in conjunction with this resolution will not be able to exceed a limit of 10% of the authorised capital.

Purposes of the current authorisation that ended on 30 June 2003:

to ensure the regularisation of the Company's stock price on the Stock Exchange;
to promote the accomplishment of Company financial and growth operations, the purchased shares can be used to all ends and in particular can be, in their totality or just partially, kept, sold, transferred or exchanged;
to be used in exchange, in particular within the framework of external growth transactions;
to optimise the financial and asset management of the Company;
to attribute to employees and management according to the procedures set out in the law, and notably within the framework of participating in the fruits of the Company's expansion, the share option purchase programme or the Company savings scheme;
to cancel them in accordance with the conditions and procedures defined by the Combined shareholder's meeting that met on the 26th June 2002.

Report on repurchase authorisation during financial year 2003 (from 1 January 2003 to 23 July 2003)

Authorisation has only been used during the liquidity contract signed with Fortis Securities. The amount of shares repurchased by SQLI over this period comes to 53,494 shares acquired at an average price of €0.53 per share. The amount of shares owned by SQLI for that period came to 61,777 shares at an average price of 0.53€ per share.

The company owned, on 30 June 2003, 2,347 SQLI shares disposed of during the month of July 2003. Since 23 July 2003, the company has not made any acquisition or transfer of SQLI shares, and no longer holds any of its own securities.

2.1.19.2 Repurchase programme submitted to the meeting of 10 June 2004

No share repurchase programme was authorised for the year 2003. The programme authorised by the combined shareholder's meeting of 26 June 2002 was not implemented. For about two years now, the company's only interventions in connection with its own shares have been systematic intervention against the trend within a limit of 0.5% of the share capital. No shares were cancelled during the said period.

A market-making and liquidity convention pursuant to the charter of ethics established by the Association Française des Entreprises d'Investissement and approved by the Commission des opérations de bourse (Market Operations Commission) (the Market watchdog) by an instruction issued on 10 April 2001 was concluded on 1 July 2003 by Mr Jean Rouveyrol, SQLI, with the Securities Dealer Portzamparc.

The transactions carried out in connection with the said contract are performed with due observance of the principles set forth in COB rule n°90-04 as modified. They are not aimed at hindering the regular operation of the market and misleading persons. Mr Jean

Rouveyrol and the Portzamparc Securities Dealer have jointly conveyed an amount of 30 000€ in cash and in securities to guarantee management of the liquidity contract.

SQLI did not make any conveyance of cash or of securities in connection with the said convention, and hence as of 28 April 2004 does not hold any of its own shares in connection with the said liquidity contract or for any other reason.

A share repurchase programme that was the object of an "operation note" approved by the AMF on 25 May 2004 under N° 04-484 was adopted by the meeting held on 10 June 2004, with the conditions and purposes summed up below:

Conditions of the authorisation submitted to the meeting held on 10 June 2004

Global ceiling: The purchases made by the company may not have the effect of increasing the number of shares held by the company to more than 10% of the total number of shares, namely 1,897,726 shares. Since the company does not hold any of its own shares, the maximum amount that it can devote to the said share purchases comes to 1,648,778 € including the 2003 net income, in view of the company's available reserves.

Maximum unit purchase price: 4 euros

Minimum unit selling price: 0.5 euros

Programme duration: Until the first of the following two dates, 18 months starting with the date of the combined shareholder's meeting held on 10 June 2004 or the date of the Shareholders' Meeting ruling on the financial statements for the financial year ending on 31 December 2004.

As an indication, on the basis of the capital and of the share price at the market close on 30 April 2004, a maximum of 1,186,171 shares could be acquired, corresponding to a maximum amount of 1,648,778 Euros.

Purposes of the authorisation adopted by the meeting held on 10 June 2004

The purposes of the share repurchase programme submitted for advance authorisation by the combined shareholder's meeting held on 10 June 2004 were as follows, in order of priority:

? ? regularise the market share price by systematic intervention against the trend;

? ? intervene by purchases and sales as a function of market situations;

? ? finance external growth operations by delivery of internally held shares;

? ? optimise cash management, management of shareholders' equity and of earnings per share;

? ? allocate such shares in connection with employee profit-sharing;

? ? cancel shares.

Realisation of the latter objective was conditional on adoption of a specific resolution by the extraordinary shareholders' meeting at the time of the combined shareholder's meeting held on 10 June 2004.

2.1.20 CROSSING OF THRESHOLDS (ARTICLE 12.2)

Apart from the respecting of applicable legal and regulatory obligations concerning the crossing of thresholds, every corporate entity or natural person, acting alone or in concert, who has come to own, both directly and indirectly, by the means of one or several corporate entities, control, according to the meaning of article L. 233-3 of the French Commercial Code, over a number of shares or voting rights representing five percent of the authorised capital or of the voting rights in the Company or any multiple of this same percentage, and this even if the aforementioned multiple surpasses the legal threshold of five percent, must notify the Company, by the means of a registered letter with a notice of reception sent to the Company's headquarters within fifteen days of crossing over one of these thresholds.

This obligation to inform the Company applies, in conformance with the same aforementioned conditions, every time that the fraction of the authorised capital or voting rights falls below one of the thresholds mentioned in the preceding paragraph.

If any of these provisions are not respected, the shares or the voting rights that exceed the threshold will be deprived of their voting rights for all Shareholder's meetings over the following two year period counting from the moment that the situation has been regularised, as long as the request to deprive these rights is made by one or several shareholders holding individually, or in concert, at least five percent (5%) of the Company's capital or voting rights. This request is registered in the minutes of the Shareholder's meeting.

2.1.21 SHAREHOLDER IDENTIFICATION (ARTICLE 10.2)

The Company holds the right according to the prevailing legal and regulatory conditions, to request at any moment and at its own cost (the maximum costs are defined by an order of the Finance Minister for the organisation that is responsible for the clearing of securities), the name or, if it concerns a corporate entity, the name of the company, its nationality, year of birth or year of incorporation, and the address of the holders of the securities that confer immediate or longer term voting rights in its own shareholder meetings, as well as the quantity of securities held by each holder and, if applicable, the restrictions applicable on the securities.

2.2 GENERAL INFORMATION ABOUT THE COMPANY'S SHARE CAPITAL

2.2.1 SHARE CAPITAL

The Company's share capital as of the start of June 2004 is 948,863.10€, divided into 18,977,262 shares with a par value of 0.05€ each, subscribed to and paid up in full and all of the same class. On the basis of the TPI published on 15 March 2004, the company's shares were held by 3,517 shareholders.

2.2.2 CHANGES IN THE SHARE CAPITAL

Changes in SQLI's share capital are as follows:

Date	Nature of the operation	Increase in capital	Share premium and contribution	No. of securities issued	Par value	Cumulative authorised capital	
						Value	Securities
Constitution	Cash subscriptions made by the Company founders	50,000F	0	500	100F	50,000F	500
24 August 1992	Capital increase due to the incorporation of profits	550,000F	0	5,500	100F	600,000F	6,000
16 April 1993	Capital increase due to the incorporation of profits	400,000F	0	4,000	100F	1,000,000F	10,000
10 May 1995	Capital increase due to the incorporation of reserves	1,000,000F	0	10,000	100F	2,000,000F	20,000
4 October 1999	Increase in reserved capital	150,000F	1,350,000	1,500	100F	2,150,000F	21,500
21 March 2000(1)	Merger-integration of SQLI*:	314,000F	10,570,996	3,140	100F	2,464,000F	24,640
21 March 2000	Capital increase due to the incorporation of reserves, share premium, merger and profits carried forwards	15,650,252.55F	0	159,460		18,114,252.55F	184,100
21 March 2000	Conversion of capital into Euros	0	0	0	15€	2,761,500€	184,100
21 March 2000(2)(3)(4)	Share nominal/par value split	0	0	0	0.25€	2,761,500€	11,046,000
21 July 2000	Share capital increase due to IPO of the Company's shares on the Nouveau Marché	488,500€	12,701,000	1,954,000	0.25€	3,250,000€	13,000,000
12 December 2000(5)	Cash capital increase reserved for Mr. El Mouafik (ABCIAL)**	19,475€	759,525	77,900	0.25€	3,269,475€	13,077,900
4 January 2001	Cash capital increase reserved for Mr. Cachaldora (IN VERSO)***	3,250€	106,470	13,000	0.25€	3,272,725€	13,090,900
15 July 2002	Cash capital increase reserved for FD5 and Sethi (6)	522,727.50€	1,777,273.50€	2,090,910		3,795,452.50€	15,181,810
30 June 2003	Reduction of the par value of the shares, allocation of the negative retained earnings to premiums (6) (7)	-3,036.362€	-13,658,792€		0.05€	759,090.50€	15,181,810
29 December 2003	Cash capital increase with maintenance of the DPS	189,772.6€	2,846,589€	3,795,452	0.05€	948,863.10€	18,977,262

* During the Extraordinary Shareholder's meeting on 21 March 2000, SQL Ingénierie absorbed SQLI and the Company's name was changed from SQL Ingénierie to "SQLI". This operation took place using net asset values.

** In the framework of the acquisition of ABCIAL.

*** In the framework of the acquisition of IN VERSO.

(1) Take over of the stock option scheme in the old SQLI.

(2) Replacement of the stock option scheme in the old SQLI by a stock option scheme (bons de souscription de parts de créateur d'entreprises) known as «BCE 1» which was adopted by the Combined shareholder's meeting on 21 June 2001.

(3) The implementation of a complementary share option scheme (bons de souscription de parts de créateur d'entreprises) known as «BCE 2» and replaced by a new scheme which is also called BCE 2 by the Extraordinary Shareholder's meeting that met on 6 July 2000 and which was subsequently adopted by the Combined shareholder's meeting on 21 June 2001.

(4) The implementation of a new stock option scheme known as "Stock Options 1 »

(5) Prior to 27 November issuing of BSA by the Board of Directors to the benefit of Mr. El Mouafik, within the framework of the global delegation of powers granted by the Shareholder's meeting on 21 March 2000.

(6) Reduction of the par value of the shares from 25 centimes to 5 centimes pursuant to a decision made by the extraordinary shareholders' meeting held on 30 June 2003

(7) Installation of a stock option scheme (bons de souscription de parts de créateur d'entreprises) (known as «BCE 4») adopted by the extraordinary shareholders' meeting held on 30 June 2003

2.2.3 SECURITIES GIVING ACCESS TO AUTHORISED, BUT AS YET UN-ISSUED, CAPITAL

2.2.3.1 Securities giving access to capital

Special share option schemes (bons de souscription de parts de créateur d'entreprise – henceforth known as BSC) and general share option schemes are the only shares issued which give access to capital.

The special report drawn up by the Executive Board, and reproduced in 4.2 of this document, details the share option schemes for company founders and share option schemes authorised before the Combined shareholder's meeting on 21 March 2000, 6 July 2000 and 26 June 2002 and 30 June 2003.

The tables below summarise the main dispositions of the share option schemes and BSC plans:

Share subscription options allocated during the 2000, 2001 and 2002 financial years			
	Plan no. 1	Plan no. 2	Plan no. 3
Date of the meeting	21 March 2000	21 March 2000	21 March 2000
Date of the board of directors meeting	4 July 2000	27 November 2000	27 July 2001
Total number of share subscription offers allocated and adjustments made (2)	37.556 at the outset, including 6 031 that lapsed, or 31.525 that did not lapse adjusted to 33.734 on 29 December 2003	22.955 at the outset, including 21.350 that lapsed, or 1.605 that did not lapse adjusted to 1.717 on 29 December 2003	317.650 at the outset, including 39.503 that lapsed, or 278.147 that did not lapse adjusted to 297.504
Of which: Number of shares able to be subscribed to by the corporate officers of the company	0	0	0
Starting point for the right to exercise the share subscription options allocated	5 July 2005	28 November 2005	28 July 2006
Expiry date of share subscription options	4 July 2007	27 November 2007	27 July 2008
Exercise price of share subscription options	5 € at the outset adjusted to 4,675€ on 29 December 2003	8,08185€ at the outset adjusted to 7,556€ on 29 December 2003	2,3885€ at the outset adjusted to 2,233€ on 29 December 2003
Methods of exercising share subscription options	The exercising right is acquired by annual tranches (2000, 2001 and 2002)	None	None
Share subscription options taken up during the 2000 to 2003 financial years No option was taken up during the 2000 to 2003 financial years			
Share subscription options cancelled ¹ during the 2000 to 2003 financial years:			
Total number of share subscription offers cancelled (1)	6,031	21,350	39,503
Stock options yet to be allocated at the end of financial year 2003: 11.912			

(1) These are options which have been allocated but which might not be exercised

(2) The stock options were adjusted with respect to the exercise price and the number of subscription options in order to take account of the effects of the capital increase without elimination of the preferential subscription right carried out on 29 December 2003.

¹ These are options which have been allocated but which might not be exercised
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Share subscription options still to be allocated at the end of the 2000 to 2003 financial years:			
	Plan no. 1	Plan no. 2	Plan no. 4
Date of the meeting	21 March 2000	6 July 2000	30 June 2003
Date of the board of directions or Board of Directors meeting	29 September and 27 November 2000	29 September and 27 November 2000	25 July 2003 and 22 September 2003
Total number BSCs authorised	1,197,000	362,221	1,000,000
Of which: Number of shares able to be subscribed to by corporate officers of the company	149,386	34,640	190,000
Number of BSCs allocated	1,197,000	362,221	955,000
Starting point for exercising the BSCs	1 ^{er} October 2002	29 September or 27 November 2003, depending on the date of the Board of Directors meeting	23 September 2003 for 100.000 warrants 24 July 2004 for 855.000 warrants
Expiry date of BSCs	29 September 2005	29 September or 27 November 2005, depending on the date of the Board of Direction meeting	24 July 2008
Price of BSCs exercised	1.07 Euros	5 Euros	0.46€
Methods of exercising BSCs	The exercising right is acquired by annual tranches (1999, 2000 and 2001)	None	The exercising right is acquired by annual tranches (2004, 2005 and 2006)
Total number of options lapsed	233,389	99,235	30,000

It is specified that the maximum dilution resulting from exercise, if the case occurs, of these equity warrants or share options is, as well as of attached subscription rights, for a shareholder holding one share, 15.56% before taking account of the cancelled or unallocated warrants or options, or 13.91% after taking account of the unallocated warrants or options.

2.2.3.2 Capital authorised but not issued

The combined shareholder's meeting held on 30 June 2003 granted a general delegation to the Executive Board for increasing the share capital within the limit of a global ceiling of 400,000 Euros in terms of par value. The said global delegation, granted pursuant to the provisions of article L 225-129 III, paragraph 3, of the Code of Commerce, was partly used by the Executive Board, which decided on 19 November 2003 on an increase of the share capital in terms of par value of 189,772.60 Euros, by issue of 3,795,452 shares of 0.05 Euros par value, with a premium on shares of 0.75 Euro each. The said capital increase was put through on the date of 29 December 2003.

Hence the Executive Board still holds, until 29 August 2005 inclusive, a delegation for increasing the share capital by a maximum nominal amount of 210,227.40 Euros, under the conditions set forth in resolutions 14 and 15 of the said meeting.

2.2.3.3 Resolutions proposed to the combined shareholder's meeting held on 10 June 2004

A proposal will be put to the combined shareholder's meeting to be held on 10 June 2004 to renew, for one year, the authorisation granted to the Executive Board under the 14th resolution approved by the combined shareholder's meeting of 30 June 2003 for using the said delegation for increasing the Company's capital during a public offer period.

A proposal will also be put to the combined shareholder's meeting of 10 June 2004 to authorise the Executive Board to issue 1,660,000 stock options, each making it possible to subscribe to one company share under the conditions laid down by the Executive Board.

The text of the resolutions to be submitted to the meeting appears below.

RESOLUTION 20

The Shareholder's meeting, having read the Executive Board's Report, expressly authorises the Executive Board, in accordance with article L 225-129 IV of the French Commercial Code, to use all delegations conferred to it by this Shareholder's meetings of 30 June 2003, including those relating to increases in capital, in case of occurrence of a public offer to purchase or exchange company securities issued by the Company.

This authorisation will expire on the decision of a Ordinary Shareholder's meeting called to rule on the financial accounts for the year ending 31 December 2004.

RESOLUTION 21

Authorisation for issuing stock options that can be exercised without any performance conditions

The Shareholders' Meeting, after having heard a reading of the report by the Executive Board and of the special report by the auditors, and having noted that the conditions provided for in article 163 bis G of the General Taxation Code are satisfied by the company, authorises, subject to the condition precedent of adaptation of resolution 23 relative to elimination of the preferential subscription right, pursuant to the provisions laid down in articles L. 228-95 of the Code of Commerce and 163 bis G - II of the General Taxation Code, the Executive Board to carry out a free issue, all at once or in instalments, of a maximum of 460,000 stock options ("bons de souscription de parts de créateur d'entreprise", hereinafter « **BCE** ») granting a right to their holders to subscribe, for each warrant, to one new company share, it being specified that exercise of the said warrants will not be subject to any performance conditions.

Each of the said BCE shall grant a right to subscription to one company share, with a par value of 0.05 euro each, representing a capital increase in a maximum nominal amount of 23,000 euros.

Pursuant to the requirements laid down in article L. 228-95, paragraph 2, the extraordinary shareholders' meeting authorises issue of the said 460,000 new shares, at the most, and the shareholders waive their preferential subscription right to the said shares.

The authorisation for issuing the said warrants is granted for one year starting with this very day, and the subscription rights to the shares shall have to be exercised and the corresponding shares shall have to be issued within five years following the date of issue of the BCE.

The extraordinary shareholders' meeting sets the issue price of each share in exercise of a BCE at 100% of the average of the last twenty closing prices of the company share preceding the date of allocation of the BCE by the Executive Board, or if a capital increase is carried out during the period of validity of the present authorisation for a price per share that is higher than the said average, at the subscription price for one share issued in connection with the capital increase.

RESOLUTION 22

Authorisation to issue stock options ("bons de souscription de parts de créateur d'entreprise") that may be exercised subject to a performance condition to be determined by the Executive Board

The Shareholders' Meeting, after having heard a reading of the report by the Executive Board and of the special report by the auditors, and having noted that the conditions provided for in article 163 bis G of the General Taxation Code are satisfied by the company, authorises, subject to the condition precedent of adaptation of resolution 23 relative to elimination of the preferential subscription right, pursuant to the provisions laid down in articles L. 228-95 of the Code of Commerce and 163 bis G - II of the General Taxation Code, the Executive Board to carry out a free issue, all at once or in instalments, of a maximum of 1,200,000 stock options ("bons de souscription de parts de créateur d'entreprise", hereinafter « **BCE** ») granting a right to their holders to subscribe, for each warrant, to one new company share, it being specified that exercise of the said warrants shall be subject to performance conditions to be determined by the Executive Board.

Each of the said BCE shall grant a right to subscription to one company share, with a par value of 0.05 euro each, representing a capital increase in a maximum nominal amount of 60,000 euros.

Pursuant to the requirements laid down in article L. 228-95, paragraph 2, the extraordinary shareholders' meeting authorises issue of the said 1,200,000 new shares, at the most, and the shareholders waive their preferential subscription right to the said shares.

The authorisation for issuing the said warrants is granted for one year starting with this very day, and the subscription rights to the shares shall have to be exercised and the corresponding shares shall have to be issued within five years following the date of issue of the BCE.

The extraordinary shareholders' meeting sets the issue price of each share in exercise of a BCE at 100% of the average of the last twenty closing prices of the company share preceding the date of allocation of the BCE by the Executive Board, or if a capital increase is carried out during the period of validity of the present authorisation for a price per share that is higher than the said average, at the subscription price for one share issued in connection with the capital increase.

RESOLUTION 23

Elimination of the preferential subscription right

The Shareholders' Meeting, after having heard a reading of the report by the Executive Board and of the special report by the auditors, decides to eliminate the shareholders' preferential subscription right to the benefit of the allocatees of the 1,660,000 BCE, to be determined by the Executive Board, pursuant to the requirements laid down in article 163 bis G of the General Taxation Code.

RESOLUTION 24

Delegation of powers for the BCE

The Shareholders' Meeting, after having heard a reading of the report by the Executive Board and of the special report by the auditors, delegates full powers to the Executive Board for the purpose of doing the following, pursuant to resolutions 21, 22 and 23 above:

- determine the allocatees of the BCE, in accordance with the requirements laid down in article 163 bis G of the General Taxation Code;
- determine the issue procedures and the number of BCE to be issued, all at once or in instalments, free;
- determine the conditions for exercise of the right of the holders of the BCE to subscribe to the shares to be issued, and particularly the exercise date or dates of the warrants, the number of shares to be issued, the price and the dates to dividend rights of the said shares;
- submit the criteria for allocation and the exercise conditions for the BCE to the Supervisory Board, for validation before issue and allocation of the BCE;
- determine the provisions that would be adopted with a view to protecting the rights of the warrant holders, in case the company carries out new financial operations;
- record the number and the amount of the shares issued by exercise of the warrants;
- gather the subscriptions and the required payments;
- take note of the amount of the capital increase or increases and make the related modifications of the articles of incorporation;
- and more generally do whatever is necessary or useful in connection with implementation of the present authorisation,

pursuant to the resolutions adopted by the present meeting.

RESOLUTION 25

Delegation to the Executive Board for putting through a capital increase under the conditions laid down in article L. 443-5 of the Labour Code

The Shareholders' Meeting, after having heard a reading of the report by the Executive Board and of the special report by the auditor, authorises the Executive Board, pursuant to the provisions of article L. 225-129 VII of the Code of Commerce, in connection with the capital increases authorised under resolutions 21 and 22 above, to carry out, all at once or in instalments, under the conditions set forth in article L. 443-5 of the Labour Code, an increase of the share capital in cash in a maximum nominal amount of 30,956 euros, reserved for the company employees belonging to a company savings plan or a voluntary payroll savings partnership plan.

The present authorisation is granted for a duration of twenty-six months starting with this very day.

The total number of shares that may be obtained by the employees by virtue of the present delegation may be no more than 3% of the share capital at the time of issue.

The share subscription price shall be set in accordance with the provisions set forth in article L 443-5 of the Labour Code.

The extraordinary shareholders' meeting delegates full powers to the Executive Board for implementing the present authorisation and, to that end:

- to set the conditions necessary in order to benefit from the subscription offer, particularly the conditions regarding employee seniority and the subscription periods, as well as all other procedures relating to implementation of the capital increase;
- to take all useful steps on behalf of definitive realisation of the said capital increase, and carry out all measures and formalities relating thereto;
- to modify the articles of incorporation as a result and to carry out the notice formalities concerning the capital increase.

The extraordinary shareholders' meeting decides to do away, to the benefit of the employees joining a company savings plan offered by the company, with the preferential subscription right held by the shareholders to the shares to be issued.

2.2.3.4 Recapitulative table

The following table offers a summary of the delegations in effect, subject, for the last two, to a favourable vote by the Shareholders' Meeting held on 10 June 2004:

Recapitulation of delegations

AGE, nature of the delegation and expiry date	Nature of the operation	Authorised nominal amount	Autorisation given	Residual Autorisation
AGE 30 June 2003 Resolution 14, delegation to the Board of Directors, expiry 29 August 2005	Issue of any share, asset or warrant within a limit of €400,000 with a face value of €0.05 per share)	400,000€	189,772.6€	210,227.4€
AGE 30 June 2003, Resolution 16 delegation to the Board of Directors, expiry AGE June 2004	Issue of 1,000,000 BSC warrants with a face value of €0.05	50,000€	47,750€	2,250€
AGE 10 June 2004, Resolution 24 delegation to the Board of Directors, expiry AGE June 2005*	Issue of 1.660.000 BSC warrants with a face value of €0.05	83,000€	0€	83,000€
AGE 10 June 2004, Resolution 24 delegation to the Board of Directors, L225-129 of the Code of Commerce) expiry AGE June 2005*	Issue of 619,120 shares of 0.05€ reserved for the employees (article L225-129 of the Code of Commerce)	30,956€	0€	30,956€

*Subject to a favourable vote by the Shareholders' Meeting held on 10 June 2004.

2.2.3.5 Potential dilution and share of shareholders equity

Summary of securities issued other than shares before the Shareholders Meeting on 10 June 2004	Number	Exercise price	Subscription price of options or warrants (face value + issue premium) (in Euros)
BSPCE 1	1,197,000	1.07	1,280,790.00
BSPCE 1 minus securities lapsed	963,611	1.07	1,031,063.77
BSPCE 2	362,221	5.00	1,811,105.00
BSPCE 2 minus securities lapsed	262,986	5.00	1,314,930.00
BSPCE 4 voted	1,000,000	0.49	494,155.00
BSCPE 4 allocated in 2003	955,000	0.46	439,300.00
BSCPE 4 allocated in 2004	45,000	1.22	54,855.00
BSPCE 4 less lapsed securities	970,000	0.50	480,355.00
Capital increase pursuant to the procedures of the December 2003 operation reserved for holders of BCE	537,899	0.80	430,319.20
Subscription options 1 *	39,765	4.68	185,901.38
Subscription options 1 less lapsed securities *	33,734	4.68	157,706.45
Subscription options 2 *	23,067	7.56	174,294.25
Subscription options 2 less lapsed securities *	1,717	7.56	12,973.65
Subscription options 3 *	337,007	2.23	752,536.63
Subscription options 3 less lapsed securities *	297,504	2.23	664,326.43
Total	3,496,959		5,129,101.46
Total minus lapsed securities	3,067,451		4,091,674.50

* Share subscription option plans 1, 2 and 3 have been adjusted in terms of number and of subscription price on 29 December 2003 following the capital increase with maintenance of the preferential subscription right that was opened from 4 to 17 December 2003 in application of articles 174-1 and 174-8 of the Code of Commerce. The subscription prices were reduced by 6,5%, the ratio of the average of the subscription right price to the average of the share price including the right. The option numbers have been adjusted upward by 6,5%, so that the beneficiaries can invest an amount identical with the amount that they would have invested before the capital increase.

Effect of BSPCE issues and shares submitted to the vote of the extraordinary shareholders' meeting of 10 June 2004 and remaining authorisations resulting from the decisions of the extraordinary shareholders' meeting held on 30 June 2003	Number of shares	Shareholders Equity consolidated	Dilution	SE / Share €
1. Before capital increase	18,977,262	4,338,000		0.23
2. Before capital increase and after exercising all securities issued	22,474,221	9,467,101	15.56%	0.42
2b. Ditto, minus lapsed securities	22,044,713	8,429,675	13.91%	0.38
3. After the issue of 4.204.548 shares (1)	23,181,810	9,803,912	18.14%	0.42
4. After the issue of 4.204.548 shares and exercising all securities issued	26,678,769	14,933,014	28.87%	0.56
4b. Ditto, minus lapsed securities	26,249,261	13,895,587	27.70%	0.53
5. After the issue of 1.660.000 BCE 5 and 6	20,637,262	6,496,000	8.04%	0.31
6. After the issue of 1.660.000 BCE 5 and 6 and exercising all securities issued (2)	24,134,221	11,625,101	21.37%	0.48
6b. Ditto, minus lapsed securities	23,704,713	10,587,675	19.94%	0.45
7. After the issue of 619.120 shares reserved for the employees and exercise of all securities issued (3)	19,596,382	5,142,856	3.16%	0.26
7b. Ditto, minus lapsed securities	22,663,833	9,234,531	16.27%	0.41
8. After the issue of 4.823.668 shares and of 1.660.000 BCE of all securities issued (4)	28,957,889	17,895,870	34.47%	0.62
8b. Ditto, minus lapsed securities	28,528,381	16,858,443	33.48%	0.59

(1) Residual authorisation for issue of any share, security or warrant within the limit of 210.227,4€ in terms of nominal value (at 0,05 € per share) resulting from the decisions of the meeting held on 30 June 2003.

(2) Shares resulting from the exercising of the 1.660.000 BSCPE proposed to the Shareholders Meeting on 10 June 2004 valued at an indicative issue price, for the purposes of this presentation of 1.3€ per share.

(3) Issue of 619.120 shares of 0,05€ reserved for the employees (article L225-129 of the Code of Commerce) proposed to the meeting of 10 June 2004.

(4) Maximum amount of shares created in conformance with delegations which will be given by the Shareholders Meeting on 10 June 2004 to the Executive Board to increase capital by a maximum nominal amount of €210.227,4 (residual authorisation of June 2003) and of 30.956€ to the benefit of employees, i.e 4.823.668 shares with a face value of €0.05 each as well as 1.660.000 BCE. The indicative issue price for the purposes of this presentation is €1,3 per share.

2.2.4 BREAKDOWN OF THE CAPITAL AND OF THE VOTING RIGHTS

The company had a report drawn up concerning its bearer shareholders (TPI) as of 15 March 2004.

On that date 3469 bearer shareholders held 9.508.866 shares, namely 47,8% of the company's capital. Among them, 20 bearer shareholders held more than 50.000 shares each for a total of 4.899.945 shares, namely 25,8% of the company's capital.

The information set out below comes from movements recorded on the securities managed by nominative. The main differences recorded between the different shareholders situations from now on comes from the following main events:

- Increase in capital to the benefit of new shareholders
- Acquisition of double voting rights after three years following the face value recording
- Change from nominative management to bearer management
- Transfer of shares

The management report by the Executive Board includes, in chapter 4.1, a list of the shareholders who reported having crossed, upward or downward, the thresholds of 5%, 10% and 33% during financial year 2003.

Breakdown of capital and voting rights at the time of the company's IPO in July 2000

Shareholders	Number of shares	% capital	% voting rights
Jean ROUVEYROL(1)	5,174,700	39.81%	54.95%
Alain LEFEBVRE(1)	1,818,240	13.99%	10.12%
Hervé GRIFFON	672,420	5.17%	3.74%
Bruno LEYSSENE	316,920	2.44%	3.26%
Total founders	7,982,280	61.40%	72.08%
Innovacom 3	964,260	7.42%	5.37%
Dassault Développement	964,260	7.42%	5.37%
Other named shares	1,135,200	8.73%	6.32%
Public	1,954,000	15.03%	10.87%
Total	13,000,000	100%	100%

(1) And their family group

Increase in capital on 15 July 2002

The Combined Shareholder's meeting on 26 June 2002, authorised the Executive Board to increase the authorised capital by 552,727.50 Euros by issuing new shares reserved to FD5 and Sethis to the amount of 1,363,637 and 727,273 new shares respectively.

Breakdown of capital and voting rights before the increase in capital on 15 July 2002

Shareholders	Number of shares	% capital	Number of voting rights	% voting rights
Jean ROUVEYROL(1)	4,736,700	31.20%	9,437,520	46.72%
Alain LEFEBVRE(1)	1,810,740	11.93%	1,811,580	8.97%
Bruno LEYSSENE	311,420	2.05%	622,840	3.08%
Total founders	6,858,860	45.18%	11,871,940	58.77%
FD5	1,363,637	8.98%	1,363,637	6.75%
Sethi	727,273	4.79%	727,273	3.60%
Innovacom 3	895,902	5.90%	901,402	4.46%
Other named shares	627,744	4.13%	627,744	3.11%
Public	4,696,106	30.93%	4,696,106	23.25%
Liquidity contract (balance as of 30 June 2002) (2)	12,288	0.08%	12,288	0.06%
Total	15,181,810	100.00%	20,200,390	100%

(1) And their family group

(2) Self-held shares

Breakdown of the capital and of the voting rights as of 5 April 2004

Shareholders	Number of shares	% of capital	Nber of voting rights	% voting rights
Jean Rouveyrol	4,020,627	21.2%	8,041,254	30.8%
Alain Lefebvre	1,804,718	9.5%	3,609,436	13.8%
Bruno Leysse	303,420	1.6%	606,840	2.3%
Yahya El Mir	206,301	1.1%	412,602	1.6%
Innovacom 3	506,034	2.7%	1,012,068	3.9%
FD5	1,363,637	7.2%	1,363,637	5.2%
SETHI Company	909,091	4.8%	909,091	3.5%
Other registered	329,494	1.7%	657,330	2.5%
Total registered	9,443,322	49.8%	16,612,258	63.5%
Public	9,533,940	50.2%	9,533,940	36.5%
Including SOCADIF (pursuant to TPI on 15 March 2004)	1,250,000	6.6%	1,250,000	4.8%
including Michel de la Tullaye (pursuant to TPI as of 15 March 2004)	517,177	2.7%	517,177	2.0%
including Dassault Développement (pursuant to TPI as of 15 March 2004)	513,024	2.7%	513,024	2.0%
including FCP Boscary Montblanc (pursuant to TPI as of 15 March 2004)	315,000	1.7%	315,000	1.2%
TOTAL	18,977,262	100.0%	26,146,198	100.0%

2.2.5 REPORT ON PLEDGES ON THE SHARES OF SQLI AND OF ITS SUBSIDIARIES

There are no pledges on the services or on any assets of SQLI or of its subsidiaries.

2.2.6 SHAREHOLDERS' COMMITMENTS

No commitments, particularly with respect to keeping securities, have been brought to the Company's attention.

2.2.7 SHAREHOLDERS' PACT AND AGREEMENTS

There are currently no shareholder pacts. To the company's knowledge no other agreement clause exists which might have an impact on SQLI's assets, activity, financial situation, results and outlook.

2.2.8 POTENTIAL CAPITAL NOT YET ISSUED

Detailed information relating to the BSPCE schemes is mentioned in paragraph 4.2 and 2.2.3.5.

2.3 DIVIDENDS

The company has not paid any dividends in the last five years.

2.4 THE MARKET FOR THE COMPANY'S SECURITIES

SQLI has been quoted on the Nouveau Marché of the Paris Stock Exchange since 21 July 2000 (Euroclear 7547 – Reuters SQLI.LN – Bloomberg SQLI- ISIN FR0004045540).

SQLI signed a liquidity contract with Fortis Securities which will run out on 21 July 2003.

A liquidity contract signed by Portzamparc company when into effect on 1 July 2003.

The company does not belong to a group. SQLI is the main group company.

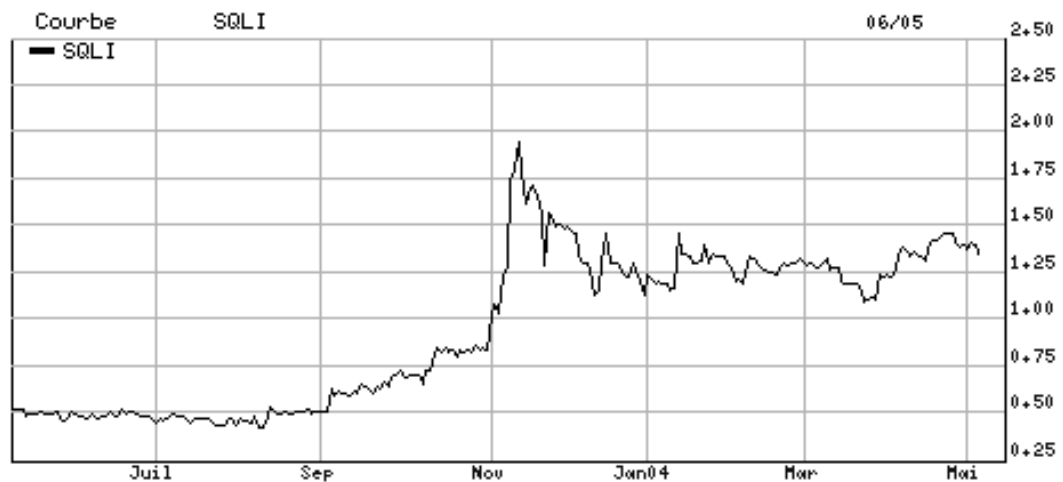
Market capitalisation trend

In euros	2000	2001	2002	2003	2004 (30/4)
Number of shares as of 31.12	13,077,900	13,090,900	15,181,810	18,977,262	18,977,262
(face value in euros)	(0.25)	(0.25)	(0.25)	(0.05)	(0.05)
Market Capitalisation	77,294,720	16,232,716	7,135,451	21,444,306	26,378,394
High	17.53	7.95	1.39	2.13	1.50
Low	4.8	0.92	0.31	0.37	1.01
Average	10.35	2.88	0.87	1.04	1.31
Last	5.9	1.24	0.47	1.13	1.39
Average Daily Volume	27,985	14,075	9,049	23,361	84,031
Net profit per share (in euros)	0.005	-	-	0.06	-
Net dividend per share	-	-	-	-	-

Source: Euronext (www.euronext.fr)

Highest, lowest and transaction volumes

In euros	Highest	Lowest	Transactions in terms of securities	Transactions in M€
Jan-03	0.63	0.43	108,387	0.058
Feb-03	0.59	0.45	116,505	0.058
March-03	0.53	0.45	62,411	0.030
Apr-03	0.50	0.42	152,129	0.069
May-03	0.48	0.41	162,478	0.073
June-03	0.46	0.42	148,526	0.066
July-03	0.45	0.37	136,317	0.055
August-03	0.48	0.37	251,221	0.111
Sept-03	0.71	0.44	614,768	0.352
Oct-03	0.80	0.58	753,332	0.551
Nov-03	2.13	0.76	2,490,813	3.499
Dec-03	1.50	1.11	983,695	1.273
Jan-04	1.50	1.13	1,848,366	2.446
Feb-04	1.37	1.17	2,165,293	2.721
March-04	1.34	1.01	886,750	1.067
Apr-04	1.48	1.22	2,158,257	3.012

Source: Euronext (www.euronext.fr)**One-year trend of the SQLI price**Copyright Boursorama - www.boursorama.com

Courbe = curve

Source: Boursorama (www.boursorama.com)

3 PRESENTATION OF THE COMPANY'S ACTIVITIES

3.1 GENERAL PRESENTATION

3.1.1 HISTORY

The company was founded in March 1990 with the aim of helping companies profit from new computer technologies. Right from the very first stages of the company's development, SQLI (formerly named SQL Ingénierie), immediately positioned itself, in addition to its traditional IT Consultancy business, a Research & Development department focused on keeping up to date with IT technology changes.

1990-2001, a Group focusing on technology

Sqli was characterised by the following during this period:

- A culture based on a technological lead (anticipation).
- One of the 1st SSII (computer engineering and services company) to set up an R&D department.
- An opinion leader in technological niches.
- A well-adapted position during a period of technological change (arrival of the Internet), but less efficient during the transition period.

Since 2002, a positioning focusing on the customer...

In 2002, the company modified its positioning in order to:

1. Capitalise on the relationship with customers and develop a lasting relationship with them
2. Develop new differentiation criteria, in addition to the technological lead (CMM-I, solutions programmes ...)
3. Become less dependent on technological "waves" and on fads.

To reach that positioning, the Group made the following choices:

1. Widen the Group's field of intervention so as to **offer customers global accompaniment** while maintaining the **depth of expert knowledge** (in order to continue to enjoy high value added).

✎ These days, the Group has 15 types of high expertise.

2. Develop a **sales organisation focusing on the customer**, combining physical proximity and the ability to accompany the client over time, and offer it all Group services.

✎ At present, the Group has a network of 13 agencies in France and Switzerland with sales teams close to and focusing on the customer. This agency network is unique for an SSII (computer engineering and services company) specialising in the new technologies.

3. Install a **service industrialisation strategy** combining total quality (CMM-I approach), a specialised OffShore development centre (to cut production costs) and a programme of sectorial solutions.

✎ These days, the Group is in a position to obtain CMMi certification and it has considerably upgraded the quality of its services and its control of such projects under package agreements (more than 50% of the business).

Its OffShore centre is operational and works in perfect harmony with the Group agencies.

Two sectorial solutions have been developed in the promising fields of local governmental units and health, which now account for more than 20% of turnover.

3.1.2 KEY FIGURES

Historic revenues and profits of the SQLI group.

In millions of euros	2000	2001	2002	2003
Total Revenues	30.2	45.3	44.1	41.4
Revenues by activity				
Engineering	22.7	38.0	39.6	33.2
Consulting	5.1	4.5	1.5	2.8
Others	2.4	2.8	3.0	5.4
Revenue by geographical area				
France	27.5	40.0	38.6	36.3
Abroad	2.7	5.3	5.4	5.1
Operating Income	0.61	(3.4)	(5.8)	1.4
Net Profit	0.04	(7.8)	(9.3)	1.0
Shareholders Equity	15.2	7.5	0.5	4.3
Debt/Equity Ratio	18.3%	17.5%	160%	2%

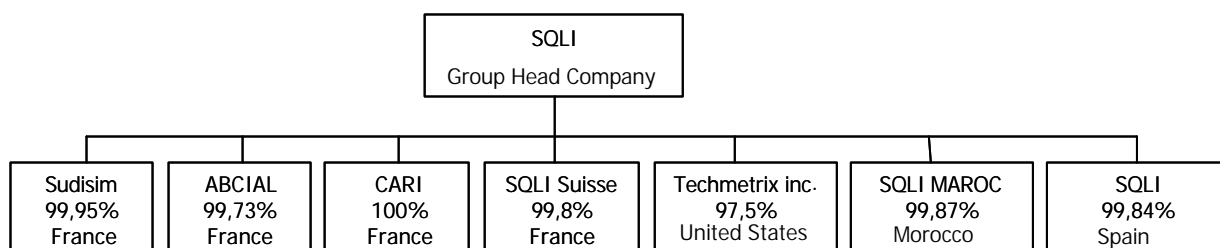
The perimeters are comparable to 2002 and 2003.

Historic revenue by type of activity

	2001	2002	2003
Banking – Insurance	25%	23%	21%
Telecoms – Transport	3%	9%	6%
Services	29%	26%	21%
Industries	29%	28%	28%
Retail	6%	3%	4%
Administration – Government Sector	8%	11%	20%

3.1.3 GROUP ORGANISATION CHART

Legal organisation chart of the SQLI Group as of 30 April 2004.



The % of minority shareholders is essentially made up of shares owned by corporate officers or directors of the group's companies; only 0.09% of Abcial is owned by a former director of this subsidiary.

All subsidiaries of the SQLI Group have similar business activities to that of SQLI and are therefore able to offer their customer base the whole range of the group's skills. SQLI SL (Madrid), 99.84% owned by SQLI, is not consolidated due to its insignificant nature and its lack of activity since it was founded (sleeping company).

The INVERSO SA subsidiary was absorbed by SQLI Suisse in December 2003, effective retroactive to 1 July 2003.

The SQLI Maroc SA subsidiary was established in November 2003.

The mother company is responsible for central services (accountancy, communication, marketing, management control, IT...) for all these subsidiaries. A percentage of the cost is invoiced to each subsidiary concerned on the basis of their respective revenue.

The mother company is responsible for the treasury management of its subsidiaries. Interest on current accounts is invoiced to the subsidiaries concerned.

All services benefiting another company of the group are invoiced.

Activity management and accounting and financial management are ensured by a central computer management system which is identical for all subsidiaries.

Details of these intra-group agreements are available in chapter 6.4 of the Auditors' special report on regulated agreements. The contribution of subsidiaries to revenue and profits are specified in the annex to the consolidated accounts (paragraph 5.2) and in the management report (paragraph 4.1).

3.2 PRESENTATION OF THE MARKET

A very tough 2003 for the software and services market, according to the Syntec

According to Syntec Informatique, the year 2003 brought a 5% decline in spending in the software and computer services sector in France, and the association emphasised that "2003 was one of the most difficult years for the business since it came into existence". The European market on its part declined by 3 to 4%. The information management activities increased by 5% to 9%, while the other activities dropped by an average of 9%. The banking, insurance, telecommunications, transport, tourism, commerce and distribution sectors slowed their investments, while public sector expenditures increased by 5%.

Market prospects for 2004.

For 2004, the Syntec estimates growth at 2 to 4%, the rate even reaching 6% to 9% for information management and third party application administration, while engineering and consulting services should be stable. According to the Syntec, the sectors most involved in this recovery should be telecommunications, insurance and banking. On its part, SQLI is counting on an increase of more than 5% in its 2004 business, more based on increased market shares than on market growth.

Medium-term prospects

SQLI's vision of the medium term sees the SSII as being able to adapt to new market demands, offering very promising development prospects. On the other hand, the SSII unable to adapt risk running into substantial difficulties.

The demand trend, according to SQLI, results from the fact that the market is now mature. The clientele constantly increases its demands, and competition is increasing. The SSII have to reinvent their trade so as to offer their customers more value added.

We think a dichotomy is going to develop between SSII:

- The ones that, thanks to their positioning and the competitive advantages that they developed, will be in a position to continue organic growth and gain market share
- The ones that will remain the historical models and are sure to disappear, at the worst, and will experience consolidation at the best.

We think that the difference will be based on companies' ability to supply a model for mass production of the service offering a high level of quality together with competitive prices.

3.3 THE COMPANY'S POSITIONING

SQLI group accompanies its customers in realisation of high-performance information systems and e-business solutions.

Its distinguishing feature lies in its ability to continuously anticipate changes in the sector and to give its customers the benefit of those changes, to capitalise on the relationship with and the knowledge of its customers, and to offer a guarantee as to the result. This is a strong commitment based on the three SQLI identity pillars:

- ?? Technological excellence
- ?? Total quality
- ?? Value creation and return on investment

3.3.1 TECHNOLOGICAL EXCELLENCE

This is the very essence of SQLI group's culture: anticipate changes and develop advanced expertise so as to guarantee reliable and lasting solutions. **As of the outset, SQLI Group followed an intensive strategy for monitoring developments and an active research and development and training policy. It was among the first companies to take the Internet road in 1995, and it is now identified as a technological leader.** With acknowledged experts in various fields, SQLI provides its customers with a complete range of solutions associated with perfect mastery of each technology.

The fields and technologies in which SQLI has particularly developed expertise regarded a standard can be summed up as follows:

- Business Intelligence: Business Object, Cognos, Synopsis, Webtrends, Actuate, Datastage
- Design: Software Design et UML
- EAI: Webmethods
- Configuration management : Cast
- Content management: Microsoft CMS, Encency
- Electronic document mgt: Documentum, Filenet
- Languages: Microsoft .Net , Java, J2E, PHP, Jakarta, XML/XSL/XSLT, Python
- Middleware: IBM MQSeries, BEA Tuxedo, Microsoft MSMQ
- Portal: Microsoft SharePoint Portal Server, Oracle Portal
- Open Source: Linux (Redhat ...) , Apache, PHP, Tomcats
- Application server: Server, IBM/Lotus Domino, ATG Dynamo

3.3.2 TOTAL QUALITY

The "informatique" (data processing) function has reached full maturity and must meet increased performance demands in terms both of investment and of results. The times now call for systematisation of best practices and mass production of the processes. To meet this challenge, **SQLI is the first French company to have initiated a real quality revolution, with establishment of the CMM-I programme** (Capability Maturity Model Integrated). **Developed by the American Department of Defence after about a decade of research, CMM-I is now recognised as one of the best-performing software quality programmes, and it simply targets EXCELLENCE.**

With an approach at group level, investment since more than two years and with CMM-I, SQLI Group offers a **SYSTEMATIC GUARANTEE OF RESULTS:**

- Total reliability of solutions and perfect risk control
- Strict observance of deadlines
- Budgetary compliance

3.3.3 VALUE CREATION AND RETURN ON INVESTMENT

Cutting costs is a major challenge to business. That is why the search for performance inspires each one of our solutions. Thus projects based on package agreements with a commitment as regards price and results now account for more than half of our business. That is also why we continuously follow a cost optimisation policy by modelling, every year, best practices on investment optimisation.

However, our approach will always be governed by the search for lasting and value-creating performance. In this connection we have developed an offshore programme, but with a guarantee of a perfectly controlled process. We have decided to establish our own subsidiary in Morocco to capitalise on the common language and cultural proximity, while maintaining total qualitative control of developments.

3.3.4 GENERAL ACCOMPANIEMENT ... WITH 4 EXPERTISE SECTORS

From consulting to realisation and including transfer of skills: our 4 expertise sectors help customers at every stage in their project.

Strategy sector
 Organisation & trade consulting
 Functional consulting
 Technology consulting

Engineering sector
 Integration
 Development
 EAI
 TMA / TRA
 Technical assistance

Studio sector
 Web design
 Design
 Ergonomics
 Content management
 Rich-media

Training sector
 Inter-company & intra company courses
 Customised training programmes
 Transfer of skills
 Consultants & field experts

3.3.5 SALES ORGANISATION

Each agency has a dedicated sales force whose assignment calls for monitoring and developing the customer accounts on the territory covered by the agency. The agency's management team contributes strongly to such sales actions. National coordination of major accounts and marketing support are supplied at Group level in the interest of greater effectiveness.

3.3.6 PARTNERSHIPS

SQLI Group considers that having a network of partnerships is an important element in implementing integration projects around the information system of its customers. The group maintains partnership relationships with various market players:

- Software publishers
- Hardware makers
- SSII (Computer Engineering and Services Companies)

Within the framework of such relationships, SQLI may act as a specifier, integrator, prime contractor or subcontractor in project realisation.

3.3.7 COMPETITIVE LANDSCAPE

Here are the tendencies noted in 2003:

More business with the Major Accounts' purchasing departments

The Major Accounts' purchasing habits have experienced far-reaching changes. The DSI (*Computer Services Departments*) have gradually abandoned the purchasing role to the benefit of specialised buyers. In this respect data processing is joining other activities and is becoming an investment like any other. Customers prefer to work with a limited number of suppliers, but suppliers with which they can develop a lasting partnership. They intentionally exchange a volume increase for lower prices, and prefer to select service providers knowledgeable about their context.

The SSII will now have to combine strong expertise with perfect knowledge of the customer context.

They will have to shift from a role as service provider, only able to carry out the requested tasks, to a role as a partner able to offer useful proposals to upgrade efficiency and help in the customer's success.

2. Reduction of time-spent agreements to the benefit of package arrangements

Customers no longer want to work with SSII that only work on a time-spent basis (technical assistance). They want service providers able to carry out turnkey projects and to commit themselves to deadlines, functionalities and a budget.

They organise themselves in-house so as to gradually reduce the number of service providers working on a time-spent basis and increase the volume of their package projects.

3. Preference to service providers knowledgeable about the customer's trade

Data processing is not an end in itself. The technology must be properly used in the interest of the customer's business. That is the meaning of the trend now observed. Customers want partners with perfect knowledge of their businesses and their constraints. They no longer hesitate to entrust development of specifications, previously often done in-house, to their suppliers, expecting them to offer useful proposals.

Thus the choices inherent to the projects will no longer be made solely in the light of technical criteria, but also as a function of return on investment and of the benefits that the company can derive from all this.

4. Outsourcing and use of the OffShore sector.

Customers do not make a lot of noise about this, but they are moving fast along these lines. The "major accounts" have a tendency to feel that they do not need large computer teams and that it is more advantageous for them to rely on specialised service providers. The potential offered by OffShore, in terms of both cost and quality, is accelerating this trend.

For the moment, this tendency is of minor importance in France, but we think it will wind up by accounting for a significant part of the computer services market in France in the medium run.

5. Cutting computer costs

Companies are looking for greater effectiveness of computer investments. They are convinced of the usefulness of strong investment in their information systems, but have also understood that they could get better results for less money. The dissemination of International technologies has provided them with a better understanding of the technologies and of the way they should manage their projects.

Hence they no longer hesitate to demand more from their service providers, at lower prices. In addition to technological expertise and project quality, the price is becoming an additional criterion for differentiating service companies.

3.4 DESCRIPTION OF THE GROUP'S ACTIVITIES

With the development of complex e-business projects, integrated into pre-existing information systems, it is necessary to have a good handle on a large skills spectrum, including an excellent knowledge of internet technologies. The teams that are responsible for implementing Internet projects must be capable of handling standards such as XML for inter-application syndication and communication, Java application servers, middleware – EAI – so as to integrate them with existing information systems, the systems and the networks...

In order to respond to the requirements of companies in terms of their information system, one also needs to be able to offer organisational and business functions consulting, content definition, ergonomics and applications with good usability. One also has to offer, in parallel, strong value added technology consulting for the choice of architectures and platforms in order to ensure compliance with standards, to ensure the long life of investments and to guarantee the performance and the security of applications that have been implemented.

SQLI group's calling, as an architect in the field of new-generation information systems, is to provide companies with complete coverage of their needs for modernising their information systems.

The skills of the Group are organised around 4 main axes:

- ? ? Strategy sector
- ? ? Studio sector
- ? ? Integration sector
- ? ? Training sector

3.4.1 STRATEGY SECTOR

The strategy sector groups the consultants and technical or functional experts working for the group. The strategy sector may intervene at various levels in the customer relationship. The fact is that it is by way of a consulting assignment that contact is established with a new customer. Such an assignment may make it possible to propose an engineering mission. But the consulting sector can also take part in the design phases of a project carried out by the integration sector.

The type of consulting assignments with which SQLI is entrusted may be rather varied in the light of the numerous fields of expertise developed by the group. Still, the following themes illustrate the substantial spectrum of assignments regularly carried out by the group consultants:

Technical architectures

- IS Strategy and Urbanisation
- Master plan
- Heavy transactional architectures
- Application servers
- BtoB and EAI integration
- Portal architecture
- WebServices
- Performance tests
- Standards and Guides ...

Decisional

- Definition of the Data Warehouse
- Design of "star models"
- Installation of analytic Reporting
- Decision architectures
- Choice of tools (ETL, Reporting)
- ETL architectures ...

Infrastructure and security

- Security policy
- Security implementation (DMZ, Firewall...)
- Definition of target architecture
- Dimensioning
- Intrusive tests (active and passive)
- Application security
- PKI architectures (electronic signature) ...

Functional

- Guideline mission
- Assistance with MOA
- Change management
- Internet strategy
- Process analysis...

3.4.2 THE GRAPHIC STUDIO

The activities of the SQLI graphic Studio cover the complete range of needs in connection with professional internet sites. These services may be associated with broader projects carried out by other group sectors. In that case the Studio's experts then take charge of the subprojects calling on their skills. But the graphic Studio also develops its own clientele in its own fields of expertise. The skills offered by the Studio can be summed up as follows:

Design:

- Brand strategy and design recommendations
- Graphic audit
- Creation and graphic revamp
- Logotype creation
- Advertising banners
- Virtual visits and on-line demonstrations

Usability:

- Ergonomic audit (of PDA interfaces, WAP, 3D and flash)
- User-oriented design (storyboard, arborescence...)
- User tests
- Development of customised ergonomic charters
- Ergonomic guides (collection of rules, best practices...)

Editorial:

- Content audit
- Editorial line production
- Heading definition
- Organisation of editorial production
- Content production
- Editorial animation and communication policy

HTML:

- Layout (canonical coding)
- Compatibility texts (Explorer, OPERA, PDA, WebTV, Win, Mac)
- Auditing and optimisation of HTML sites

3.4.3 INTEGRATION SECTOR

SQLI does more than 50% of its turnover in connection with services covered by package deals. To make such projects a success, SQLI relies on a pragmatic project approach and a quality approach based on the CMM-I model.

SQLI's project teams have tools available for meeting customer expectations in terms of turnkey solutions: « Interligo » framework, « TCM » test tool, « SDP » project monitoring tool, linkuall customer extranet ...

SQLI enjoys acknowledged expertise in development of applications based on the new technologies and the internet standards, particularly the application servers and middleware for integration of information systems (the EAI, standing for Enterprise Applications Integration). SQLI also has strong skills when it comes to installation of decision-making solutions making it possible to monitor and measure activity indicators (smart monitoring and business intelligence).

The SQLI project teams' know-how includes:

- project approach adapted to the new technologies: management of requirements, certified project approach (CMMI, RUP, UML...), object/relational mapping (Castor, TopLink), risk analysis and management, internal project management tools (SDP, TCM...)
- Development quality thanks to use of the market framework (Struts, Blue Martini...) or SQLI's Interligo framework. Configuration management.
- Mastery of the main development environments: Java (J2EE, WebLogic, Websphere...), Microsoft (DNA, DotNet), Open Source tools (Php, Tomcat...)
- Integration of technical and application software solutions: EAI (Mercator, WebMethod, Seebeyond...), Portal (IBM, Oracle, Plumtree, Epicentric...), Web Content Management (CMS, Tridion, Documentum...) ERP (SAP, Siebel, Peoplesoft...)
- Decision-making solutions: ETL (Genio, Datastage...), analytic reporting (Cognos, Business Objects...)...
- Third party application maintenance: charges estimating methodology, application and corrective maintenance, auditing applications

3.4.4 TRAINING SECTOR

For ten years now, SQLI has been making its technological excellence available for training its customers' employees. The SQLI pedagogical approach, which has been widely hailed, is based on its consultants' expertise and field experience. Thus each training effort is in direct contact with the companies' reality and calls amply on feedback. SQLI's objective: combining excellence and pragmatism so that the trainees are fully operational at the end of the training programmes.

The training offering is organised into seven training areas resulting from the SQLI expertise:

- ?? State of the art
- ?? Functional and Trades
- ?? Data Warehouse
- ?? Architecture
- ?? Design and Methodology
- ?? Web design
- ?? Programming

The training programmes are implemented in a flexible way that can be adopted to customer needs:

- ?? Inter-company and intra company training programmes
- ?? Onsite or on the SQLI premises
- ?? Special courses
- ?? Seminars
- ?? Tutoring
- ?? Monitoring
- ?? Skill transfer
- ?? Complete curricula
- ?? Theme breakfasts

The criteria differentiating SQLI training from competing offerings are:

Pragmatic pedagogy

- ?? Trainers coming from the field
- ?? Teaching focusing on experience
- ?? Case studies and practical work inspired by actual assignments and projects

Advanced expertise

- ?? Senior consultants recognised in their own areas of competence and trained in teaching
- ?? Updated training programmes in the vanguard of technology
- ?? Complete mastery of the training cycle and with courses that are constantly reappraised.

Training programmes developed for the business

- ?? A customised approach that can be adapted to customer demands
- ?? Short and effective training programmes characterised by a real return on investment
- ?? Curricula adapted to the trainees' experience level.

3.5 CUSTOMERS

3.5.1 MAIN REFERENCES

SQLI has more than 800 customer references today. Almost all of its customers are key accounts or large regional PME/PMIs.

Main SQLI Group customers:

Air France, Actif+, April, Aventis, Airbus Industrie, Alstom, Banque de France, Biomérieux, BMW France, BNP Paribas, Bred, Brenntag, Bureau Véritas, Caisse d'Epargne, Carrefour, Casino, CCF, CGU, CNP Assurances, Conseil Général de la Moselle, Crédit Lyonnais, Decathlon, Delta Diffusion, EDF, Edipresse, Entenial, ERG, Essilor, France Telecom, France Télévision, Galeries Lafayette, Gemplus, General Electric, Groupama, Hewlet-Packard France, La Poste, Liebherr, Aerospace, Groupe Médéric, Michelin, Mutualité Sociale Agricole, Nestlé, Potain, Paris Première, Philip Morris, Laboratoires Pierre Fabre, Renault, Sanofi, Scoot France, Serono, SITA France, SNCF, Société Générale, Suisse Assurances, TotalElf, Usinor.

SQLI has more than 220 active customers and the company has always striven not to depend on just one type of business sector in particular.

3.5.2 DESCRIPTION OF THE MAIN CUSTOMERS

Following the fashion of the business sectors, SQLI is not dependent on any one customer in particular as the table below demonstrates.

	2001	2002	2003
Revenues made from first 5 customers	18%	20%	23%
Revenues made from first 10 customers	26%	33%	39%
Revenues made from first 20 customers	38%	46%	51%

Revenue analysis over time shows strong repeat custom. This can be explained by the quality of the services offered, the expertise of the SQLI team, and by the nature of the new technology projects. The table below shows the growth in revenues due to the Group's first 10 customers between 2002 et 2003.

In millions of euros	2002	2003	Evolution
AIRBUS	1.5	2.4	66%
SOCIETE GENERALE	2.0	2.3	12%
PHILIP MORRIS	1.6	1.9	22%
CAISSE D'EPARGNE	1.1	1.6	48%
CONSEIL GENERAL DE LA MOSELLE	0.7	1.6	146%
AVENTIS	1.4	1.5	7%
France TELECOM	2.2	1.5	-33%

RENAULT	1.4	1.3	-7%
LA POSTE	0.9	1.3	42%
CNP	1	1.1	12%

The average period in which clients settle was 78 days as of 31 December 2003. There is no notable difference between the average settlement period of public and private clients.

The company carries out approximately half its projects on a fixed rate package for which the usual period varies from three months to one year. Technical assistance orders make up the other part of the business and currently have an average period of three months which is regularly renewed.

3.5.3 REVENUE BREAKDOWN

In %	2002	2003
East	6.7%	7.5%
Lyon	21.2%	21%
Mediterranean	8.7%	8.1%
West	3.7%	5.3%
Paris	39.7%	38.1%
Suisse	10.3%	10.8%
Toulouse	7.8%	9.2%
Other (United States, Lille agency)	1.9%	

Source: SQLI

The Lille agency group will be closed definitively at the end of the 1st quarter 2003.

The "East" agency groups brings together the geographical areas of Belfort, Strasbourg and Dijon.

The "Mediterranean" agency groups brings together the sites in Aix en Provence and Montpellier and Sophia before it was closed in April 2003.

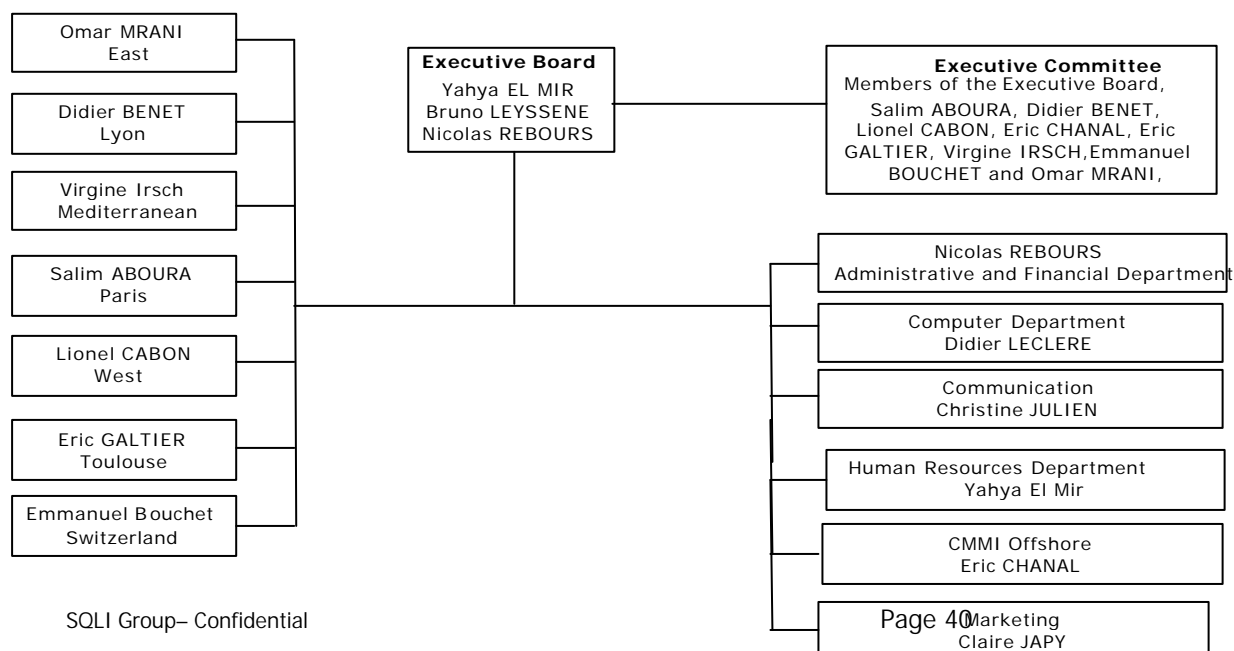
The Switzerland agency group brings together the Lausanne and Geneva sites.

The West agency groups the Nantes and Bordeaux sites.

The American subsidiary, Techmetrix inc, has had no staff since 2003.

3.6 HUMAN RESOURCES

3.6.1 SIMPLIFIED GROUP ORGANISATION CHART



SQLI organisation favours autonomy and responsibility, in the interest of a lasting relationship with its customers.

The group is organised into operating departments (agencies) that are physically close to the customers and offer strong synergy in working with them. Each operational agency group can offer the group's entire services.

The transverse support services (administration, data processing, communication, human resources, marketing) offer support for the operating agencies.

A perfected management tool makes it possible to share information and monitor realisation of the operating processes. This internal Web application (called APP) provides in particular for follow-up on these elements:

- ? personnel management (hirings, departures, holidays...)
- ? monitoring time spent
- ? management control
- ? monthly reporting
- ? computer hardware management

3.6.2 WORKFORCE

As of 31 March 2004, SQLI had a staff of 610 divided among the 7 SQLI group agencies as well as at the Rabat offshore centre. The great majority of employees are engineers or university-trained people (Bac+4 and Bac+5). The average age of our collaborators is 29.

As of 31 March 2004, the registered office staff consists of 22 persons, broken down as follows: Administrative and Financial Department (10), Human Resources Department (2), Computer Department (5), Communication (1), Marketing (1) and Executive Board (3).

The work-time reduction agreement went in effect as of 1 January 2000 and entails 11 additional days of holiday for the current year (variable depending on the number of workdays in the year). The consequences of implementing the 35-hour working week directive can be measured in the results for 2000 with a loss of billable hours equivalent to the number of supplementary days holiday.

The percentage of non-billable staff decreased from 14.3% in May 2003 to 13.9% in April 2004.

The work rate (defined as the time spent on billable business of productive staff/paid work time outside of holidays) rose to 87.8% during the second half of 2003. During the first quarter of 2004, the average rate remained high at 87.7%, despite the staff increase.

The average gross salary determined by relating the amount of salaries to the average staff increased by 5.3% in 2003 compared to 2002.

Staff changes

	1999	2000	2001	2002	2003
Average Staff levels (*)	232	408	638	665	589
Staff Turnover(**)	6.5%	7%	15.8%	13.4%	24.7%(1)

(*) 99% of employment contracts are permanent contracts.

(**) Calculated on the basis of departures and arrivals on average staff levels.

(1) This exceptional percentage includes the effect of the redundancies carried out in March 2003 under the employment protection plan.

The group only makes use of external resources when a particular skill is needed.

A unique company culture

The historic positioning of the group in the new technologies sphere has enabled the company to attract and progressively form teams of consultants and engineers of great quality who are enthusiastic and very involved in the business projects. All of this translates into a unique team spirit that is recognised by customers; openness, flexibility and the capability to take risks are some of the characteristics of a SQLI team. Besides their professional qualities, customers unanimously recognise the human values of the Group's teams. This is why one day a customer said: "SQLI, it's not just professional expertise, it's human expertise".

Strong corporate culture

SQLI Group cultivates a strong corporate culture based on shared values and clear management principles.

There are 4 SQLI Group values:

- The culture of Innovation: On our market, innovation is a condition for survival.
- Respect for others: innovation can occur only if our collaborators naturally carry out exchanges among themselves and respect each other. Hence respect for others is a fundamental value that must be observed by every collaborator, whatever his skills or hierarchical may be.
- A feeling of Commitment: innovation necessarily entails running risks and moving into unknown territory. In the face of the difficulty involved here, commitment is the only way of finding solutions and meeting the challenges.
- The search for Excellence: innovation does not mean perfection right off the bat. Excellence entails a process of gradual and continuous improvement.

Our management principles:

1. A sense of responsibility: emphasis is placed on making all collaborators responsible. Walling off entities or various functions is not tolerated.
2. The right to make mistakes: the right to error is encouraged, since there cannot be any innovation or progress without such a right.
3. The authorisation of competence: authority does not depend solely on hierarchical position, each collaborator may express his competence, depending on the subject involved.
4. Authenticity: each collaborator must express his thoughts frankly and directly. Such exchanges are encouraged.
5. Pleasure: we consider work as a means of expression and development, and we do not hesitate to upgrade our employees' assignments if we think they are getting bored and are no longer progressing.

The People CMM project

SQLI aims at being the reference in its sector when it comes to Human Resources management, and with that mind it has initiated its People CMM project aimed at total quality in managing Human Resources.

The Group's ambition is to become the first European SSII (Computer Engineering and Services Company) to be People CMM certified.

3.6.3 PREMISES

The Group rents the majority of its premises through traditional commercial leases. The largest premises are in the Company's Saint Denis site and in Lyon.

Location	Surface area	Annual rent
Saint Denis	3510m ²	635k€
Lyons	586m ²	150k€
Toulouse	144m ²	13k€
Bordeaux	264m ²	34k€
Montpellier	117m ²	13k€
Aix-en-Provence	297m ²	33k€
Strasbourg	453m ²	54k€
Dijon	175m ²	16k€
Nantes	197m ²	22k€
Belfort	366m ²	20k€
Lausanne	356m ²	43k€
Geneva	270m ²	60k€

The premises in Sophia are not used, the lease will come to an end during the first half of 2004.

Owners of the different sites have no direct or indirect link with corporate officers or the main shareholders of the group's companies.

3.6.4 BRAND NAMES AND COPYRIGHTS

The star brands of the group (SQLI, Techmetrix, Interligo) are protected in Europe and in the United States.

All legal protections of brands, names and copyrights have been carried out to the benefit of SQLI.

3.7 RISK ANALYSIS

3.7.1 CUSTOMER RISK

SQLI has always been careful not to become dependent on any one customer or business sector. For financial year 2003, the group's main customer (Airbus) represented 5.8% of turnover. Group's customers are, for the most part, key accounts or large regional SME/SMMEs.

The credit management and collection procedures that have been installed since 2001 enable us to control the customer risk (advance check of the prospects solvency, monitoring outstanding invoices, follow-up on customer payment periods, customer reminders and legal proceedings). For financial year 2003, the amount of provisions set aside for doubtful receivables was reduced to 0.5% of turnover, compared with 1.7% in 2002.

3.7.2 LEGAL RISKS

The SQLI Group is not subject to any particular regulatory body.

Certain contracts, those of a particular strategic nature for our customers, contain a confidentiality clause that runs out in the majority of cases when the project is put into production. This clause obliges us not to communicate the signing of the customer or the nature of the project.

Almost half of the company's business is carried out through fixed price contracts with outcome obligation. Even if the Group has contract management experience for this type of contract and rarely suffers excesses, the outcome obligation resulting from these commitments can involve significant risks.

To limit the range of these commitments, the company, for the majority of contracts, ensures that it:

- obtains a contractual penalty ceiling for late payment
- commits to carrying out its deliveries in conformance with the detailed specifications established but its needs on the basis of the terms of reference prepared by customers
- limits its responsibility to the amount of the contract or the ceiling covered by its third party insurance

SQLI SL is not integrated in the consolidated accounts of the SQLI Group as its insignificant character does not imply any contractual obligation for the Group or any particular risk.

3.7.3 COMPETITION RISKS

SQLI Group deems that the competition in the sector will intensify as the current players consolidate, as new foreign service providers enter the market and as customer quality requirements increase.

Thus after several years of crisis, the price pressure declined in 2003, but at the start of financial year 2004 competition remains strong all the same. Creation of the Rabat Offshore centre will make it possible to reduce production costs.

With its positioning as a complete integrator, SQLI Group is capable of mobilising and combining multi-discipline teams (business consultants, technology consultants, project managers, experts in design ergonomics and development teams...).

The Group's capacity to manage turn-key products and its strategy for improving the quality of the services it delivers through its commitment to CMM should enable the SQLI Group to reinforce its position as a major player on the Internet services market.

3.7.4 KEY PERSONS RISK

SQLI Group is organised into profit centres which are placed under the responsibility of the manager who has the freedom necessary to run the centre. This responsibility and freedom for operations means that the managers are heavily involved in the running of the Company, creating synergies between different profit centres (commercial synergies and skills...).

This organisation encourages long term managerial commitment and encourages working as a network, which means relying on other members of the Group reinforcing the notion of a true team.

To reinforce this cohesion, managers are involved in the capital of the SQLI Group. Effectively, the management team and key staff members benefit from a significant benefits and incentives scheme (BSPCE or stock-options).

3.7.5 MARKET RISKS (INTEREST RATES, EXCHANGE RATES, SHARES AND LOANS)

The exchange rate risk is not significant as most of the Group's activities are in France. SQLI Group's activities in the US and Switzerland only represented 10.8% of the 2003 Group revenues. The exchange rate risk mainly concerns operations in Switzerland as no business development is planned in the United States. However, exchange rate risk in Switzerland is very limited as all costs (mainly salaries) and revenues are carried out in Swiss Francs. The Group therefore benefits from an inferred coverage of exchange rate fluctuations.

As far as interest rate risks are concerned, the company's main exposure is the financing of its factored loans (4382 thousand Euros at the end of December 2003) which are financed at a variable interest rate (Eurobor+0.9%). A 1% change in the Euribor rate would consequently change financial costs by €44k over the year compared to 332 thousand euros of financial costs recorded in 2003.

3.7.6 LIQUIDITY RISKS

SQLI Group uses a factoring company to finance part of its customer receivables. The amount of the receivables transferred by the group to Factobail stood on 31 December 2003 at 6,794 KE, namely 50% of the heading for customers and related accounts (8,602 KE at end-2002). Out of that amount, 4,441 KE had been the object of an advance of funds by the factor before its collection of the receivables on the SQLI customers on 31 December 2003. This use level is almost the same as the one noted at the end of December 2002: 4,397 KE. In view of the reconstitution of the group shareholders' equity in December 2003, of its improved financial situation and of the profitability recorded for 2003, the risk of cancellation of the factoring line appears to be very low, and in any case would not put the group in a difficult situation.

The receivables transferred to the factor are the object of a non-confidential transfer served on the customer with an indication of the transfer to the factor in the invoices. Payment is made to the factor's bank account. The factoring contract calls for a transfer of the solvency risk to the factor. Excluding the technical risks giving rise to possible commercial disputes, which must naturally be assumed by SQLI, this means that the receivables are not the object of any retrocession. In support of each receivable transferred starting with a level of 15,000€, SQLI also provides the factor with a copy of the sales contracts and with supporting documentation concerning acceptance as a material expression of the receivable, so as to enable the factor, if need be, to obtain payment by any means of the amounts due to it from the SQLI customers. The guarantee mechanism established to the factor's benefit is a guarantee fund of 10% (with a minimum threshold of 450,000€) of the amount of outstanding receivables on the factor's books. In addition, an account containing deferred-availability items representing 15% of each subrogatory payment and limited to 15% of the outstanding amount has been instituted as a supplement to the guarantee fund. Hence in connection with the

receivables transferred to the factor and accepted by the latter, SQLI can enjoy financing that may represent up to 75% of the amount owed by the clientele.

The amount of the factoring fees (commissions) came to 131 KE in 2003 and the amount of the financing fees to 150 KE. Less use should be made of financing in 2004 in view of the improvement of the financial structure, and this means that the latter charges heading should be reduced.

In addition to its factoring line not subject to a ceiling, the group benefited from a Dailly credit line coming to 750KE granted by CCF bank on 31 December 2003 and maintained since that time.

During the first half of 2004, the group established relationships with two new banking partners: Société Générale and Banque OBC (ABN-AMRO). As of 25 June 2004, the credit lines granted by those banks but not used came to the following amounts:

Société Générale: equipment credit line of 500KE

OBC: medium-term credit line of 250KE and overdraft line of 150KE.

The group's net cash position as of 25 June 2004 stood at 4,082 KE.

3.7.7 INDUSTRIAL RISKS AND RISKS CONNECTED WITH THE ENVIRONMENT

SQLI Group is in the services sector. The Group does not therefore make use of production tools that might represent an industrial or environmental risk.

3.7.8 TECHNOLOGY RISKS

SQLI Group operates in an environment where technology change is particularly fast moving. Ever since its creation however, the Group's aim has been to be a partner to its customers thus allowing them to benefit from these changes in technology.

SQLI group has always been a precursor when it comes to adaptation and integration of new technologies. The move from the client/server model to the Internet in 1995 and the positioning of the Group on the Open Source model in 2000 are two good illustrations of the ability of the SQLI Group to make the most of changes in technology.

Although the SQLI Group cannot guarantee that it will always be able to identify and build up knowledge quickly for every change in technology. This ability is part of the company culture and constitutes one of its strong points.

3.7.9 INSURANCE – RISK COVER

The SQLI Group has adequate professional risk cover and is not currently implicated in any litigation connected to activities that are not covered by its insurance policies. Risks relating to losses due to contract termination or late payment penalties not covered by third party insurance are covered by provisions for risks and costs in the company's accounts.

The SQLI Group has a third party insurance policy with Chubb which covers any damages caused to third parties by its activities up to a maximum amount per accident of 7,622,451 euros.

The third party liability of the company's representatives relating to the exercising of their mandate is covered by an insurance policy with AIG.

The Group is not covered against business loss risks.

Table summarising the company's main insurance policies

Type of risk	Company	Annual Cost	Extent of coverage
Professional multi-risk	GAN ENROCOURTAGE	14k€	Fire, Explosion, Theft, additional costs
IT breakdown	ALBINGIA	11k€	
Professional Third Party Liability	CHUBB	0.107% of Revenue	Operating legal liability ceiling of 7622k€ per claim Legal liability for product/after delivery with ceiling of 762k€ per insurance year
Corporate officers and managers' responsibilities	AIG	15k€	Fault of oversight on behalf of managers, guarantee of €5000k per accident
Car Fleet	AZUR	31k€	All professional travelling risks

3.7.10 FINANCING NEEDS AND REINFORCING SHAREHOLDERS EQUITY

The net consolidated position of the Group at the end of 2003 remains positive by 4,338K€ compared with 470K€ at end-2002. The corporate net worth on its part stands at 2,630K€. The consolidated net cash position comes to 6,810K€ at end-December, up by 6,925K€ by comparison with the end of 2002. Group performance recovered markedly in 2003, net income standing at 1,007K€ compared with -9,339 K€ in 2002. These improvements of the company's financial structure made it possible to do away with the uncertainties connected with the fragility of the structure of the group's balance sheet noted at the end of 2002.

3.7.11 OTHER INFORMATION ON RISK FACTORS

The presentation made on the off-balance sheet commitments does not omit the existence of a significant off-balance sheet commitment according to current accounting standards.

No clauses exist for price complements, earn-out or reimbursement causes anticipated in applying covenants or triggers.

3.8 DEVELOPMENT PLAN

3.8.1 INVESTMENT POLICY

Operating Investment Policy

The SQLI Group made the decision to rent its IT equipment. This policy allows the Group to benefit from an automatic renewal of its hardware every 2 years and also to upgrade to the latest software available. This decision enables the SQLI Group to devote its cash flow to financing the Group's activities.

The SQLI Group has no desire to acquire or hold property. All of its premises across the branches are rented with commercial leases lasting 9 years.

Research and Development Policy

The SQLI Group has one of the best performing R&D units in the whole sector. Right from the outset in 1991 this activity has always been organised so as to be operational and to be profitable either through cutting edge technology projects or through the sale of technical studies.

Even if this unit incorporates the know-how and experience of the SQLI Group, the Company deems it prudent to integrate the unit into the financial accounts on a cost basis per financial year only.

Thus in 2003 SQLI group initiated a research and development programme meeting the eligibility criteria for the research tax credit, and it recorded the corresponding receivable under assets in its balance sheet in an amount of 266 KE. For prudential reasons, an equivalent non-deductible provision was set aside on that asset, the substance of which has not been definitively acquired.

External Growth Policy

In 1999 and 2000 SQLI group acquired 4 companies (Sudisim, Abcial, Cari and Inverso). SQLI group has not made any new acquisitions since financial year 2001.

No external growth operation is contemplated for financial year 2004.

European Development and new sites in France

The SQLI Group is of the opinion that its branch network in France and French-speaking Switzerland is complete and does not therefore plan to open any further branches.

As to development in other European countries, no projects are planned for the year 2004. The group emphasises a strong national presence before contemplating European development.

3.8.2 DEVELOPMENT STRATEGY FOR THE GROUP'S ACTIVITIES

Becoming a reference player in computer services

Following the turnaround carried out in 2003 (marked recovery of profitability and strengthening of shareholders' equity and of the cash position), SQLI group can be serene in continuing its development and getting back to growth. The group's ambition is to become a reference player in the computer services field.

Thanks to its history and development, the group has been able to install the SQLI trademark in France, despite the multiplicity of players present on this services market.

This reputation is due to the differentiating factors constructed by the business during its development:

- ?? expertise in the field of new technologies,
- ?? a mature agency network providing geographical coverage that is among the most extensive supplied by services companies oriented toward the new technologies,
- ?? the ability to carry out projects on an all-in pricing basis representing 50% of the group's activity.

SQLI group now plans to maintain these strong points and to continue its differentiation on the basis of development focuses that seem to it to correspond to the new market expectations:

- ?? Total quality with deployment of CMM-I
- ?? Cost control with development of the Offshore platform in Rabat
- ?? Capitalisation of know-how with the programme of sectorial solutions

Implementation of these three development focuses, which got underway in 2002-2003, will intensify in 2004. For the group's managers, these three themes are part of a strategy for industrialising the computer service provider's trade, the effects of which should be measurable as of 2004 with new growth and a marked improvement of margins. In the medium term, this industrialisation, which is a differentiation factor, should make it possible to increase the group's market shares and to continue development of activity and improvement of margin levels.

Forecasts for 2004

In 2003 SQLI group had the goal of maintaining the activity level by comparison with financial year 2002, and above all reaching the breakeven point in operation after two years of substantial losses. Those objectives had been set on the assumption of a market trend matching the expectations expressed by the business forecasting institutes (weak growth).

But in the final analysis the year 2003 is among the worst ever experienced by the sector, with a market decline of 5%. The drop of SQLI group's turnover came to 6.1% in 2003 by comparison with the 2002. But despite these business conditions, which were much more difficult than could have been anticipated, SQLI group managed to go well beyond its objective of getting back to a positive operating result with an operating profit of 1.4m€ (namely 3.4% of turnover).

For 2004, the group anticipates a return to growth and is setting a turnover objective of more than 44 million euros compared with 41.4 in 2003. The net margin level should also increase, and the company's earnings objectives call for reaching net income on the order of 2 million euros.

Turnover done during the first quarter of 2004 (11.6 million euros compared with 10.8 million euros for the first quarter of 2003) strengthens the senior executives' confidence in the group's ability to reach these objectives.

However, the last few years have shown that the economy can turn around at any time, markedly affecting the objectives set by the company.

3.9 EXCEPTIONALS AND LITIGATION

To the knowledge of the company, there is no ongoing litigation, arbitration or exceptional event that is likely to happen or that has happened recently that will have a significant effect on the financial situation, the profits, business activity or the assets of the Company and the Group.

4 MANAGEMENT REPORT AND SPECIAL BOARD OF DIRECTORS REPORT

4.1 REPORT BY THE EXECUTIVE BOARD TO THE COMBINED SHAREHOLDER'S MEETING HELD ON 10 JUNE 2004

1st part: Management report and report concerning the group

To the shareholders:

We have brought you together to the Ordinary Shareholder's meeting in accordance with the legal, regulatory and statutory directives in order to give you the results of our management of the SQLI Company during the financial year ended 31 December 2003 and to submit for your approval the financial statements for this financial period.

The financial statements presented to you have been drawn up on the basis of the same methods as used for the previous financial year, with due observance of the provisions set forth in the accounting plan, and in accordance with the principles of prudence and accuracy.

I - SQLI ACTIVITY

a) **Presentation of the SQLI activity during the past financial year – the year's results – progress made and difficulties encountered**

Return to profitability

After two financial years marked by sharp losses and by a profound crisis in the computer services sector, the company returned to profitability in 2003 (SQLI SA net income of 540 thousand euros). That objective had been announced at the start of the 2003 financial year, and this turnaround, for which the group as a whole made major efforts, results from the combination of the factors mentioned below.

A restructuring that did not affect the business potential

The restructuring measures initiated during the last quarter of 2002 and completed in March 2003 made it possible to lower the company's breakeven point in accordance with the objectives announced at the start of the year. The closing of the Lille and Sophia agencies, the transfer of the registered office from Paris-Opéra to Saint Denis and the reduction of the staff that was not directly productive contributed strongly to restoring margins. But the human potential and customer satisfaction were not affected by these difficult measures, which were implemented with the support of the staff representative bodies.

Optimised management

The team's productivity increased strongly, since corporate turnover fell by only 4.97% by comparison with 2002, by compared with a staff reduction of 13.2% (respectively, a decline of consolidated turnover done by SQLI SA of 6.1% compared with a drop of the average staff, including trainees of 15.5%).

The employment rate is higher than the objective set at the start of the year (87.3% compared with an objective of 85%) and increased regularly throughout the financial year (85.3% in the first quarter, and 88.5% in the last quarter).

The cost of the support centres was cut considerably because, on one hand, of the implementation of the staff reduction measures and also thanks to the start to use of the Web mode management application, which has become the heart of the company's information system. During financial year 2003, this "centralised – decentralised" information system was developed and then deployed, and it has already made a marked improvement possible in management and in reporting. The gradual addition of new functions and the ever more detailed analysis of data should make it possible to continue the process of improving margins.

Sustained commercial activity

The company strengthened its positions vis-à-vis its biggest customers (consolidated turnover done with the leading ten customers accounted for 33% of turnover in 2002, and was up by 38.9%). This increase is to be credited to careful management of customer relations and to the quality level of the services provided. In particular, the activity level rose by more than 40% with such customers as Airbus, La Poste, les Caisses d'Epargne (Savings Banks) and the General Council of the Moselle, which are among the group's ten biggest customers.

The company also managed, in spite of sharp competition, to win some important invitations to tender with some new major accounts (France Télévision Interactive, Conseil Général des Hauts de Seine...).

In addition, several multi-year contracts for third party application maintenance entailing substantial payments were signed during financial year 2003, contributing to increasing the recurrent part of the business (Airbus, Mutuelle Sociale Agricole, Conseil Général de la Moselle), for an amount of more than 2 million euros.

The order book as of 31 December 2003 represented one and half quarters of business, making it possible to take a confident approach to financial year 2004.

Strengthening of the financial structure

The other objectives that the Executive Board set for itself at the start of the financial year included:

- A strengthening of shareholders' equity, which had been weakened by the substantial losses suffered in financial years 2001 and 2002
- The improvement of the cash position, which had been considered insufficient for a company of SQLI's size.

Financial conditions during the first half of 2003 were unfavourable to launching any capital increase operation. The publication of consolidated earnings confirming the recovery posted during the first half of the year and a market improvement for the

computer services sector made it possible to launch a capital increase in November 2003, which was finalised on 29 December 2003.

The Executive Board wanted to favour existing shareholders in subscriptions to that capital increase, without elimination of the preferential subscription right, which enjoyed great success. But that operation also provided an opportunity for bringing some new shareholders into the capital, such as SOCADIF and Financière Boscary.

With that capital increase of three million euros and the consolidated net income for the financial year of 1 million euros, consolidated shareholders' equity comes to an amount of more than 4.3 million euros, a thoroughly satisfactory level for a company of SQLI size, all the more so in that the group's financial debt is practically nil.

The consolidated cash position at the end of the financial year stands at 6.8 million euros net, marking an exceptional increase by comparison with the previous financial year, when it stood at -0.1 million euros. This favourable trend results, on one hand, from the capital increase of 3 million euros, and on the other hand from the improvement noted in the operating capital need, to be credited to tight financial management.

Industrialisation of the SQLI services offerings

During the last two decades, changes in the business of providing computer services have been governed by technological developments. We think that like all economic sectors becoming mature (automobile, aviation...), the computer services sector must now industrialise. This constitutes a real challenge to companies operating in the sector, since the trade has remained artisanal: little capitalisation of experience, little "trade" process shared at the level of companies, and often a masked cost factor. To deal with such market changes, SQLI has launched a programme for industrialisation of its trade based on three major focuses:

- Capitalisation of experience by launching a trade solutions offering
- An approach to improved processes with the CMMI deployment
- Creation of an Offshore development subsidiary in Rabat, making better control of the cost factor possible.

Launch of the "trade" solutions offering

Within the framework of industrialisation of its processes and improvement of its margins, the group is capitalising on its acknowledged technical expertise and on its know-how developed in connection with past and successful projects. Thus on the basis of such initial realisations, SQLI in 2003 developed some new "packaged solutions" aimed at responding to general problems experienced by a trade or by a sector.

This competitive vertical approach, now applied in two domains – local governmental units and the health sector – enjoyed some significant successes in 2003.

In the sector of local governmental units, SQLI was awarded numerous contracts thanks to its "solutions" offering during the last quarter of 2003, for a total amount of about 1M€: realisation of the Intranet portal of the Conseil Général des Hauts de Seine and of the Internet site of the Conseil Général du Var, development of management applications for the strategic operations carried out by the Conseil Général de la Gironde, accompaniment of the Conseils Généraux de la Charente, of the Charente Maritime and of the la Dordogne for implementation of their Intranet portals.

Thanks to its "health" solutions offering, SQLI also won a significant invitation to tender for an amount of 0.6 M€ for development of the Périn@t Network signed with the

Languedoc Roussillon CHU. That signature followed an initial project on behalf of the Besançon CHU.

The « IDEOPASS » patient identity server developed by SQLI on behalf of the Besançon CHU is a software environment designed to supply services relating to creation, modification, search for and comparison of patient identities in a health information system. It meets a need for federating identity data for all applications taking part in management of the process of accepting responsibility in a given context (patient's medical file, environments relating to management of the laboratory and of technical platforms, appointment management software, administrative applications).

The multiple nature of health software needs demands cooperation among the various players. Few market offerings now deal with the response to the need for patient identification in a transverse and differentiated way. The identity management functions are often assigned to the major application of an information system.

Promotion of the IDEOPASS patient identity server in OpenSource mode enables each participant in the medical world to realise interoperability of his offering with this functional block, which is independent of the trade processes covered.

SQLI has already acquired marked trade competence in this domain, and it offers its services on behalf of implementation of the IDEOPASS server. SQLI is also developing a software offering (outside Open source) for the functional blocks proper to certain medical specialities compatible with the IDEOPASS server.

CMMI deployment

The CMMI approach (Capability Maturity Model Integration) to improvement of development processes was largely deployed within SQLI group in 2003. Certification level three is planned for 2004. But the initial effects of this investment were already noted in 2003: on one hand, the profitability of package deals increased in 2003 (a rise on the order of 10%), and on the other hand this approach corresponds to a confirmed need of major account customers in a phase of industrialising their computer developments (observance of deadlines, respect for costs, delivery conforming to expectations).

The approach is based on a referential of key practices to be applied (more than one practices already designed within SQLI group). The point is then to deploy those practices, and then to initiate a continuous and measurable process on behalf of improvement.

Creation of an offshore subsidiary in Morocco

SQLI's 99.9%-owned subsidiary, recently set up (in November 2003), is based in Rabat, the capital of Morocco and the country's second-most important university city. Several factors were taken into account in this decision to set up shop in Morocco, and more particularly in Rabat:

- the high local training level, particularly in the computer field
- the substantial number of available candidates to become computer technicians and engineers
- the level of salaries including charges, less than half the level noted in France
- the various local taxation and social provisions constituting incentives
- the French language, which is the country's second official language.

The success of this offshore development platform demands perfect coordination between the agencies based in France and in Switzerland, which will be in charge of the upstream phases (specifications) and downstream part (implementation) of the package products, and the Moroccan subsidiary, which will carry out all or part of the developments. CMMI is the referential for common practices that will guarantee the quality of the services provided in accordance with this multi-site procedure. SQLI already has strong experience with its operating procedure, which calls on several agencies for implementation of a package project, but which did not yet have any entity dedicated to that kind of subcontracting internal to the group.

b) Modifications of the share capital

The share capital stood at 3,795,452.50 Euros at the beginning of the financial year, divided into 15,181,810 shares of 0.25 Euro par value each.

The combined shareholder's meeting held on 30 June 2003 decided to do the following:

- ?? allocate the loss for financial year 2002 in an amount of 11,745,262 Euros to retained earnings (thus bringing the balance in the retained earnings account to minus 18,317,822 Euros);
- ?? charge the amount of 13,658,792 Euros deducted from the retained earnings account to the premium on shares entered in the company's balance sheet (thus reducing the retained earnings account to 4,659,030 Euros, and the account for premiums on shares to 0);
- ?? reduce the share capital by an amount of 3,036,362 Euros to lower it from 3,795,452.50 to 759,090.50 Euros, by way of reducing the par value of the company's shares from 0.25 Euros to 0.05 Euros (as a result of that capital reduction, the debit balance in the retained earnings account was reduced to 1,622,668 Euros).

On 19 November 2003, the Executive Board decided to increase the capital by a maximum nominal amount of 189,772.60 Euros by issue of 3,795,452 new shares of 0.05 Euro par value each, with a premium on shares of 0.75 Euros each, to be paid at the time of subscription. The said capital increase was carried out with maintenance of the preferential subscription right.

During the subscription period, the company's shareholders subscribed to 1,800,351 new shares, namely about 47.43% of the capital increase. The Executive Board, meeting on 24 December 2003, decided on the following distribution of the 1,995,101 new shares still to be subscribed to:

- ?? 1,250,000 new shares for Socadif, representing a total subscription amount, including premium on shares, of 1,000,000 Euros;
- ?? 315,000 new shares for Financière Boscary, representing a total subscription amount, including premium on shares, of 252,000 Euros;
- ?? 150,000 new shares for Michel de la Tullaye, representing a total subscription amount, including premium on shares, of 120,000 Euros;
- ?? 90,000 new shares for Marc Bucaille, representing a total subscription amount, including premium on shares, of 72,000 Euros;
- ?? 67,500 new shares for Dynacom 92, representing a total subscription amount, including premium on shares, of 54,000 Euros;

- ?? 25,000 new shares for Stéphane Delacote, representing a total subscription amount, including premium on shares, of 20,000 Euros;
- ?? 22,500 new shares for La Compagnie du Cap, representing a total subscription amount, including premium on shares, of 18,000 Euros;
- ?? 22,500 new shares for Christian Maugey, representing a total subscription amount, including premium on shares, of 18,000 Euros;
- ?? 22,500 new shares for Bernard Jacon, representing a total subscription amount, including premium on shares, of 18,000 Euros;
- ?? 20,067 new shares for Banque De Groof, representing a total subscription amount, including premium on shares, of 16,053.60 Euros.
- ?? 10,034 new shares for Bruno Leyssene, representing a total subscription amount, including premium on shares, of 8,027.20 Euros.

The said services were subscribed to in full and paid up by the persons designated by the Executive Board. The capital increase was definitively realised on 29 December 2003. Since that time, the share capital has been 948,863.10 Euros, divided into 18,977,262 shares of 0.05 Euro par value.

Realisation of the said capital increase gave rise to certain adjustments of the share subscription options and of the stock options issued by the company, pursuant to the legal provisions and on the particular conditions regarding the said warrants or options. Concretely:

- ?? the subscription price for the options in exercise of Plan n°1 was reduced from 5 to 4.6748 euros, and the total amount of options to be subscribed to was increased from 31,525 to 33,734, so that the total subscription amount per holder remains identical;
- ?? the subscription price for the options in exercise of Plan n°2 was reduced from 8.08185 to 7.55624 euros, and the total amount of options to be subscribed to was increased from 1,605 to 1,717, so that the total subscription amount per holder remains identical;
- ?? the subscription price for the options in exercise of Plan n°3 was reduced from 2.3885 to 2.2331 euros, and the total amount of options to be subscribed to was increased from 278,147 to 297,504, so that the total subscription amount per holder remains identical;
- ?? the holders of stock options ("bons de souscription de parts de créateur d'entreprises") issued prior to the capital increase may subscribe to a capital increase additional to the one carried out in December 2003 by SQLI. That capital increase would be in an amount of 27,270 Euros, by issue of 545,400 new shares of 0.05 Euros par value at a price of 0.80 Euro per share. It would be opened to the holders of stock options issued prior to 19 November 2003 who exercise their rights in the proportion of one new share for four shares subscribed to in exercise of the said rights.

c) **Important events occurring between the closeout date of the financial year and the date on which the report is established**

There have not been any important events since the end of the financial year.

d) **Anticipated changes in the company and prospects**

The company should get back to growth on the order of 5% to 7% in 2004. This increased activity results from the combination of the improvement in business conditions anticipated for the second half of 2004 and the results of the development programmes launch by the company (CMMI, Offshore and Programme solutions).
The net result should continue to arise, exceeding 4% of turnover in 2004.

e) Research and development activities

The company has initiated a research and development programme based on the following main themes in 2003:

- ?? CMMI project: a theoretical approach to modelling developments of the computer systems and software
- ?? APP project: software characterised by original architecture for centralisation and decentralisation of information for multi-site use
- ?? Original design of an international programme for exchanging and processing of information between local governmental units and citizens
- ?? Innovative software for automatic generation of administrative forms on an opened source basis
- ?? Search for accessibility of the administration's sites for the blind

In connection with these projects, the company recorded a research tax credit of 182 thousand euros.

f) Off balance sheet commitments

All the main commitments of the company result from an agreement signed by the Board of Directors or a competent corporate officer taking into account the financial year of the entrusted mandate. The Board of Directors consequently makes use of information enabling it to identify, control and evaluate possible significant risks resulting from off-balance sheet commitments.

g) Assessment of the difficulties involved in the changeover to the IFRS standards

The company has surveyed the accounting effects of the changeover to the IFRS standards as of 1 January 2005. Only the procedure for doing the accounting on share subscription options and share subscription warrants allocated to group collaborators would constitute an identified point that could be affected by the change of accounting standard, but we have not yet estimated the incidence of the possible restatement to be applied. The preparatory work undertaken for the plan relating to the changeover to the IFRS standard did not bring out any other difficulties concerning production of financial information starting on 1 January 2005 on the basis of this new standard.

II – SUBSIDIARIES AND AFFILIATES

With the exception of the SQLI MAROC SA subsidiary established in November 2003, there were no new acquisitions of holdings or of control during financial year 2003.

SQLI Suisse absorbed the IN VERSO company in December 2003. That merger was retroactive to 1 July 2003.

PROFIL company was dissolved in October 2003.

The SQLI holdings were as follows as of 24 March 2004:

Name	Registered office	% of control	% of capital
SQLI SA	La Plaine Saint Denis	Consolidating company	Consolidated company

SUDISIM SA	Montpellier	100%	99.95%
SQLI SUISSE SA	Lausanne	100%	99.80%
TECHMETRIX INC	Boston	100%	97.50%
ABCIAL	La Plaine Saint Denis	100%	99.73%
CARI	La Plaine Saint Denis	100%	10 %
SQLI MAROC SA	Rabat	100%	99.87%
SQLI SL	Madrid	100%	99.87%

III - REPORT ON SQLI GROUP MANAGEMENT

Reports which have been previously drawn up regarding important events which have taken place since the closing of the financial year's accounts, forecasted development and research activities are equally valid for the entire SQLI Group given the similar activity of all companies making up the group.

The following elements supplement chapter I, a) bearing on presentation of activity during the past financial year.

SQLI SA's consolidated turnover fell by 6.1%, compared with a drop in average staff of 15.5%. The net result is a profit of 1 million euros compared with a loss of 9.3 million for the previous financial year. The various points of improvement mentioned in chapter I contribute to explaining this return to profitability.

The following table details the activity and earnings of the company's subsidiaries and of the companies that it controls, after elimination of intragroup transactions:

Company	Turnover in KE	Operating profit KE	Net income KE
SQLI SA	34,966	761	523
SQLI CH	4,736	435	391
ABCIAL	1,697	124	66
SQLI Maroc SA	0	2	2
Techmetrix US	14	(11)	(91)
SUDISIM	0	50	37
CARI	(28)	5	60
PROFIL	0	6	6
INVERSO	36	19	13
TOTAL	41,421	1,391	1,007

IV – EARNINGS – ALLOCATION**a) Examination of the annual corporate financial statements (balance sheet and income statement) of SQLI**

The following table sums up the key figures regarding the Company:

	31 December 2003 in €	31 December 2002 in €
Turnover	35,545,702	37,405,517
Operating profit	604,705	(5,539,653)
Current net income before taxes	700,655	(11,414,212)
Net income	540,231	(11,745,262)
Capital	948,863	3,795,452
Shareholders' equity	2,630,418	(830,801)
Debts	16,517,749	15,248,041
Fixed assets (net)	1,258,511	1,163,624
Balance sheet total	19,827,204	15,809,691
Dividend	0	0

Presentation and Analysis of the Balance Sheet**Assets**

As of 31 December 2003, the company's net assets amounted to 1,258,511 euros compared with 1,163,624 euros for the previous financial year, i.e. an increase of 8.1%, the bulk of the rise coming from the heading for other holdings.

Current assets reached 18,564,999 euros compared with 14,584,609 euros on 31 December 2002, making a 27% increase due mainly to the improvement of the headings for the cash position and short-term investment securities and to the decline of the heading for other receivables.

Liabilities

As of 31 December 2003, shareholders equity amounted to 2,630,418 euros compared to (830,801) euros as of 31 December 2002. The variation results from the 2003 profit of 540,231 euros and from the capital increase put through in December 2003 in an amount of 189,772.60 Euros, by issue of 3,795,452 new shares of 0.05 Euro par value each, with a premium on shares of 0.75 Euro each.

Provisions for risks and costs amounted to 234,334 euros compared to 1,392,450 euros for the previous financial year.

The debts on their part come to 16,517,749 euros compared with 15,248,041 euros on 31 December 2002, an 8% increase.

Presentation and analysis of earnings

During the financial year ended 31 December 2003, revenue amounted to 35,545,702 euros compared to 37,405,517 euros for the previous year, i.e. a decrease of 5%. Operating income as a whole stands at 38,694,092 euros compared with 38,614,261 euros.

The operating charges for the financial year reached a total of 38,089,386 euros compared with 44,153,914 euros for the previous financial year.

The operating profit for the financial year comes to 604,705 euros compared with a loss of 5,539,653 euros for the previous financial year.

Financial net income for 2003 shows a profit of 95,950 euros compared with a loss of 5,874,559 euros for 2002. We should point out that the heading for financial transfers to depreciation and provisions reaches 4,200,105 euros in 2003 compared with 6,171,173 euros in 2002.

Current net income before taxes is a profit of 700,655 euros compared with a loss of 11,414,212 euros for the previous financial year.

After taking into account:

- ?? the extraordinary loss of 338,168 euros compared with 335,807 euros for the previous financial year,
- ?? the corporation tax coming (177,743) euros compared with (4,757) euros for the previous financial year,

the financial year ending on 31 December 2003 results in a profit of 540,231 euros compared with a loss of 11,745,262 euros for the previous financial year.

b) Proposal for approval and allocation of the SQLI earnings

We propose to you that you approve the annual financial statements (balance sheet, income statement and notes) as submitted to you, which show a profit of 540,230.54 Euros, which we propose to you should be assigned, in toto, to retained earnings, so as the debit amount in that account would stand at 1,082,437.29 Euros.

The company's shareholders' equity would come to 2,630,418 Euros if you approve this allocation of the financial year earnings. We remind you that the extraordinary shareholders' meeting held on 30 October 2003 rejected the resolution relating to early dissolution of the company, which was submitted pursuant to the provisions of article L 225-248 of the Code of Commerce, because of the fact that the shareholders' equity recorded at the end of financial year 2002 was less than half of the share capital. Because of the various operations described above carried out in 2003 and affecting the share capital and the financial year earnings, the said shareholders' equity is again greater than half of the share capital.

We remind you that the company has not paid any dividends for the last three financial year.

c) Examination of the consolidated financial statements (balance sheet and income) of SQLI group

The following table sums up the key figures concerning SQLI group:

	31 December 2003 in K€	31 December 2002 in K€
Turnover	41,421	44,079
Operating profit	1,391	(5,877)
Current net income before taxes	1,184	(6,245)
Net income	1,007	(9,339)
Capital	949	3,795
Shareholders' equity	4,338	470
Debts	15,290	14,901
Fixed assets (net)	1,066	1,305
Balance sheet total	20,614	17,162

Examination of the consolidated accounts and financial results

Assets

As of 31 December 2003, the company's net fixed assets amounted to 1,066 thousand euros compared to 1,305 thousand euros for the previous financial year, i.e. a decrease of 18%.

Current assets came to 19,548 thousand euros compared with 15,857 thousand euros on 31 December 2002, up 23%. The improvement in the cash position and in the heading for short-term investment securities represents a 39% increase for the current assets heading, offset by a 37% drop of the heading for other receivables and 5% in the client heading.

The decline of the heading for other receivables is mainly due to reimbursement of a factoring company's guarantee fund.

The improved cash position results from the capital increase put through in December 2003 and for the improvement noted in the operating capital need.

Liabilities

As of 31 December 2003, shareholders equity amounted to 4,338 thousand euros compared to 470 thousand euros as of 31 December 2002. The variation is due mainly to the 2003 profit of 1,007 thousand euros and to the capital increase implemented in December 2003 in an amount of 190 thousand euros together with a net premium on shares of 2,731 thousand euros.

A conditional advance received from the COFACE agency in an amount of 428 thousand euros relative to the group's American activities was classified under other shareholders' funds (previously classified under borrowing and financial debts).

Provisions for contingencies and charges come to 558 thousand euros compared with 1,791 thousand euros in the previous financial year.

The debts are up slightly, to 15,290 thousand euros compared with 14,901 thousand euros in 2002.

Presentation and Analysis of the Profits

During the financial year ended 31 December 2003, revenue amounted to 41,421 thousand euros compared to 44,079 thousand euros for the previous year, i.e. an decrease of 6% . Operating income as a whole stands at 43,756 thousand euros compared with 44,320 thousand euros, a 1.2% decline.

Operating charges for the financial year reached a total of 42,367 thousand euros as against 50,197 thousand euros in the previous financial year. We should emphasise the fact that these charges include a restructuring charge amounting to 1,047 thousand euros, for which a write-back of a provision in an equivalent amount appears under other operating income.

The operating profit for the financial year is 1,391 thousand euros compared with a loss of 5,877 thousand euros for the previous financial year.

The 2003 financial net income is a loss of 207 thousand euros by comparison with one of 368 thousand euros for 2002.

The current net income of integrated companies is a profit of 1,184 thousand euros as against a loss of 6,245 thousand euros for the previous financial year.

After taking into account:

- ?? The extraordinary loss of 291 thousand euros compared with 650 thousand euros for the previous financial year,
- ?? Corporation tax of -135 thousand euros compared with 204 thousand euros for the previous financial year,
- ?? The transfer to depreciation of consolidated goodwill amounting to 22 thousand euros compared with 2,240 thousand euros in the previous financial year,

the financial year ending on 31 December 2003 resulted in a net profit after minorities of 1,007 thousand euros as against a loss of 9,339 thousand euros in the previous financial year.

d) Proposal for approval of SQLI group's earnings

We propose to you that you should approve the consolidated financial statements (balance sheet, income statement and notes) as presented to you showing a profit of 1007 thousand euros.

e) Table of earnings for the last five financial years

Pursuant to article 148 of the decree of 23 March 1967, a table is attached to the present report showing the company's earnings during each of the last five financial years.

V – AGREEMENTS SUBJECT TO ARTICLE L 225-86 OF THE FRENCH COMMERCIAL CODE

After reading the special report by the Statutory Auditors, we would ask you, in conformity with the French Commercial Code, to ratify an agreement subject to article L 225-86 of the same code, concluded during the course of the financial year after having been regularly authorised by the Supervisory Board.

We would also ask you to ratify the agreement laid down in the same article and concluded without having been authorised.

Your auditors' report also indicates the main characteristics of the conventions concluded during past financial years performance of which continued during the present financial year.

VI – SUMPTUARY EXPENSES

In accordance with the provisions of article 223 quater of the General Tax Code, we can inform you that, apart from a one-off depreciation of 30,897.78 Euros relating to vehicles, no expenses or charges subject to article 39-4 of this code have been committed to by the company in the past financial year. The corporation tax due in connection with the said excess depreciation is 0, in view of the fact that the company is suffering tax losses.

VII – COMPANY ADMINISTRATION AND CONTROL**a) Modifications made during the past financial year**

The Shareholders' Meeting held on 30 June 2003 took note of Mr Dominique Laffont's resignation as a member of the Supervisory Board.

On the date of establishment of the present report, the SQLI Supervisory Board therefore consists of the following:

Mandate	Holder	Beginning of term	End of term
Chairman	Jean Rouveyrol	26 June 2002	Meeting ruling on the financial statements for the financial year ending on 31 December 2007
Deputy Chairman	Roland Fitoussi	Idem	Idem
Member	FD5 represented by Xavier Cottin	Idem	Idem
Member	Dominique Chambas	Idem	Idem

We remind you that the Supervisory Board meeting held on 26 June 2002 designated the following persons to sit on the SQLI Executive Board:

Mandate	Holder	Beginning of term	End of term
Chairman	Yahya El Mir	26 June 2002	26 June 2008
Member	Bruno Leyssene	Idem	Idem
Member	Nicolas Rebours	Idem	Idem

The list of all mandates and functions exercised in any company by each of these persons during the financial year ending on 31 December 2003 appears in chapter IX of the present report.

The Supervisory Board met five times in 2003. The Executive Board met regularly, and its main decisions or deliberations were entered in minutes.

b) Designation proposed to the Shareholders' Meeting held on 10 June 2004

We propose to you that you should designate the following persons to sit on the SQLI Supervisory Board:

- ?? Mr Bernard Jacon, born in 17 October 1943 in Jassans Riottier (01480), residing at 31bis Allée du Lac Inférieur, 78110 Le Vésinet
- ?? Mr Marc Bucaille , born on 20 May 1942 in Neuilly-sur Seine (92), residing at 2, avenue du Colonel Bonnet 75016 Paris

We are supplying you with the list provided for in article 135-5° of the decree of 23 March 1967, indicating the following for the natural persons who are candidates to join the Supervisory Board:

- ? their last name, usual given name and age, their professional references and the professional activities during the last five years, particularly the duties they perform or have performed for other companies;
- ? the jobs or functions held at SQLI and the number of SQLI shares that they own or hold.

c) Attendance fees

We propose to you that you should vote a total amount of attendance fees of 21,000 euros for your Supervisory Board, to be divided among its members as the board may decide.

VIII – INFORMATION RELATING TO MANDATES OR FUNCTIONS EXERCISED in any company by the corporate officers

We would like to communicate to you in the table enclosed hereafter, the list of mandates and functions exercised by the corporate officers of the Company in any company during the past financial year.

Name of the corporate officer	Mandates or functions	Company in which the mandate or function is exercised	Headquarters of the company
Members of the Supervisory Board			
Jean Rouveyrol	Chairman of the Supervisory Board	SQLI	268, avenue du Président Wilson 93200 La Plaine Saint-Denis
	Employment contract for the person responsible for investor relations and financial communications	SQLI	Ditto
	President and Chief Executive Officer	Abcial	268, avenue du Président Wilson 93200 La Plaine Saint-Denis
	Director	Sudisim	Bruyère 2000, Bât 1 650, rue Becquerel 34000 Montpellier
	President	TechMetrix US	6 new England Executive Park Suite 400 Boston USA
	President and Chief Executive Officer (until October 2003)	SQLI Suisse	Chemin de la Rueyre 116, 118 CH 1020 Renens Suisse
	Manager	Cari	268, avenue du Président Wilson 93200 La Plaine Saint-Denis
Roland Fitoussi	Deputy Chairman of the Supervisory Board	SQLI	La Plaine Saint-Denis
	Chairman of the Supervisory Board	Solving International	144, avenue des Champs-Élysées 75008 Paris
	President	Solving International North America	USA
	Director	de Bohling & Strömberg	Sweden
	Director	Solving Ibérica	Spain
	Director	Solving Spa	Italy
	Director	Alcor Développement	France
Xavier Cottin	Permanent representative of FD5 to the Board	SQLI	La Plaine Saint-Denis
	Permanent	Sport 4Fun	Paris

	representative of FD5 on the Board of Directors		
	Permanent representative of FD5 on the Supervisory Board	Maporama	Paris
	Permanent representative of FD5 on the Supervisory Board	Access Commerce	Toulouse
	Permanent representative of FD5 on the Board of Directors	Mistergooddeal	Créteil
Dominique Laffont	Member of the Supervisory Board until 28 March 2003	SQLI	La Plaine Saint Denis
	Managing Director English-speaking Africa	Bolloré	Quimper
Dominique Chambas	Director	Semac	18, rue Raymond Lefevre 94823 Ivry sur Seine
	President and Chief Executive Officer	Sodimap	18, rue Raymond Lefevre 94823 Ivry sur Seine
	Manager	Synergie Consulting	19, rue Auguste Chabrières 75015 Paris
	Deputy Chairman of the Supervisory Board	Aldata	37, rue du Colonel Pierre Avia 75015 Paris
Members of the Executive Board			
Yahya El Mir	Chairman of the Executive Board	SQLI	La Plaine Saint-Denis
	Chairman and Chief Executive Officer	Sudisim	Bruyère 2000, Bâtiment 1 650, rue Becquerel 34000 Montpellier
	Manager (until the liquidation at end-2003)	Profil	6, avenue des usines Belfort Technopoles BP85 90000 Belfort
	Manager	SQLI SL	Spain
	Chairman of the Board of Directors (since October 2003)	SQLI Suisse SA	Chemin de la Rueyre 116, 118 CH 1020 Renens Switzerland
	Chairman of the Board of Directors	SQLI MAROC SA	Rabat Morocco
Bruno Leyssene	Executive Board member	SQLI	La Plaine Saint Denis
	Director	Abcial	268, avenue du Président Wilson

			93200 La Plaine Saint-Denis
	Director	SQLI MAROC SA	Rabat Morocco
Nicolas Rebours	Executive Board Member	SQLI SA	La Plaine Saint Denis
	Director	SQLI MAROC SA	Rabat Morocco
	Treasurer and Secretary	TechMetrix US	6 new England Executive Park Suite 400 Boston USA
	Employment contract (Chief Administrative and Financial Officer)	SQLI SA	La Plaine Saint Denis

IX – INFORMATION CONCERNING EMPLOYEE LEGAL PROFIT-SHARING

On the last day of the financial year, the registered SQLI employees (excluding authorised business agents) held 0,24% of the share capital, representing 0,34% of the voting rights (respectively 24,11% and 35% including the natural persons who are additional agents). There is no collective management instrument installed at the Company's initiative for its employees or for the employees of its subsidiaries (PEE, FCPE...) holding Company shares.

To date, the Company has not installed any employee share-holding plan by way of a company savings plan or joint investment fund.

We remind you that, in conformity to article L 225-184 of the French Commercial Code, the Board of Directors drafted a special report which has been made available to you so as to inform you of operations carried out during the financial year relating to subscription offers or purchase of shares and BSC warrants.

We also remind you that the Shareholders' Meeting held on 30 June 2003 made a decision on a project for a capital increase reserved for the employees in application of the provisions of article L 443-5 of the Labour Code, in connection with the various capital increases proposed to the said meeting. That resolution was rejected.

X – ADDITIONAL INFORMATION RELATING TO QUOTED COMPANIES

X.1 Information concerning compensation paid to the authorised agents

The following table indicates the total remuneration and benefits of all kinds paid to each authorised agent during the financial year.

This table also shows the amount of remuneration and benefits of all kinds received by each of the said authorised agents during the financial year from companies that are controlled in the meaning of article L 233-16 of the Code of Commerce. Since SQLI is not controlled by another company, there is no need for indicating the amounts paid by the company controlling SQLI, in the meaning of the said article.

Name of the authorised agents	Mandates or functions	Amount of total compensation paid by SQLI	Total amount of benefits of all kinds paid by SQLI	Amount of total compensation and of benefits of all kinds paid by companies controlled by SQLI
Member of the Supervisory Board				
Jean Rouveyrol	Chairman of the Supervisory Board	0	0	0
	Salary of the financial communication manager	50,700	6,745	0
Roland Fitoussis	Deputy Chairman of the Supervisory Board	0	0	0
FD5	Supervisory Board member	0	0	0
Dominique Laffont	Supervisory Board member until 28 March 2003	0	0	0
Dominique Chambas	Supervisory Board member	0	0	0
Members of the Executive Board				
Yahya El Mir	Chairman of the Executive Board	104,763	2,493	0
Bruno Leyssene	Executive Board member	104,763	2,493	0
Nicolas Rebours	Executive Board member	0	0	0
	Employment contract Chief Administrative and Financial Officer	119,539	3,241	0

X.2 Information concerning market risks in case of a variation of interest rates, exchange rates or securities market prices

The company does not operate on the interest rate or exchange rate markets. With respect to securities markets, the company intervenes only in connection with its own securities under authorisations granted by the meeting and the applicable rules and regulations, limited for financial year 2003 to the company's participation in the market-making and liquidity contract managed by Fortis. The interventions in this connection carried out in 2003 are summed up below in point X.3. In view of the very limited volumes involved, the company does not run any risk.

X.3 Information concerning own shares purchased and sold by SQLI

From 1 January 2003 to 23 July 2003, SQLI held some of its own shares within the framework of a market-making and liquidity contract managed by Fortis.

The average prices of the purchases and sales made in 2003 are as follows:

- ?? Shares purchased: 23,516 shares bought at an average price of 0.5041
- ?? Shares sold: 25,025 shares bought at an average price of 0.5074.

The amount of the trading expenses connected with the said purchases and sales (management fees for the market-making contract) came to 7177€ excluding taxes in 2003.

SQLI did not hold any of its shares as of 31 December 2003, following cancellation of the market making contract signed with Fortis on 23 July 2003.

X.4 Information concerning the way SQLI takes the social and environmental consequences of its activity into account

X.4.1 Social consequences

In application of the provisions of article L 225-102-1 of the Code of Commerce and of article 148-2 of the decree of 23 March 1967, we provide you with the following information:

Information concerning staff

	31 December 2002	31 December 2003	Average for 2003
Salaried staff (Indefinite-Term Contracts)	633	570	573
Salaried staff (Definite-Term contracts)	5	12	8
Trainees and apprentices	7	14	15
Temporaries	1		1

Employment safeguard plan

The group implemented an employment safeguard plan in December 2002 affecting 48 group employees. Almost all collaborators concerned by this measure found a new job or are no longer actively looking for employment. As of 31 December 2003, the results of the reassignment measures and of the accompanying arrangements applied were as follows:

- ?? 2 reassignments within the group
- ?? 32 collaborators had found a job, and one is looking
- ?? 3 collaborators took part in a long training programme
- ?? 4 collaborators established a business
- ?? 3 collaborators are on maternity or parental leave
- ?? 3 collaborators did not inform the company about their situation.

Other significant information

An agreement concerning work-time reduction has been in effect in the group's French companies since financial year 2000. The collective workweek is set at 35 hours. For the engineers and executives constituting more than 95% of the group's collaborators, a package agreement in terms of days has been instituted entailing the award of 11 days of RTT (Work Time Reduction) per year.

An optional profit-sharing agreement was concluded with the Central Works Council in December 2003. Under the terms of the said agreement, profit-sharing may be paid starting with financial year 2004 to the SQLI group collaborators depending on the extent to which the group's objectives for net income are reached (threshold for triggering optional profit-sharing for 2004, net income amounting to more than 4.5% of turnover).

The following table illustrates the trend of gross monthly average compensation and of professional equality:

Trend of gross monthly compensation	2002		2003	
	Men	Women	Men	Women
Cadres (Executives and supervisors)	2904	2532	2886	2604
Clerical-level employees	2203	1774	2012	1865

The Hygiene and Safety Committees were established during the last quarter of 2004. Since a computer services provider's activity is essentially intellectual, it does not give rise to any specific risks with respect to personal safety.

A training plan is established every year and is submitted to the personnel representatives.

A service provider's business entails a substantial amount of travel, and that is difficult to perform for persons with reduced mobility. Hence the company regularly pays the taxes connected with the small proportion of handicapped workers on its staff.

The company pays to its Works Council, for its social works, a contribution of 0.15% of the gross salaries of the companies subject to that obligation.

The group's companies regularly provide intercompany services, particularly in connection with projects carried out on a package basis. But there may also be subcontracting on grounds of technical level or capacity outside the group. External subcontracting represented around 2% of turnover in 2003.

The group's presence at 11 geographical points in France contributes largely to the decentralisation effort.

The establishment in 2003 of an offshore development platform in Morocco is contributing to the development of skilled jobs in that country, which is making substantial efforts to train young people but whose economy does not yet create enough jobs adapted to its engineers' qualification level.

X.4.2 Environmental consequences

In application of the provisions of article L 225-102-1 of the Code of Commerce and of article 148-3 of the decree of 23 March 1967, we provide you with the following information:

Since the company's activity is of an intellectual nature, it has no harmful consequences for the environment.

X.5 Declarations concerning crossings of threshold and identity of SQLI's principal shareholders

The company received the following declarations of crossing thresholds relative to the ones that occurred in 2003:

- ? The company Dassault Développement (8, avenue Franklin Roosevelt 75008 Paris) reported that on 14 November 2003, due to a disposal of SQLI shares, it fell below the level of a holding of 5% in that company's capital, henceforth holding 751 936 shares and SQLI voting rights, namely 4.95% of the capital (consisting of 15 181 810 shares) and 3.25% of the 23 125 918 existing voting rights.

- ? The company Innovacom 3 (23, rue Royale - 75008 Paris) reported that following the capital increase put through by SQLI from 4 to 17 December 2003, it passively fell below the level of 5% of the company's capital, and on 31 December 2003 it held 836 459 SQLI

shares representing 4.41% of the capital (consisting of 18 977 262 shares) and 6.21% of the existing voting rights (26 920 647).

- ? Mr Jean Rouveyrol (43 400 Chambon sur Lignon) declared that due to the capital increase put through by SQLI from 4 to 17 December 2003, on 29 December 2003 he passively fell below the threshold of one-third of the company's voting rights and held 4 218 867 SQLI shares representing 8 437 734 voting rights, namely 22.23% of the capital (consisting of 18 977 262 shares) and 31.69% of the existing voting rights (the number of voting rights standing at 26 626 838 on 5 January 2004).
- ? Mr Alain Lefebvre (73100 Mouxy) declared that due to the capital increase put through by SQLI from 4 to 17 December 2003, on 29 December 2003 he passively fell below the threshold of 10% of company's capital and held 1 804 718 SQLI shares representing 3 609 436 voting rights, namely 9.51% of the capital (consisting of 18 977 262 shares) and 13.56% of the existing voting rights (the number of voting rights standing at 26 626 838 on 5 January 2004).
- ? Socadif company (26, quai de la Rapée, 75012 Paris), controlled by Crédit Agricole d'Ile de France, reported that due to subscription to the capital increase put through by SQLI from 4 to 17 December 2003, on 29 December 2003 it crossed in the upward direction the threshold of 5% of the company's capital and held 1 250 000 SQLI shares representing an equal number of voting rights, namely 6.59% of the capital and 4.69% of the existing voting rights.
- ? Mr Stéphane Delacote (91130 Ris-Orangis) reported that due to subscription to the capital increase put through by SQLI from 4 to 17 December 2003, on 29 December 2003 he crossed the threshold of 5% of the company's capital in the upward direction and held 975 000 SQLI shares representing an equal number of voting rights, namely 5.14% of the capital and 3.66% of the voting rights.

Hence pursuant to the provisions of article L 233-13 of the Code of Commerce, and in the light of the information received in application of article L 233-7 of the Code of Commerce, we inform you of the modifications occurring during the financial year of the holdings of shareholders holding, directly or indirectly, more than one-twentieth, one-tenth, one-fifth or one-third of the share capital.

Principal shareholders	2002		2003		Variation	
	Capital	Voting rights	Capital	Voting rights	Capital	Voting rights
Downward crossing of the threshold of one-third of the voting rights						
Jean Rouveyrol	4,736,700 (31.2%)	9,437,520 (46.72%)	4,218,867 (22.23%)	8,437,734 (31.69%)	- 8.97%	- 15.03%

Downward crossing of the threshold of one-tenth of the share capital / upward crossing of the threshold of one-tenth of the share capital (acquisition of a double voting right)						
Alain Lefebvre	1,810,740 (11.93%)	1,811,580 (8.97%)	1,804,718 (9.51%)	3,609,436 (13.56%)	- 2.42 %	+ 4.59 %
Downward crossing of the threshold of 5% of the share capital						
Dassault Développement	Supposed >5%	Supposed >3.75%	751,936 (3.96%)	751,936 (2.82%)		
Downward crossing of the threshold of 5% of the share capital and upward crossing of the threshold of 5% of the voting rights (acquisition of a double voting right)						
Innovacom 3	895,902 (5.9%)	901,402 (4.46%)	836,459 (4.41%)	836,459 (6.21%)	- 1.49%	+ 1.75%
Downward crossing of the threshold of 5% of the share capital						
Socadif	0	0	1,250,000 (6.59%)	1,250,000 (4.69%)	+ 6.59%	+ 4.69%
Stéphane Delacote	0	0	975,000 (5.14%)	975,000 (3.66%)	+ 5.14%	+ 3.66%

X.6. Transactions with the authorised agents and persons having a close personal relationship with them

Article L 621-18-2 of the Monetary and Financial Code provides for communication of the acquisitions, disposals, subscriptions to and exchanges of securities carried out by the members of the Executive Board or of the Supervisory Board of the company, as well as by the persons having close personal relationships with them. However, the general rules and regulations of the financial markets authority and the decree in the Council of State that are to specify the procedures of such communication are still unavailable. Hence that information will not be provided that year.

The Executive Board invites you, after a reading of its special report, of the reports by the Supervisory Board and by the latter's Chairman, as well as of the reports submitted by your auditors, to adopt the resolutions that it is submitting for your vote.

The Executive Board

Appendix: Table of earnings for the last five financial years

Closeout date and duration of the financial year (months)	31/12/2003 (12)	31/12/2002 (12)	31/12/2001 (12)	31/12/2000 (12)	31/12/1999 (12)
<u>CAPITAL AT FINANCIAL YEAR END</u>					
Share capital	948,863.10	3,795,452.50	3,272,724.93	3,269,474.93	327,765.39
Number of shares					
- ordinary	18,977,262	15,181,810	13,090,900	13,077,900	21,500
- preferred					
Maximum number of shares to be issued					
- by conversion of bonds					
- by subscription right	2,904,088	2,649,294	1,949,294	1,949,294	
<u>OPERATIONS AND RESULTS</u>					
Turnover excluding taxes	35,545,702	37,405,517	36,481,667	26,425,383	8,047,706
Net income before tax, legal profit-sharing					
Transfers to amortisation and provisions	-2,014,715	-4,104,900	-1,185,667	598,558	288,994
Taxes on profits	-177,743	-4,757	-239,884	793,525	81,876
Legal employee profit-sharing					
Transfers to depreciation and provisions	-2,377,203	7,645,119	4,689,362	759,471	-152
Net income	540,231	-11,745,262	-5,635,145	-954,438	207,270
Distributed net income					
<u>NET INCOME PER SHARE</u>					
Net income after tax, optional profit-sharing					
Before transfers to depreciation, provisions	-0.11	-0.27	-0.07	-0.01	9.63
Net income after tax, profit-sharing					
Transfers to depreciation and provisions	0.03	-0.77	-0.43	-0.07	9.64
Dividend paid					
<u>STAFF</u>					
Average staff of salaried employees	498	583	509	320	162
Payroll	19,020,109	21,856,727	19,497,360	12,981,824	4,246,508
Amounts paid as fringe benefits (social security, social works...)	8,686,903	10,154,021	8,948,604	5,784,456	1,676,866

REPORT BY THE EXECUTIVE BOARD TO THE SHAREHOLDERS' MEETING HELD ON 10 JUNE 2004

2nd part: Report concerning the various decisions proposed to the combined shareholder's meeting other than the ones relating to approval of the financial statements for the financial year ending on 31 December 2003

Dear Madam, Dear Sir:

We have called on you to meet in the form of a combined shareholder's meeting, both ordinary and extraordinary, for the following purpose:

- to report to you on the situation and activity of our company and of SQLI group during the financial year ending on 31 December 2003, and to submit the annual corporate financial statements and the annual consolidated financial statements for the said financial year for your approval;

Those questions are covered by the first part of the present report.

- and to propose various decisions to you relative to the following:

- ?? authorisation for the company to deal on the market in its own shares, within the framework of a share repurchase programme,
- ?? authorisation for the company to cancel all or part of the shares acquired within the framework of the share repurchase programme and within a limit of 10% of the share capital,
- ?? renewal of the authorisation granted to your Executive Board to use the global delegation granted to it by the combined shareholder's meeting held on 30 June 2003 for the purpose of increasing the share capital in case of occurrence of a public purchase or exchange offer for the company's securities,
- ?? authorisation for your Executive Board to issue stock options ("bons de souscription de parts de créateur d'entreprise") making it possible to subscribe to a maximum of 1.660.000 company shares,
- ?? authorisation for your Executive Board to carry out a capital increase reserved for the company's employees belonging to a company savings plan or to a voluntary payroll savings partnership plan, for a maximum nominal amount of 30.956 euros and within the limits of 3% of the share capital at the time of issue,
- ?? modification of articles 19 and 21 of the articles of incorporation so as to harmonise them with the provisions of law n°2003-706 of 1 August 2003 concerning financial security.

I - AUTHORISATION FOR THE COMPANY TO DEAL ON THE MARKET IN ITS OWN SHARES, WITHIN THE FRAMEWORK OF A SHARE REPURCHASE PROGRAMME

We remind you that no share repurchase programme was authorised for the year 2003. The programme authorised by the combined shareholder's meeting held on 26 June 2002 was not

implemented. For about two years now, the company's only interventions in connection with its own shares have been systematic interventions against the trend within a limit of 0,5% of the share capital. No shares were cancelled during the said period.

As of the date of these presents, the company does not hold any of its own shares.

1.1 Authorisation to deal on the market in the company's shares

The Executive Board requests its authorisation within the framework of the provisions of articles L.225-209 et seq of the Code of Commerce.

The information note relative to the share repurchase programme that the company plans to install is subject to approval by the Financial Markets Authority. That approval should be granted on 26 May 2004 at the latest, namely two weeks before the meeting date.

The transactions carried out by the company in connection with its own shares would have the following purposes:

1. regularise the share's market price by systematic intervention against the trend;
2. intervene by way of purchases and sales depending on the market situation;
3. finance external growth operations by delivery of internally held shares;
4. optimise management of cash, shareholders' equity and earnings per share;
5. allocate such shares within the framework of optional employee profit-sharing;
6. cancel shares.

We propose to you that you should set the following limits on the said authorisation granted to the Board of Directors or to the Executive Board, as the case may be:

- ?? the maximum number of shares that the company could acquire may not exceed a limit of 10% of the share capital, as laid down in article L. 225-209 of the New Code of Commerce;
- ?? the global maximum amount intended for repurchase of the company's shares may not exceed 1.648.778 euros;
- ?? the limiting buy and sell prices shall be as follows:
 - maximum purchase price per share: 4 euros;
 - minimum selling price per share: 0.5 euros.

This authorisation to deal in the company's shares would be granted for a duration to end at the time of the Shareholders' Meeting called to rule on the financial statements for the financial year ending on 31 December 2004, and at the latest 18 months starting with the time of the combined shareholder's meeting held on 10 June 2004.

The purchases or sales of shares could be made all at once or in instalments, by any means and at any time, including during a public offer period, with due observance of the rules and regulations issued by the Financial Markets Authority. The said shares could be bought by intervention on the market or by purchase of blocks of securities. The part of the programme carried out in the form of blocks could be as much as the entire share repurchase programme.

Full powers would be granted to the Executive Board, with a delegation option, for deciding on use of the present authorisation.

1.2 Authorisation to cancel the repurchased shares

In the previous paragraph we proposed that you vote in favour of a programme of repurchase of its shares by the company, such a programme providing in particular for the company's possibility of cancelling the repurchased shares, thus reducing the company's capital by an equal amount.

Hence we ask you to authorise the Executive Board, pursuant to article L.225-209 of the Code of Commerce, to cancel on the basis of its decision alone, all at once or in stages, all or part of the company's shares that the latter might hold in connection with the authorisation for purchasing the company's shares mentioned in the previous paragraph, and to reduce the share capital by the total nominal amount of the shares cancelled in that way, within a limit of 10% of the capital by 24-month periods.

It would also be appropriate to grant full powers to the Executive Board to determine the conditions and procedures thereof, and to modify the company's articles of incorporation as a result, if appropriate.

That authorisation would be granted for a period ending at the next ordinary shareholders' meeting called to rule on the financial statements for the financial year ending on 31 December 2004.

II - RENEWAL OF THE AUTHORISATION GRANTED TO THE EXECUTIVE BOARD to increase the share capital during a PUBLIC OFFER period.

As explained in the first part of this report, your Executive Board still owes delegations for increasing the company's share capital by a nominal amount of 210.227,40 euros, by virtue of resolutions 14 and 15 approved by the combined shareholder's meeting held on 30 June 2003. However, the authorisation to use the said delegation during a public offer period granted by the said meeting ends at the conclusion of the combined shareholder's meeting of 10 June 2004.

That is why you are requested to renew the authorisation granted to the Executive Board pursuant to article L. 225-129 IV of the Code of Commerce, for using all of the delegations granted to it by the combined shareholder's meeting held on 30 June 2003, including the ones relative to capital increase, in case of occurrence of a public offer or exchange offer bearing on securities issued by the company.

The said authorisation will expire at the end of the annual Shareholders' Meeting called to rule on the financial statements for the financial year ending on 31 December 2004.

III - AUTHORISATION FOR THE EXECUTIVE BOARD TO ISSUE STOCK OPTIONS ("BONS DE SOUSCRIPTION DE PARTS DE CREATEUR D'ENTREPRISE")

We propose that you empower the Executive Board, for a period of one year, to issue a maximum number of 1,660,000 stock options ("bons de souscription de parts de créateur d'entreprise (« BCE »)), and reserve allocation of the said rights to the company's employees and to the authorised agents treated as employees for taxation purposes.

The said rights, which will be non-transferable, will be allocated free and will entitle their holders to subscribe, for each right, to one new company share for a period of five years starting with the time of their allocation, at a unit price set as follows: 100% of the average of the last twenty closing prices of the company's share preceding the date of allocation of the BCE by the Executive Board, or if a capital increase is put through during the period of validity of the

present authorisation for a per-share price that is higher than the said average, at the subscription price of one share issued in connection with the capital increase.

Within this framework, we request you to kindly grant full powers to the Executive Board for the purpose of determining the allottees of the said rights, the conditions for exercise of the rights held by the holders of the BCE, the price and the dividend date price and the date of dividend rights for the said shares, and realisation of the capital increase resulting from exercise of the subscription rights. The allocation criteria and the conditions for exercise of the BCE will be submitted by the Executive Board to the Supervisory Board for approval before issue.

The Executive Board's powers in this connection would be subject to a distinction between two sets of BCE, within a maximum number of 1,660,000:

- ?? 460,000 BCE could be exercised without any performance condition. Those rights are intended mainly for optional profit-sharing for employees or senior managers subject to the employees' taxation regime. The aim of awarding them is to strengthen the beneficiaries' loyalty to SQLI company;
- ?? 1,200,000 BCE could be exercised solely on a performance condition to be defined by the Executive Board at the time of allocation of the rights. The latter are intended mainly for optional profit-sharing by employees or senior managers subject to the employees' taxation regime. Allocation thereof is aimed at increasing the beneficiaries' motivation in contributing to the company's continued development on the basis of preset objectives.

Pursuant to law, this decision will entail a waiver by the shareholders of their preferential subscription right, both in connection with the warrants and with respect to the new shares resulting from exercise of the subscription rights, to the benefit of the BCE allocatees.

This reserved capital increase would have an effect on the shareholders' situation, namely that the share of shareholders' equity on a per-share basis would be established in the new ratio resulting from the increase in the number of shares constituting the share capital after the increase.

The table attached to the present report offers a detailed description of the consequences of this authorisation of a capital increase on each shareholder's situation.

You will also hear a reading of the special report by the auditors containing their opinion of the proposal for elimination of the preferential subscription right, the choice of the elements involved in calculation of the issue price and the amount thereof, the effect of the issue on the shareholder's position, judged with respect to shareholders' equity, as well as concerning the accuracy of the information drawn from the company's accounts on which they give their opinion.

The definitive conditions of the operation will be described in additional reports by the Executive Board and the auditors, pursuant to requirements laid down in article 155-2 of decree n°67-236 of 23 March 1967.

IV - AUTHORISATION FOR THE EXECUTIVE BOARD TO PUT THROUGH A CAPITAL INCREASE UNDER THE CONDITIONS LAID DOWN IN ARTICLE L 443-5 of the Labour Code

Because of the proposal for a capital increase mentioned above within the framework of the authorisation for issue of stock options ("bons de souscription de parts de créateur d'entreprise") (resolutions 21 to 24), and in the interest of compliance with the provisions laid down in article L 225-129 VII of the Code of Commerce, we propose that you should delegate the required powers to the Executive Board for the purpose of putting through a cash capital increase reserved for the company's employees, under the conditions of article L 443-5 of the Labour Code, the maximum nominal amount of which is set at 30,956 euros.

The issue price of the shares issued in this way would be set by the Executive Board, or by an expert at the time of realisation of the capital increase.

The present authorisation would require a waiver by you of your preferential subscription right to the shares issued in this way, to the benefit of the employees for whom the capital increase would be reserved, namely, the company employees belonging to a company savings plan or a voluntary payroll savings partnership plan.

The present authorisation would be granted for a period of twenty-six months starting with the time of the present meeting.

The meeting would grant full powers to the Executive Board to do the following:

- ?? determine the conditions required for benefiting from the subscription offer, particularly the employees' seniority conditions and the subscription periods, as well as all other procedures for putting through the capital increase;
- ?? take all useful steps for definitive realisation of the said capital increase, and carry out all measures and formalities relating thereto;
- ?? modify the articles of incorporation as a result and carry out the notice formalities concerning the capital increase.

This reserve capital increase would have an effect on the shareholders' situation, namely that the share of shareholders' equity on a per-share basis would be established in the new ratio resulting from the increase in the number of shares constituting the share capital after the increase.

The table attached to the present report offers a detailed description of the consequences of this authorisation of a capital increase on each shareholders' situation.

This project is submitted to you in order to satisfy a legal obligation, but your Executive Board does not consider it appropriate and has decided not to approve the draft resolutions pertaining thereto, which it is submitting for your vote.

If the said resolution is approved by the meeting and is then used by the Executive Board, the definitive conditions of the operation would be the object of additional reports by the Executive Board and the auditors, pursuant to the requirements of article 155-2 of decree n°67-236 of 23 March 1967.

V - HARMONISATION OF THE ARTICLES OF INCORPORATION WITH THE PROVISIONS OF THE LAW CONCERNING FINANCIAL SECURITY

With a view to this harmonisation, we propose the following to you:

- ?? to supplement article 19 of the articles of incorporation by specifying that it is the Supervisory Board that proposes appointment or renewal of the auditors to the Shareholders' Meeting. It would also be indicated that the Supervisory Board informs the financial markets Authority of the said proposal prior to publication in the Balo register of the meeting notice.
- ?? to modify and supplement article 21 of the articles of incorporation relative to conventions between the company and one of its advisors or senior managers, so as also to cover the conventions concluded with a shareholder possessing at least 10% (and no longer 5%) of the share capital, and to specify that the conventions bearing on the company's ordinary operations and concluded on normal terms are to be communicated by the interested party to the Chairman of the Supervisory Board, except when they are of no significance to any of the parties because of their purpose or their financial implications.

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We invite you to familiarise yourself with the management report with respect to the information concerning the course of business during the previous financial year.

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The Executive Board invites you, after reading the report submitted by your auditors, to adopt the resolutions that it is submitting for your vote.

The Executive Board

**By its Chairman
Mr Yahya El Mir**

APPENDIX: Consequences of each capital increase authorisation with suppression of the shareholders' preferential subscription right for each shareholder's situation.

Incidence of the issues of BSPCE and shares subject to a vote by the extraordinary shareholders' meeting of 10 June 2004 and residual authorisations resulting from the decisions made by the extraordinary shareholders' meeting of 30 June 2003	Nb of shares	consolidated shareholders' equity	Dilution	Shareholders' equity / Share €
1. Before capital increase	18 977 262	4 338 000		0.23
2. Before capital increase and after exercise of all securities issued	22 474 211	9 467 055	15.56%	0.42
2bis. Same less the cancelled securities	22 044 703	8 429 628	13.91%	0.38
3. After issue of 4,204,548 shares (1)	23 181 810	9 803 912	18.14%	0.42
4. After issue of 4,204,548 shares and exercise of all securities issued	26 678 759	14 932 967	28.87%	0.56
4bis. Same less the lapsed securities	26 249 251	13 895 540	27.70%	0.53
5. After issue of 1,660,000 BCE (2)	20 637 262	6 496 000	8.04%	0.31
6. After issue of 1,660,000 BCE and exercise of all securities issued	24 134 211	11 625 055	21.37%	0.48
6bis. Same less the lapsed securities	23 704 703	10 587 628	19.94%	0.45
7. After issue of 619,120 shares reserved for the employees and exercise of all securities issued	19 596 382	5 142 856	3.16%	0.26
7bis. Same less the lapsed securities	22 663 823	9 234 484	16.27%	0.41
8. After issue of 4,823,668 shares and of 1,660,000 BCE and of all securities issued (4)	28 957 879	17 895 823	34.47%	0.62
8bis. Same less the lapsed securities	28 528 371	16 858 396	33.48%	0.59

(1) Residual authorisation for the issue of any share, security or warrant within the limit of 210,227.4€ nominal value (at 0.05€ per share), resulting from the decisions of the meeting held on 30 June 2003

(2) Shares resulting from the exercise of the 1 660 000 BSCPE proposed to the meeting held on 10 June 2004 valued at an indicative issue price for the needs of the present presentation of 1.3€ per share.

(3) Issue of 619,120 shares of 0.05€ reserved for the employees (article L225-129 of the Code of Commerce) proposed to the meeting held on 10 June 2004.

(4) Maximum number of shares issued in application of the delegations that would be granted by the meeting of 10 June 2004 to the Executive Board for putting through capital increases in a maximum nominal amount of 210,227.4€ (residual authorisation of June 2003) and of 30,956€ to the benefit of the employees, namely 4,823,668 shares with a par value of 0.05€ as well as 1,660,000 BCE. The indicative issue price for purposes of the present presentation is 1.3€ per share.

APPENDIX

Table showing the company's earnings in the last five financial years

Financial year closeout date and duration (month)	31/12/2003 (12)	31/12/2002 (12)	31/12/2001 (12)	31/12/2000 (12)	31/12/1999 (12)
<u>CAPITAL AT END OF FINANCIAL YEAR</u>					
Share capital	948,863.10	3,795,452.50	3,272,724.93	3,269,474.93	327,765.39
Number of shares					
- ordinary	18,977,262	15,181,810	13,090,900	13,077,900	21,500
- preferred					
Maximum number of shares to be issued					
- by conversion of bonds					
- by application right	2,904,088	2,649,294	1,949,294	1,949,294	
<u>OPERATIONS AND EARNINGS</u>					
Turnover excluding taxes	35,545,702	37,405,517	36,481,667	26,425,383	8,047,706
Net income before tax, legal profit-sharing					
Transfers to depreciation and provisions	-2,014,715	-4,104,900	-1,185,667	598,558	288,994
Taxes on profits	-177,743	-4,757	-239,884	793,525	81,876
Employee legal profit-sharing					
Transfers to depreciation and provisions	-2,377,203	7,645,119	4,689,362	759,471	-152
Net income	540,231	-11,745,262	-5,635,145	-954,438	207,270
Distributed net income					
<u>NET INCOME PER SHARE</u>					
Net income after tax, legal profit-sharing, Before transfers to depreciation, provisions	-0.11	-0.27	-0.07	-0.01	9.63
Net income after tax, legal profit-sharing Transfers to depreciation and provisions	0.03	-0.77	-0.43	-0.07	9.64
Dividend paid					
<u>STAFF</u>					
Average salaried staff	498	583	509	320	162
Payroll	19,020,109	21,856,727	19,497,360	12,981,824	4,246,508
Amounts paid as fringe benefits (social security, social works...)	8,686,903	10,154,021	8,948,604	5,784,456	1,676,866

4.2 SPECIAL REPORT BY THE EXECUTIVE BOARD

Ladies and gentlemen,

The present report is presented to you pursuant to the provisions of article L. 225-184 of the new Code of Commerce, as those provisions result from law n°2001-420 of 15 May 2001 relative to the new economic regulations. Those provisions concern transactions carried out by virtue of the provisions set forth in articles L. 225-177 to L. 225-186 of the new Code of Commerce (provisions relative to stock options). We have decided to provide you with equivalent information concerning the BSPCE options ("bons de souscription de parts de créateur d'entreprise") issued by the company.

You will please find below, in the form of tables, the information required under article L.225-184 of the Code of Commerce.

It is specified that only the extraordinary SQLI Shareholders' Meeting authorised the issue or allocation of BSPCE and of stock options, to the exclusion of any other group company in the meaning of article L. 233-16 of the Code of Commerce and which is connected with it in the meaning of article L. 225-180 of the Code of Commerce.

1 GENERAL TABLE CONCERNING SHARE SUBSCRIPTION OPTIONS

Stock options allocated in financial years 2000 to 2003			
	Plan n°1	Plan n°2	Plan n°3
Meeting date	21 March 2000	21 March 2000	21 March 2000
Date of the Board of Directors' meeting	4 July 2000	27 November 2000	27 July 2001
Total number of stock options allocated and adjustments made (2)	37,556 at the outset including 6 031 lapsed, making 31,525 unexpired adjusted to 33,734 on 29 December 2003	22,955 at the outset including 21,350 lapsed, making 1,605 unexpired adjusted to 1,717 on 29 December 2003	317,650 at the outset including 39,503 lapsed, making 278,147 unexpired adjusted to 297,504 on 29 December 2003
Including: number of shares able to be acquired by the company's authorised agents	0	0	0
Start of the right to exercise the allocated stock options	5 July 2005	28 November 2005	28 July 2006
Date of expiration of the stock options	4 July 2007	27 November 2007	27 July 2008
Exercise price of the stock options (2)	5 € at the outset adjusted to 4.675€ on 29 December 2003	8.08185€ at the outset adjusted to 7.556€ on 29 December 2003	2.3885€ at the outset adjusted to 2.233€ on 29 December 2003
Procedures for exercise of the stock options	The exercise right is acquired by annual tranches (2000, 2001 and 2002)	None	None
Stock options exercised during financial years 2000 to 2003: No options were exercised during those financial years.			
Stock options cancelled during financial years 2000 to 2003:			
Total number of cancelled stock options (1)	6,031	21,350	39,503
Stock options yet to be allocated at the end of financial year 2003: 11,912			

¹ This relates to options allocated but that are known to be unexercisable.

² The stock options were the object of an adjustment as regards the exercise price and the number of options so as to take account of the effects of the capital increase without elimination of the preferential subscription right put through on 29 December 2003.

2. DETAILED TABLE CONCERNING SHARE SUBSCRIPTION OPTIONS

Stock options allocated during financial year 2000 to each of the ten company employees, not authorised agents, receiving the highest number of stock options in this way:				
	Number	Expiration date	Price	Plan N°
Ahmed El Mouafik	15.000	27 November 2007	8.08185 Euros	N°2
Nestor Cachaldora	5.000	27 November 2007	8.08185 Euros	N°2
Manuel Ferly	3.314	4 July 2007	5 Euros	N°1
Stéphane Bordage	3.314	4 July 2007	5 Euros	N°1
Riadh Hadj-Azame	2.762	4 July 2007	5 Euros	N°1
Xavier Perrin	2.762	4 July 2007	5 Euros	N°1
Fabien Versavau	2.430	4 July 2007	5 Euros	N°1
Laurent Couraudon	2.430	4 July 2007	5 Euros	N°1
Sylvie Aubin	2.430	4 July 2007	5 Euros	N°1
Stéphane Donic	1.988	4 July 2007	5 Euros	N°1
Vincent Graf	1.988	4 July 2007	5 Euros	N°1
Jean-Michel Houdart	1.988	4 July 2007	5 Euros	N°1
Didier Livron	1.879	4 July 2007	5 Euros	N°1
Stock options allocated during financial year 2001 to each of the ten company employees, not authorised agents, receiving the highest number of stock options in this way:				
	Number	Expiration date	Price	Plan N°
Salim Aboura	23.000	27 July 2008	2.3885 Euros	N°3
Mohcine Benchekroune	10.000	27 July 2008	2.3885 Euros	N°3
Didier Leclere	10.000	27 July 2008	2.3885 Euros	N°3
Omar Mrani	10.000	27 July 2008	2.3885 Euros	N°3
Loic Burdin	9.000	27 July 2008	2.3885 Euros	N°3
Eric Galtier	8.500	27 July 2008	2.3885 Euros	N°3
David Bannerot	8.000	27 July 2008	2.3885 Euros	N°3
Bertrand Guillin	8.000	27 July 2008	2.3885 Euros	N°3
Christian Hartz	8.000	27 July 2008	2.3885 Euros	N°3
Tanguy Roche	8.000	27 July 2008	2.3885 Euros	N°3
Stock options allocated during financial years 2002 and 2003 to each of the ten company employees, not authorised agents, receiving the highest number of stock options in this way: None				

3. GENERAL TABLE CONCERNING THE BSPCE STOCK OPTIONS ("BONS DE SOUSCRIPTION DE PARTS DE CREATEUR D'ENTREPRISE")

BSPCE allocated during financial years 2000 to 2003:			
	Plan n°1	Plan n°2	Plan n°4
Date of the meeting	21 March 2000	6 July 2000	30 June 2003
Date of the meeting of the Board of Directors or of the Executive Board	29 September and 27 November 2000	29 September and 27 November 2000	25 July 2003 and 22 September 2003
Total number of BSPCE authorised (1)	1,197,000	362,221	1,000,000
Of which: Number of shares able to be subscribed to by the corporate officers of the company	149,386	34,640	190,000
Number of options allocated	1,197,000	362,221	955,000
Start of exercise of the options	1 ^{er} October 2002	29 September or 27 November 2003, depending on the date of the Board of Directors' meeting	23 September 2003 for 100.000 options 25 July 2004 for 855.000 options
Expiry date of share subscription options	29 September 2005	29 September or 27 November 2005, depending on the date of the Board of Directors' meeting	24 July 2008
Exercise price of share subscription options	1.07 Euros	5 Euros	0.46€
Methods of exercising share subscription options	The exercising right is acquired by annual tranches (1999, 2000 and 2001)	None	The exercising right is acquired by annual tranches (2004, 2005 and 2006) for 855.000 options and is immediate for 100.000 options
Total number of lapsed options	233,389	99,235	30,000

(1) The beneficiaries of the BSPCE stock options allocated prior to the capital increase put through on 29 December 2003 will be entitled to subscribe to one new share at a price of 0.8€ for four shares created by exercise of the equity warrants.

(2) Plan n°3 submitted to the Shareholders' Meeting held on 26 June 2002 did not give rise to any allocation on 30 June 2003, and hence lapsed on that date.

4. DETAILED TABLE CONCERNING BSPCE ("BONS DE SOUSCRIPTION DE PARTS DE CREATEUR D'ENTREPRISE")

BSPCE allocated during financial years 2000 to 2003 to SQLI authorised agents:				
	Number	Expiry Dates	Price	No. of the scheme
Bruno Leysse	91,930	29 September 2005	1.07 Euros	No. 1
Bruno Leysse	70,000	24 July 2008	0.46 Euros	No. 3
Yahya El Mir	57,456	29 September 2005	1.07 Euros	No. 1
Yahya El Mir	34,640	27 November 2005	5 Euros	No. 2
Yahya El Mir	50,000	24 July 2008	0.46 Euros	No. 3
Nicolas Rebours	70,000	24 July 2008	0.46 Euros	No. 3

Balance of the BSPCE allocated during financial years 2000 to 2003 to each of the ten company employees, not authorised agents, receiving the highest number of rights allocated in this way:				
	Number (1)	Expiry Dates	Price	No. of the scheme
Salim Aboura	68,947	29 September 2005	1.07 Euros	No. 1
Salim Aboura	70,000	24 July 2008	0.46 Euros	No. 3
Didier Benet	91,930	29 September 2005	1.07 Euros	No. 1
Didier Benet	40,000	24 July 2008	0.46 Euros	No. 3
Eric Chanal	91,930	29 September 2005	1.07 Euros	No. 1
Eric Chanal	40,000	24 July 2008	0.46 Euros	No. 3
Hervé Griffon	104,857	29 September 2005	1.07 Euros	No. 1
Philippe Haumesser	91,930	29 September 2005	1.07 Euros	No. 1
Frédéric Bon	63,644	29 September 2005	1.07 Euros	No. 1
Christian Guerard des Lauriers	68,947	29 September 2005	1.07 Euros	No. 1
Jean-Christophe Cimetière	57,456	29 September 2005	1.07 Euros	No. 1
Eric Galtier	50,000	24 July 2008	0.46 Euros	No. 3
Christophe Arnaud	34,474	29 September 2005	1.07 Euros	No. 1
Christophe Arnaud	10,000	24 July 2008	0.46 Euros	No. 3
Alain Lepine	34,474	29 September 2005	1.07 Euros	No. 1
Alain Lepine	10,000	24 July 2008	0.46 Euros	No. 3

The beneficiaries of the BSPCE allocated prior to the capital increase put through on 29 December 2003 will be entitled to subscribe to one new share at a price of 0.8€ for four shares issued by exercise of the equity warrants.

This report is made available to you under the legal and regulatory conditions.

The Executive Board

4.3 JOINT REPORT BY THE CHAIRMAN OF THE SUPERVISORY BOARD CONCERNING THE CONDITIONS REGARDING PREPARATION AND ORGANISATION OF THE BOARD'S WORK AS WELL AS THE INTERNAL CONTROL PROCEDURES INSTALLED BY THE COMPANY

Ladies and Gentlemen,

In application of the provisions of article L.225-68, last paragraph, of the Code of Commerce, stemming from law n°2003-706 of 1 August 2003 concerning financial security, I am reporting to you as Chairman of the Supervisory Board on the conditions regarding preparation and organisation of the board's work as well as the internal control procedures installed by the company.

The present report will be attached to the management report and to the report concerning the group established by the Executive Board for financial year 2003.

In addition, the auditors will submit a report to you attached to their general report offering their remarks concerning the internal control procedures presented below which are relative to development and handling of accounting and financial information.

I inform you that the objective of this report is to enable readers to "know the working processes and methods as well as the distribution of the powers held by the management organs leading to decisions by those organs" (according to the explanation of reasons for the provision in the law concerning financial security that became article L 225-68, last paragraph, of the Code of Commerce).

The said report does not contain any evaluation of the said working processes and methods of the Supervisory Board on which it reports.

4.3.1 CONDITIONS REGARDING PREPARATION AND ORGANISATION OF THE BOARD'S WORK

Prior to the presentation of the said conditions regarding preparation and organisation of the work done by the Supervisory Board, I remind you that the Board contains an independent member (1 of 4) pursuant to the definition offered in the Bouton report of 23 September 2002 ².

You will also find a chapter in the SQLI 2003 reference document concerning corporate governance, pursuant to the application instruction as modified of COB rule n°95-01.

The Supervisory Board continuously monitors, pursuant to law, the Executive Board's management. In this connection the Board holds the following powers:

At any time of the year, it may make the verifications and checks that it considers appropriate and obtain the documents it considers useful in performance of its assignment.

This checking process is independent of the one incumbent on the auditors. It bears not only on the regularity of the accounts, but also on the opportuneness of the management acts carried out by the Executive Board without any interference in its management.

No committees have been set by the Supervisory Board. The limited number of Supervisory Board members at present and the active participation by each member in all of the problems taken up at each meeting makes establishment of such committees superfluous.

² Namely, a person who "does not maintain any relationships of any nature whatsoever either with the company, its group or its management that could compromise exercise of his freedom of judgement".

The agenda for the Supervisory Board's meetings is established at the beginning of each year, so as to provide for at least four meetings a year for presentation of the Executive Board's quarterly reports. The semiannual financial statements, the semiannual management report and the management document forecasts are also presented at one of the said meetings. Other meetings may be held if the Executive Board so requests in order to obtain authorisations from the Supervisory Board, or if one of the Board member considers this opportune.

The meetings of the Supervisory Board may be preceded by exchanges among the Supervisory Board members concerning the documents transmitted by the Executive Board with a view to the said meeting. The Executive Board members usually take part in a Supervisory Board meeting.

The Supervisory Board performs its assignment within SQLI company as follows:

- ?? Consideration by the Supervisory Board members of the quarterly reports submitted regularly by the Executive Board pursuant to the legal provisions (article L 225-68 of the Code of Commerce) and the articles of incorporation (article 16-2 of the articles);
- ?? Consideration by the Supervisory Board meetings of the semiannual management reports submitted by the Executive Board every year between the end of the first half of the financial year and October 31;
- ?? Consideration twice a year by the Supervisory Board members of the management forecast documents;
- ?? Quarterly meeting of the Supervisory Board. Presentation of its quarterly report by the Executive Board, followed by a question and answer session at which each person present requests the explanations and details that he wishes to obtain;
- ?? Twice a year meeting of the Supervisory Board in the presence of the Executive Board for purposes of presentation of the management forecast documents and of the report by the Executive Board analysing the said documents, a presentation that is followed by a question and answer session at which each person present requests the explanations and details that he wishes to obtain;
- ?? Annual meeting of the Supervisory Board in the Executive Board's presence for purposes of presentation of its annual report by the Executive Board, a presentation that is followed by a question and answer session at which each person present requests the explanations and details that he wishes to obtain;
- ?? Meetings and occasional contacts with the Executive Board members.

The Executive Board's quarterly report is usually structured as follows:

Consolidated quarterly activities and earnings
Trend of the group's management indicators
Quarterly earnings by agency
Cash position
Updated forecasts
Information concerning development projects in progress
Information of significant importance

The Executive Board consults the Board regularly before any major decision (in the last two financial years, the events affecting the capital (reduction of the par value, capital increase...), opening or closing of establishments or of subsidiaries (closing of the Lille and Sophia agencies, opening of the subsidiary in Morocco, optional employee profit-sharing or the allocation of BSPCE (bons de souscription de parts de créateurs

d'entreprise), for instance, were the object of advance consultation of the Supervisory Board by the Executive Board before the projects in question were actually launched.

4.3.2 INTERNAL CONTROL PROCEDURES INSTALLED BY THE COMPANY

4.3.2.1 Objectives of the SQLI internal control

The internal control procedures in effect in the company have the following object:

- on one hand, to see to it that the management acts or execution of operations as well as individual behaviour fall within the framework defined by the guidelines provided for the company's activities by the business organs, under the applicable laws, rules and regulations, and by the values, standards and rules internal to the business;

- on the other hand, to make sure that the accounting, financial and management information communicated to the company's business organs accurately reflects the company's activity and situation.

One of the objectives of the internal control system is to ward off and control the risks resulting from the company's business and the risks of mistakes or of fraud, particularly in the accounting and financial domains. Like any control system, however, it cannot provide an absolute guarantee that such risks are completely eliminated.

4.3.2.2 Presentation of the internal control organisation installed

SQLI group has implemented an organisation and an information system adapted to its activity as a provider of computer services established in several countries, at several sites, and through several legal entities.

That configuration has led to granting substantial autonomy to the operating departments to see to proper personal management and customer relations. However, that autonomy is associated with a centralisation in the registered office of the accounting, pay, purchasing and treasury functions as well as of management control. In addition, the group as a whole is federated by way of a "centralised-decentralised" information system, so that each company player can access the information he needs for performance of his assignment and update the data for which he is responsible.

Management control has the most extensive access levels so as to be able to check on all group operations.

The report presents the key points involved in internal control in SQLI group, namely:

- ?? the powers held by the Executive Board and the delegations it has granted;
- ?? the company's administrative organisation, particularly as regards development and handling of financial and accounting information;
- ?? internal control

4.3.2.2.1 Executive Board's powers and Delegations

Article L 225-64 of the Code of Commerce provides that the Executive Board is invested with the most extensive powers for acting in the company's name under any circumstances. It exercises its powers within the limit of the business purpose and subject to the powers explicitly assigned by law to the Supervisory Board and to Shareholders' Meetings.

At the time of designation of the present Executive Board, the Supervisory Board did not decide on any restrictions on the Executive Board's legal powers. The Supervisory Board is empowered to remove any member of the Executive Board without notice (article 14-2 of the articles of incorporation).

Hence all important decisions concerning SQLI or SQLI group are made by the Executive Board, which meets as often as necessary.

The Executive Board reports regularly to the Supervisory Board, and at least once per quarter-year, on group results and important events (see the first part of this report).

Only the Chairman of the Executive Board represents SQLI in its relationships with third parties. The Executive Board Chairman has delegated the following powers to the agency Managers, who assume the local functions of an establishment leader:

Powers delegated by the Chairman of the Executive Board to each agency Manager³

Relationships with the customers:

Delegation for negotiating and signing the standard contracts in effect within SQLI company with the customers within a unit limit of 1,000,000 Euros excluding taxes.

Represent the Company at hearings in the Commercial Courts.

Relationships with suppliers:

Delegation for negotiating and signing the contracts with the suppliers within a unit limit of 5,000 Euros excluding taxes, after advance approval by the Executive Board of the purchasing commitment.

Represent the Company at hearings in the Commercial Courts.

Relationships with the employees:

Within the framework of the instructions issued by the Company's representative, a delegation for the following:

- (i) See to management of the staff for which he is responsible, with due respect for the law, rules and regulations in effect,
- (ii) Adopt any disciplinary sanction or other necessary measure concerning the Company's employees,
- (iii) Represent the Company in connection with redundancy or dismissal proceedings concerning the employees (preliminary interview and signature of the dismissal or redundancy notice),
- (iv) Represent the Company in conflicts concerning the employees in the jurisdiction des prud'hommes (Industrial Tribunal).
- (v) Sign the employment contracts of the new employees hired and the riders to the employment contracts of staff for which he is responsible, after advance approval by the Executive Board.

Various:

Sign the correspondence and any documents falling within the framework of the delegation.

4.3.2.2.2 Administrative organisation, particularly as concerns development and handling of the financial and accounting information

The following functions are provided by the registered office for the company and for all of its French subsidiaries:

- ?? Management of cash and of payment means
- ?? Accounting
- ?? Management control
- ?? Purchasing

³ You are reminded that SQLI group's business is divided among 7 agencies (Paris, Lyon Toulouse, West, East, Mediterranean, Switzerland) covering 13 geographical points (Aix en Provence, Toulouse, Bordeaux, Montpellier, Nantes, Lyon, Paris, Strasbourg, Belfort, Dijon, Lausanne, Geneva, Rabat).

?? Payroll

Within the foreign subsidiaries, payroll and accounting in the local format are handled by an outside accounting firm, but the administrative departments of the registered office see to regular review of those subsidiaries' accounts and to management control.

Means applied: about 11 persons

The agencies manage the following functions:

- Sales administration
- Personnel management

Means applied: 10 assistants

The systems used are as follows:

- ERP Agresso for group Accounting/Invoicing
- CCMX for the France payroll
- Internal Web application (called APP) for monitoring the following elements:
 - personnel management (hirings, departures, holidays...)
 - monitoring time spent
 - management control
 - monthly reporting
 - computer hardware management.

4.3.2.2.3 Internal control

This section offers some general information concerning the internal control procedures, focusing on the most significant elements:

Procedures:

The main procedures established by the company are listed below:

- Manager guide
- Expense account procedure
- Guide to vehicle use
- Management application follow-up procedure
- Purchasing procedure
- Sale procedure and model Contracts

The identification of the main risks and legal and operational supervision of the subsidiaries are provided by the Executive Board members, in continuous contact with the agency managers.

Reporting:

Monthly reporting including both the results of each agency and the trend of the management indicators is produced every month and is the object of regular exchanges between group management and each agency manager.

Consolidation:

Consolidation of the financial data is carried out by the registered office's accounting departments by using recognised specialised consolidation software. Forwarding of the information from the companies included in the consolidation perimeter is carried out thanks to the ERP Agresso for SQLI and its French and Swiss subsidiaries, and on the basis of the financial elements prepared by the local accounting firms for the other foreign subsidiaries.

Customer sales cycle:

Acknowledgement of turnover

The project follow-up Web application is at the centre of the company's information system.

Each collaborator fills in the time spent per project in the application. Those times are approved by the project manager and the direct manager of each collaborator. Determination of turnover is carried out on the basis of process on the package deals by comparing the time spent with the budgeted times. The important projects or the ones for which the anticipated margins do not conform to the objectives require validation by an Executive Board member.

The anticipated costs of the package deals are regularly reviewed by the project managers. Management control verifies the consistency of those reviews and regularly confirms the detailed information.

Customer risk

About 70% of turnover is transferred to a company that assumes the solvency risk. Some specific credit procedures, if appropriate, are applied when the factoring company rejects outstanding amounts for a customer.

Follow-up on payment deadlines

The customer invoices are issued by the agency assistants when the file is complete (order, receipt or initialled time sheet). Management of the customer accounts is provided by the registered office. Receivables on the clientele characterised by later payment are the object of reminders and give rise, if need be, to legal proceedings. The time allowed for customer payment and the receivables that have exceeded the payment deadline are the object of monthly reporting by agency, communicated to the members of the Executive Board and to the agency managers concerned. The factoring company issued the reminders and manages legal proceedings, if any, relative to the invoices transferred by SQLI.

Supplier purchasing cycle:

Each purchase is subject to a procedure entailing advance authorisation by the agency manager and a member of the Executive Board. The purchasing commitments are monitored centrally, making it possible to guarantee respect for the principle of allocating charges to the financial year.

The supplier payments are made by the registered office after verification of the payment orders issued by the agency managers.

Personnel payroll cycle:

Hirings are done by the agency managers after approval by the Executive Board. Arriving and departing staff are monitored in a real-time Web application. The variable pay elements are proposed by the agency manager and are the object of approval by an Executive Board member. The payroll is managed at the registered office and is the object of monthly validation by each department head (the agencies are divided into "Business Units", departments constituting elementary profit centres for which a manager reporting to the agency manager is responsible).

Cash management:

A separation of accounting functions from payment means management is clearly established. Physical security (access to the premises, remote surveillance, protection of payment means) is taken into account. The company does not carry out any speculative trading in connection with rates or currencies.

Other risks:

Computer risk

The group has taken steps to cover the main computer risks: security of physical access to premises, security of computer access, data backup. Insurance has been taken out to cover theft and breakage of computer hardware.

Legal liability of the company and of its senior managers

The company has insurance covering the company's legal liability, as well as the liability of its authorised agents and delegated managers.

Internal auditing players:

The Executive Board sees to observance of procedures by all group collaborators.

Relationship with the auditors:

The auditors perform their assignment in close relationship with the company's administrative and financial departments. An end-of-mission meeting is usually arranged with one or several Executive Board members. In performance of their assignment, the auditors enjoy access to any group employee. Regular contacts are maintained between the auditors and the members of the Supervisory Board.

**The Chairman of the Supervisory Board
Jean Rouveyrol**

5 CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2003

5.1 THE STATUTORY AUDITORS REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2003

Mr Chairman,
Sir, Madam,

As a result of the mission that was conferred to us by your Shareholder's meetings, we have gone ahead with an audit of SQLI's consolidated financial statements, relating to the financial year ended 31 December 2003, as presented now in this report.

The consolidated financial statements have been validated by the Executive Board. It is our responsibility, on the basis of our audit, to express an opinion on these financial statements.

1. OPINION CONCERNING THE FINANCIAL STATEMENTS

We conducted our audit in accordance with the professional standards applied in France. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material mis-statements. An audit consists of examining, by opinion polls, the convincing elements which justify the data contained in these accounts. It also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for the opinion expressed hereafter.

We certify that the consolidated financial statements, which have been established according to French accounting principles, are in order and of good faith and give a true picture of the company's net asset base, its financial situation, as well as the results of all the businesses that have been consolidated in these statements.

2. JUSTIFICATION FOR THE JUDGEMENTS

In application of the provisions of article L. 225-235 of the Code of Commerce relative to justification of our judgements, introduced by the law concerning financial security of 1 August 2003 and applicable for the first time to the said financial year, we bring the following elements to your attention:

The notes concerning "End-of-career indemnities" and "5" of the appendix explain the accounting done for the first time on the provision for end-of-career indemnities, the impact of the said change of accounting methods on shareholders' equity, as well as the assumptions adopted for calculation of the said provision.

Within the framework of our judgement of the accounting rules and principles followed by your company, we made sure of the justification for the said change of accounting methods mentioned above and for the presentation made thereof.

The judgements made in this way fall within the framework of our approach to auditing the consolidated financial statements, taken as a whole, and hence contributed to formation of our unreserved opinion, expressed in the first part of the present report.

3. SPECIFIC VERIFICATION

We have also gone ahead and checked the information given in the report on the management of the Group. We have nothing to report with respect to its fairness and accordance with the consolidated financial statements.

Paris, 9 April 2004

The Auditors

CONSTANTIN ASSOCIES

FIDUCIAIRE DE LA TOUR

Jean-Marc BASTIER

Jean-Pierre PAUMARD

5.2 CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2003

~~€~~ **BALANCE SHEET CONSOLIDATED ASSETS**

(in thousands of euros)

CATEGORIES	Notes	Net 31.12.03	Net 31.12.02
Consolidated goodwill	1	118	140
Intangible fixed assets	2	49	117
Tangible fixed assets	2	500	700
Long-term investments	2	399	348
FIXED ASSETS		1,066	1,305
Customer receivables and related accounts	3	9,152	9,626
Other receivables and regularisation accounts	3	3,493	5,545
Short-term investment securities	4	4,449	26
Liquid assets		2,454	660
CURRENT ASSETS		19,548	15,857
OVERALL TOTAL		20,614	17,162

~~€~~ **BALANCE SHEET CONSOLIDATED LIABILITIES**

(in thousands of euros)

CATEGORIES	Notes	Net 31.12.03	Net 31.12.02
Capital		949	3,795
Premium		2,731	13,659
Reserves and consolidated profits/losses (1)		547	(17,120)
Others		111	136
SHAREHOLDERS EQUITY BELONGING TO THE GROUP	6	4,338	470
MINORITY INTERESTS		0	0
OTHER EQUITY		428	0
PROVISIONS FOR RISKS AND COSTS	5	558	1,791
Loans and financial debts	3	93	801
Suppliers and related accounts	3	1,784	1,839
Other payables and regularisation accounts	3	13,413	12,261
DEBTS		15,290	14,901
OVERALL TOTAL		20,614	17,162

(1) Including net income for the period 1,007 (9,339)

CONSOLIDATED INCOME STATEMENT

(in thousands of euros)

CATEGORIES	Notes	Net 31.12.03	Net 31.12.02
Revenue	11	41,421	44,079
Other earnings		422	241
Purchases and external costs		(7,961)	(9,258)
Staff costs	12	(32,585)	(37,418)
Other operating costs		(741)	(66)
Taxes and similar payments		(1,078)	(1,303)
Allocation of depreciation and provisions		1,913	(2,152)
OPERATING COSTS	15	1,391	(5,877)
FINANCIAL PROFIT/LOSS	13	(207)	(368)
RUNNING PROFIT FROM INTEGRATED COMPANIES		1,184	(6,245)
EXCEPTIONAL PROFIT/LOSS	14	(291)	(650)
Tax on profits	7	136	(204)
NET EARNINGS OF THE INTEGRATED COMPANIES		1,029	(7,099)
Allocations for depreciation and goodwill	1	(22)	(2,240)
Minority Interests		0	0
NET EARNINGS (GROUP'S SHARE)	16	1,007	(9,339)
EARNINGS PER SHARE (in euros)		0.07	(0.66)
DILUTED EARNINGS PER SHARE (in euros)		0.06	(0.66)

≈≈ **TABLE OF CASH FLOWS**

(in thousands of euros)

	31.12.03	31.12.02
Total net income of the consolidated companies	1,007	(9,339)
Elimination of depreciation and provisions	(931)	4,466
Elimination of the variation of deferred taxes	-	52
Elimination of capital gains or losses on disposals	(4)	356
CASH FLOW	72	(4,465)
Effect of the variation of the operating capital need connected with the business	3,595	2,718
NET FLOW GENERATED BY (ASSIGNED TO) ACTIVITY	3,667	(1,747)
Acquisition of fixed assets	(177)	(234)
Disposals of fixed assets	78	228
Effects of the perimeter variations	29	0
NET FLOW COMING FROM (ASSIGNED TO) INVESTMENTS	(70)	(6)
Capital increase	2,921	2,238
Issue of borrowings	-	150
Repayments of borrowings	(133)	(416)
NET FLOW COMING FROM (ASSIGNED TO) FINANCING	2,788	1,972
Effect of the variation of exchange rates	(22)	2
VARIATION OF THE CASH POSITION	6,363	221
Cash position at opening	521	300
Cash position at close	6,884	521
VARIATION OF THE CASH POSITION	6,363	221

Annex to the Consolidated financial statements as of 31 December 2003

Important events during the period

Two major operations in 2003 resulted in a strengthening of the Group's shareholders' funds:

On 30 June 2003, the SQLI Combined Shareholder's Meeting adopted the following resolutions to settle the company's prior losses:

- ?? charging of the premiums on shares and merger to the debit return earnings in an amount of 13 659 KE;
- ?? a reduction of the share capital in an amount of 3 036 KE to reduce it from 3 795 KE to 759 KE, by reducing the par value of the shares from 0.25 to 0.05 euros.

On 29 December 2003, SQLI company issued 3 795 452 new shares on the New Market at 0.80 euros, enabling it to increase its shareholders' equity by 2 921 KE after allocation of the expenses.

The SQLI share capital now consists of 18 977 262 shares of 0.05 euros par value.

Business Activity and Subsidiaries

The restructuring measures launched during the last quarter of 2002 and completed in March 2003 made it possible to return to profitability. The closing of the Lille and Sophia-Antipolis agencies, the transfer of the registered office from Paris to Saint Denis and the reduction of the staff that was not directly productive contributed strongly to restoration of margins.

The measures contained in the employment safeguard plan, fully covered by provisions in 2002, did not have any impact on the Group's net income for 2003.

ABCIAL also restored the profitability of its business and strengthened its shareholders' funds by incorporation into its capital of most of its current account with SQLI (4 381 KE): ABCIAL's shareholders' equity as of 31 December 2003 stood at 108 KE, including net income of 71 KE.

The companies having not activity were removed from the perimeter: PROFIL whatsoever dissolved in October 2003 and INVERSO was merged on 1 July 2003 with SQLI CH.

In November 2003, SQLI created SQLI Maroc in Rabat in order to support Group activity by subcontracting in Morocco for projects sold in France and in Switzerland.

Events that have taken place since the close of the financial year

No events that could modify the reading of the financial statements presented occurred after the close.

Consolidation principles and terms and conditions

The Group's consolidated accounts have been drawn up in accordance with accepted French accounting practices according to the law dated 3 January 1985 and its executive decree passed on 17 February 1986 and ruling CRC no. 99-02 confirmed by the decree dated 22 June 1999. The explanatory notes that follow are an integral part of the accounts.

The statements are expressed in thousands of euros.

Consolidation Method and Criteria

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The mother company exercising an exclusive control over all the companies in the Group and all of the companies are fully consolidated. All transactions between consolidated companies as well as profits made within the Group have been cancelled out.

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All consolidated companies use an accounting year which ends on 31 December.

The Income Statement consolidates the accounts of the companies acquired during the financial year from the date that they were acquired.

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Changes to the Consolidation Scope

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A comparison between the consolidation scope as of 31 December 2002 and at the 31 December 2003 shows the following variations:

The following exited from the group:

- ?? SARL PROFIL, dissolved and then liquidated on 30 October 2003;
- ?? the company INVERSO SA, absorbed by SQLI CH company on 23 December 2003, effective retroactively to 1 July 2003.

The company SQLI MAROC SA, established on 12 November 2003, joined the group.

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~~///~~

Consolidated companies

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Name	Headquarters	% controlled	% owned	Consolidation Method
SQLI SA	La Plaine Saint Denis	Consolidating company		
SUDISIM SA	Montpellier	100%	99.95 %	IG
SQLI SUISSE SA	Lausanne	100%	99.80 %	IG
TECHMETRIX INC	Boston	100%	97.50 %	IG
ABCIAL	La Plaine Saint Denis	100%	99.73 %	IG
CARI	La Plaine Saint Denis	100%	100%	IG
SQLI MAROC SA	Rabat	100%	99.87%	IG

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~~///~~

Non-consolidated companies

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SQLI SL (Madrid) which is 99.84%, owned by SQLI, has not been consolidated due to its insignificant nature. The company has not had any activity since its creation.

Conversion Method

The financial results of foreign companies outside the Euro zone have been translated using the average exchange rate for the financial year. The balance sheets have been translated using the exchange rate on 31 December 2003.

Translation adjustments have been presented separately in the shareholders equity on the line entitled "Others".

Minority Interests

Minority interests describe the net accounting position and profit/loss position of the consolidated subsidiaries.

Handling of Goodwill

The gap that arises when a holding is purchased between the price paid for the acquisitions of securities (including the costs of doing so) of the consolidated company and the value of the proportion of the shareholders equity owned by the Group at the time of the company's inclusion in the consolidation scope is put into the difference in value or goodwill that is then attributed to the identified assets and liabilities.

The differences in value (goodwill) are put onto the balance sheet on the appropriate lines and must follow their own Group's accounting rules. The Group has one year following the acquisition to finalise the valuations. The residual share that is not kept is put under the category "goodwill" on the asset side and is depreciated on a straight-line basis.

Goodwill is usually depreciated over 10 years.

Accounting principles and valuation methods

Intangible fixed assets

The intangible fixed assets are entered in the accounting at their acquisition cost.

The research and development expenses incurred by SQLI are entered in the accounting directly under charges, and hence are not fixed assets.

The intangible fixed assets are depreciated on a straight-line basis over periods corresponding to their planned use duration, namely:

Software	1 to 3 years
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Tangible fixed assets

The tangible fixed assets are entered in the accounting at their acquisition cost.

They are depreciated on a straight-line basis according to the following timeframes:

Fixtures	8 to 10 years
Office Equipment and furniture	3 to 5 years
IT equipment	2 to 3 years

The differences resulting from the various depreciation rates applied in the various group companies to fixed assets of the same nature are not significant and have not been subjected to restatement in the consolidated income statement.

Leases

Certain fixed assets are the object of rental contracts under which the group assumes the advantages and risks connected with ownership. In this case, a restatement is carried out in order to have the assets include the value of the rented property, and under liabilities the corresponding financial debt.

The fixed asset is depreciated over the duration of its economic life for the group. The debt is amortised over the duration of the leasing contract.

Leased assets have been capitalised at 443 thousand euros and concern IT equipment. They were 100% depreciated on 31 December 2003.

Only significant items have been subject to such.

Long-term investments

Non-consolidated securities figure on the balance sheet at their purchase cost or at current value if this is lower than the purchase price.

Valuation of receivables and debts

Receivables and debts are valued at face value. A provision for the depreciation of receivables has been added to take into account the risk of them not being recovered.

Transactions that were executed in foreign currencies are translating using the exchange rate that prevailed at the time of the transactions. Losses and profits resulting from this translation of balances as of the 31 December 2003 are carried into the Income Statement.

Long term contracts

Revenue on fixed price projects is accounted according to the progress method. Services being provided are valued at the sale price and can be found on the "Customer receivables and related accounts" line.

A provision for losses at termination is recorded once the expected provisional margin for the project becomes negative.

Taxation on profits

~~SQLI~~

Deferred taxation is calculated using the variable reporting method, according to the prevailing taxation rates in each country.

Fiscal losses that can be reported give rise to deferred tax assets if the chances of being able to use them are high.

SQLI has not accounted deferred tax on fiscal deficits in so far as their recovery is judged uncertain. On 31 December 2003, that receivable would have amounted to 5 218 KE.

~~SQLI~~

~~SQLI~~

Marketable Securities

~~SQLI~~

Marketable securities are valued at the purchase price or at the last month's market price, if that is lower than the purchase price. For non-listed securities, if their inventory value is lower than the price they would fetch on sale, a provision for depreciation is effectuated.

~~SQLI~~

Accruals

~~SQLI~~

Accruals mainly make up those external expenses and recurring expenses (rents and subscriptions) committed as of 31 December 2003.

Provisions for risks and costs

~~SQLI~~

Provisions for risks and costs are accounted for when these risks and costs are clearly identifiable though uncertain but events occurred or occurring render probable.

This line records all of the provisions for risks and costs accounted for by all of the companies in the Group and the provisions that arise from the mandatory or optional consolidation recalculations.

~~SQLI~~

~~SQLI~~

End-of-career indemnities

~~SQLI~~

The amount of the retirement commitments is entered in the balance sheet in the form of a provision for risks and charges. The end-of-career indemnity that might be paid is discounted and weighted for the life probabilities and presence in the company on the closeout date. It is then divided up in a uniform way over the total duration of each employee's employment in the company. The fraction corresponding to the duration of employment already completed on the valuation date constitutes the amount of the company's commitment to its employees.

The accounting on the retirement commitments on 31 December 2003 constitutes a change of method. The commitments at the opening of the financial year were entered in reserves for 36 KE.

~~SQLI~~

Extraordinary net income

~~SQLI~~

This item includes, on one hand, the extraordinary elements: the income and charges that are both unusual with respect to the company's ordinary business and occur exceptionally.

On one hand, it measures the impact of other elements such as the results of the disposals of non-operating fixed assets and the effects of error corrections.

Stock options and Subscription Warrants

~~SQLI~~

The Shareholder's meeting on 21 March 2000, 6 July 2000 and 30 June 2003 authorised the Board of Directors or the Executive Board to assign to a certain number of the Group's employees, on one or on several occasions, BSC Warrants or share subscription options.

No BSC Warrant or option has been exercised as of 31 December 2003.

~~SQLI~~

Profit per share

~~SQLI~~

Profit per share is calculated by divided the profit by the average number of shares in circulation during the course of the financial year namely 15 213 005 shares in 2003.

~~SQLI~~

The diluted profit per share is arrived at by dividing the average number of shares in circulation during the course of the financial year as well as the average number of shares which would be issued following a conversation of convertible instruments into shares, share subscription options and BSC warrants attributed at the end of the financial year namely 17 264 201 shares.

Information notes concerning the financial reports

*1- Consolidated goodwill***Details concerning consolidated goodwill at the end of the financial year (in thousands of euros)**

	Gross value on 31/12/2003	Depreciation on 31/12/2002	Transfers to depreciation for the financial year	Net value on 31/12/2003
KEENVISION	223	(83)	(22)	118
SUDISIM	13	(13)	-	-
ABCIAL	3,992	(3,992)	-	-
CARI	183	(183)	-	-
TOTAL	4,411	(4,271)	(22)	118

The consolidated goodwill is normally depreciated over a period of ten years. However, extraordinary depreciation was charged in 2002 in order to reduce ABCIAL company's consolidated goodwill to its fair value.

2- Fixed Assets**Table showing variations of fixed assets during the financial year (in thousands of euros)**

CATEGORIES	31.12.02	Acquisitions	Transfers	Others	31.12.03
Goodwill	5,161		(750)		4,411
Other intangible fixed assets	558	5	(3)	8	568
Other tangible fixed assets	2,983	72	(167)	(31)	2,857
Other long-term securities	33				33
Other long-term investments	382	108	(25)	(4)	461
OVERALL TOTAL	9,117	185	(945)	(27)	8,330

The consolidated goodwill of the exiting companies INVERSO and PROFIL, 100% amortised at the opening of the financial year, was cancelled in respective amounts of 228 KE and 522 KE.

The disposals and scrapping of tangible fixed assets mainly follow the closing of the Lille (SQLI) and Lyon (ABCIAL) agencies.

The other long-term investments consist of deposits and sureties paid and of loans made within the framework of companies' participation in the construction effort. The said loans are valued at their present value.

The other securities consist mainly of unconsolidated SQLI SL securities.

Table showing variation of depreciation during the financial year (in thousands of euros)

HEADINGS	On 31.12.02	Increases	Write-backs of disposals	On 31.12.03
Consolidated goodwill	5,021	22	(750)	4,293
Intangible fixed assets	441	81	(3)	519
Tangible fixed assets	2,283	206	(132)	2,357
GRAND TOTAL	7,745	309	(885)	7,169

3- Expiry dates of receivables and debts

Expiry date of receivables as of 31 December 2003 (in thousands of euros)

TYPE OF RECEIVABLES	Net amount	A – 1 year	1-5 years	A + 5 years
Advances and paid accruals	36	36		
Customer receivables	9,152	9,152		
Staff and related accounts	6	6		
Social security and other social bodies	45	45		
Government	702	679	23	
Other receivables	2,353	1,868	485	
Pre-paid costs Accruals	352	352		
OVERALL TOTAL	12,646	12,138	508	

Provisions for customer receivables have been made in an amount of 1 203 thousand euros as of 31 December 2003. The other sundry receivables consist to an extent of 2 383 KE of the guarantee funds and funds reserves paid to factoring companies.

In addition, the company initiated a research and development programme complying with the eligibility criteria for the research tax credit, and it entered the corresponding receivable under assets in its balance sheet in an amount of 266 KE. For prudential reasons, an equivalent non-deductible provision was set aside on that asset, the substance of which has not been definitively earned.

Expiry date of debts as of 31 December 2003 (in thousands of euros)

TYPE OF DEBTS	Net amount	A – 1 year	1-5 years	A + 5 years
Loans and similar debts	93	84	9	
Suppliers and related accounts	1,784	1,784		
Staff and social bodies	6,556	6,556		
Government	3,965	3,965		
Other debts	12	12		
Pre-paid earnings	2,765	2,765		
OVERALL TOTAL	15,175	15,166	9	
Loans taken out during the financial year	-			
Loans repaid during the financial year	133			

Loans and financial debts have nearly exclusively been taken out within the Euro zone.

4- Short-term investment securities (in thousands of euros)

PORTFOLIO	31.12.03
Monetary SICAV	4,449
OVERALL TOTAL	4,449

On 31 December 2003, the portfolio of SICAV held had a value of 4 456 KE.

5- Provisions**Table of provision variations during the financial year (in thousands of euros)**

CATEGORIES	31.12.02	Fundings	Recoveries	Consolidated reserves	31.12.03
Provisions for risks and costs	1,791	102	(1,383)	-	510
Provisions for retirement indemnities	-	12	-	36	48
Provisions for depreciation of the other long-term investments	67	33	(5)	-	95
Provision for depreciation of customer accounts	2,135	213	(1,145)	-	1,203
Provision for depreciation of other receivables	63	266	-	-	329
OVERALL TOTAL	4,056	626	(2,533)	36	2,185
Operating increases and write-backs		327	(2,528)		
Financial contributions and recoveries		33	(5)		
Exceptional contributions and recoveries		266	-		

The company now calculates the retirement indemnities in-house, determined until 31 December 2002 by AXA Group. To make the commitments comparable, they were recalculated as of 31 December 2002 on the basis of the method used by the company.

The calculation assumptions are as follows: the retirement age is set at 65; the annual salary revaluation rate is estimated at 3%; the discounting rate used is 5% and the turnover and mortality tables are the ones commonly used in the computer sector.

Use of the provisions for ou risks and charges (in thousands of euros)

HEADINGS	On 31.12.02	Increases	Write-backs Provision used	Write-backs Provision not used	On 31.12.03
Industrial tribunal disputes	150	38	-	(135)	53
Provisions for taxes	332	23	(26)	-	329
Lateness penalties due to customers	37	-	-	(37)	-
Losses on completion	138	41	(138)	-	41
Restructuring plan	1,134	-	(1,047)	-	87
GRAND TOTAL	1,791	102	(1,211)	(172)	510

The cost of the redundancies provided for under the employment safeguard plan initiated in September 2002 and the costs connected with the closing of the Lille, Sophia-Antipolis and Paris agencies came to 763 KE.

The costs connected with under-use of the surface areas rented in Mulhouse, Strasbourg and Saint Denis amounted to 284 KE in 2003. The remaining provision of 87 KE mainly concerns the unused premises in Saint Denis until 30 June 2004.

The provision for taxes of 329 KE was set aside following the taxation legal proceedings filed by SUDISIM company in 1993 (47 KE) and 2002 (questioning of a research tax credit amounting to 232 KE). The anticipated loss of the group IFA on its part is covered by a provision amounting to 50 KE.

6- Changes in shareholders equity

	Capital	Premium	Reserves	Period earnings	Unrealised gains and losses	Outside Group	TOTAL
Situation as of 31/12/01	3,272	11,810	184	(7,839)	35	0	7,462
Appropriation of earnings N-1			(7,839)	7,839			0
KEENVISION merger 01/2002		103	(134)				(31)
Increase in capital 07/2002	523	1,746					2,269
Others			8		101		109
Period Earnings				(9,339)			(9,339)
Situation as of 31/12/02	3,795	13,659	(7,781)	(9,339)	136	0	470
Appropriation of earnings N-1			(9,339)	9,339			0
Operations on the SQLI capital - 06/2003	(3,036)	(13,659)	16,695				0
Issue of securities on the Nouveau Marché - 12/2003	190	2,731					2,921
Impact of the accounting on the IDR			(36)				(36)
Others					(24)		(24)
Period Earnings				1,007			1,007
Situation as of 31/12/03	949	2,731	(461)	1,007	112	0	4,338

7- Taxation on profits

Breakdown between deferred taxes and taxes to be paid in the income statement (in thousands of euros)

CATEGORIES	31.12.03	31.12.02
Deferred Taxes	-	(52)
Taxes to be paid	136*	(152)
OVERALL TOTAL	136	(204)

* Including 266 KE in research tax credit calculated for 2003

Reconciliation of total tax cost and theoretical tax cost (in thousands of euros)

CATEGORIES	31.12.03
Profit before tax and depreciation of consolidated goodwill	893
Theoretical Tax (34,33%)	(307)
Impact of the non-accounting for tax credits on loss carryovers	(31)
Impact of consolidation reprocessing with tax implications	11
Allocation effect of previous losses	1,589
Effect of non-deductible costs	(1,678)
Effect of non-taxable earnings	227
Fiscal integration impact	20
Impact of different corporate tax rates	65
Non-refundable DTAs	(26)
Research tax credit for 2003 not allocated	266
Effect tax cost (2.20%)	136

8- Average Staff levels

The average staff level of the group stands at 581 people:

Categories	Paid staff
Management	569
Non-management	12

9- Management remuneration
 (in thousands of euros)

CATEGORIES	Total managers	Bodies		
		Administration	Management	Supervisors
Remunerations allocated	395		395	

10- BSPCE Schemes and Stock Options

Share subscription options allocated during the 2000 to 2003 financial years			
	Plan no. 1	Plan no. 2	Plan no. 3
Date of the meeting	21 March 2000	21 March 2000	21 March 2000
Date of the board of directors meeting	4 July 2000	27 November 2000	27 July 2001
Total number of stock options allocated and adjustments made ⁽¹⁾	37,556 at the outset of which 6,031 lapsed, making 31,525 not lapsed, adjusted to 33,734 on 29 December 2003	22,955 at the outset of which 21,350 lapsed, making 1,605 not lapsed, adjusted to 1,717 on 29 December 2003	317,650 at the outset of which 39,503 lapsed, making 278,147 not lapsed, adjusted to 297,504 on 29 December 2003
Of which: Number of shares able to be subscribed to by the corporate officers of the company	0	0	0
Start of the right to exercise the stock options granted	5 July 2005	28 November 2005	28 July 2006
Expiry date of share subscription options	4 July 2007	27 November 2007	27 July 2008
Price of share subscription options	5 € originally adjusted to 4.675 € on 29 December 2003	8.08185 € originally adjusted to 7.556 € on 29 December 2003	2.3885 € originally adjusted to 2.233 € on 29 December 2003
Methods of exercising share subscription options	The exercise right applies by annual tranches (2000, 2001 and 2002)	None	None
Share subscription options taken up during 2000 to 2003 financial years: No option was taken up during the 2000 to 2003 financial years			
Share subscription options cancelled during the 2000 to 2003 financial years:			
Total number of share subscription offers cancelled ⁽²⁾	6.031	21.350	39.503
Share subscriptions options still to be allocated at the end of the 2003 financial year: 11.912			

⁽¹⁾ The stock options were adjusted with respect to the exercise price and the number of options in order to take account of the effects of the capital increase without elimination of the preferential subscription right carried out on 29 December 2003.

⁽²⁾ These are options that have been allocated but with respect to which it is known that they cannot be used.

BSC warrants issued during the 2000 to 2003 financial years			
	Plan no. 1	Plan no. 2	Plan no. 4
Date of the meeting	21 March 2000	6 July 2000	30 June 2003
Date of the meeting of the Board of Directors or of the Executive Board	29 September and 27 November 2000	29 September and 27 November 2000	25 July 2003 and 22 September 2003
Total number of BSC warrants authorised ¹	1,197,000	362,221	1,000,000
Of which: Number of shares able to be subscribed to by the corporate officers of the company	149,386	34,640	190,000
Number of subscription warrants allocated	1,197,000	362,221	955,000
Starting point for exercising warrants	1 ^{er} October 2002	29 September or 27 November 2003, depending on the date of the Board of Directors' meeting	23 September 2003 for 100.000 warrants 25 July 2004 for 855.000 warrants
Expiry date of warrants subscription options	29 September 2005	29 September or 27 November 2005, depending on the date of the Board of Directors' meeting	24 July 2008
Price of BSC warrants exercised	1,07 Euros	5 Euros	0,46€
Methods of exercising warrants	The exercise right applies by annual tranches (1999, 2000 and 2001)	None	The exercise right applies by annual tranches (2004, 2005 and 2006) for 855,000 warrants and is immediate for 100,000 warrants
Total number of warrants cancelled	233.389	99.235	30.000

Plan n°3 submitted to the Shareholders' Meeting held on 26 June 2002 was not the object of any allocation as of 30 June 2003, and hence lapsed on that date.

¹ The beneficiaries of the stock options known as *bons de souscription de parts de créateur d'entreprise* allocated prior to the capital increase put through on 29 December 2003 will be entitled to subscribe to one new share at a price of 0.8€ for four shares created by exercise of the subscription rights.

11- Revenue Analysis**Contribution of the consolidated companies (in thousands of euros)**

CONSOLIDATED COMPANIES	31.12.03	31.12.02
SQLI	34,966	36,963
SQLI SUISSE	4,736	4,776
ABCIAL	1,697	2,169
TECHMETRIX US	14	167
CARI	(28)	1
INVERSO	36	3
OVERALL TOTAL	41,421	44,079

Breakdown of revenues by geographical zone (in thousands of euros)

	31.12.03	31.12.02
FRANCE	36,300	38,656
EUROPEAN UNION	223	454
EXPORTS OUTSIDE EU	4,898	4,969
OVERALL TOTAL	41,421	44,079

Breakdown of revenues by activity (by percentage)

	31.12.03	31.12.02
ENGINEERING	80.3 %	83.4 %
STUDIO	8.0 %	7.9 %
CONSULTING	6.8 %	3.2 %
TRAINING	4.1 %	4.6 %
SALE OF HARDWARE	0.8 %	0.9 %
OVERALL TOTAL	100 %	100 %

12- Analysis of staff costs (in thousands of euros)

CATEGORIES	31.12.03	31.12.02
Salaries and allowances	22,905	26,118
Social costs	9,680	11,300
OVERALL TOTAL	32,585	37,418

13- Financial Profit Analysis (in thousands of euros)

CATEGORIES	31.12.03	31.12.02
Revenues from loans and receivables	11	55
Earnings from asset sales	1	2
Positive exchange rate adjustments	108	9
Other financial earnings	-	10
Write-back of provisions on securities	-	-
Write-back of provision on other long-term investments	5	29
FINANCIAL EARNINGS	125	105
Interest and similar costs	(26)	(51)
Net charges on disposals of securities	-	(7)
Negative exchange rate adjustments	(122)	(114)
Other financial costs	(151)	(144)
Losses on receivables linked to holdings	-	(74)
Transfers to provisions on other financial investments	(33)	(36)
Transfers to depreciation of bond redemption premiums	-	(47)
FINANCIAL COSTS	(332)	(473)
FINANCIAL NET INCOME	(207)	(368)

The other financial charges consist mainly of financing commissions vis-à-vis the factoring companies.

14- Exceptional Profit Analysis (in thousands of euros)

CATEGORIES	31.12.03	31.12.02
Exceptional earnings on management operations	-	169
Exceptional earnings from previous financial years	-	30
Income from asset disposals	56	109
Write-backs from provisions and transfers of charges	-	222
EXCEPTIONAL EARNINGS	56	530
Exceptional costs on management operations	-	(281)
Exceptional costs from previous financial years	(32)	(45)
Net book value of assets disposed of	(49)	(471)
Exceptional allocations for depreciation and provisions	(266)	(383)
EXCEPTIONAL COSTS	(347)	(1 180)
EXCEPTIONAL NET INCOME	(291)	(650)

15- Contribution of consolidated companies to operating profits (in thousands of euros)

CONSOLIDATED COMPANIES	31.12.03	31.12.02
SQLI	761	(5,325)
SUDISIM	50	49
ABCIAL	124	(967)
CARI	5	(163)
PROFIL	6	23
TOTAL FRANCE	946	(6,383)
SQLI SUISSE	435	487
TECHMETRIX US	(11)	77
INVERSO	19	(58)
SQLI MAROC	2	-
TOTAL EXPORT	445	506
OVERALL TOTAL	1,391	(5,877)

16- Contribution of consolidated companies to net profits (in thousands of euros)

CONSOLIDATED COMPANIES	31.12.03	31.12.02
SQLI	523	(5,830)
SUDISIM	37	(136)
ABCIAL	66	(3,468)*
CARI	60	(275)
PROFIL	6	14
TOTAL FRANCE	692	(9,695)
SQLI SUISSE	391	393
TECHMETRIX US	(91)	(4)
INVERSO	13	(33)
SQLI MAROC	2	-
TOTAL EXPORT	315	356
OVERALL TOTAL	1,007	(9,339)

* Including ABCIAL goodwill depreciation (2,218 thousands of euros)

17- Off balance sheet commitments**Commitments given (in thousands of euros)**

Company making the commitment	Beneficiary	Nature of the commitment	Amount	Expiry Date
SQLI	Y. EL MIR	Allowance in case of a member of the board of directors having his mandate cancelled	75 KE	Indefinite
SQLI	B. LEYSSENE	Allowance in case of removal from his mandate as a member of the Board of Directors	75 KE	Indefinite

Commitments received
(in thousands of euros)

Company or person giving commitment	Company receiving commitment	Reason for the commitment	Amount	Expiry Date
CCF	SQLI	SAINT DENIS premises	48 KE	03/2004
BANQUE POPULAIRE	ABCIAL	Private markets	17 KE	Indefinite
A. EL MOUAFIK	ABCIAL	BP bank loans	76 KE	10/2004
A. EL MOUAFIK	ABCIAL	BP bank loans	38 KE	10/2004
SOFARIS	ABCIAL	BP bank loans	30 KE	10/2004
Société Générale	SUDISIM	Tax inspection 1993	59 KE	Indefinite

SQLI company held the assignor liable in connection with the guarantee of liabilities attached to transfer of the ABCIAL company securities. That assignor will have to deliver an amount of 272 KE to SQLI, payable if appropriate in SQLI shares at a price of 9.5 euros per share. An ordinance issued by the enforcement Judge on the date of 23 July 2003 authorised SQLI to carry out a protective seizure to the extent of that amount. SQLI must continue the proceedings, and in particular must carry out the formalities for obtaining an enforceable title.

18- Currency rates

	US Dollar 1 USD =		Swiss Franc 1 CHF =		Moroccan Dirham 1 DH =	
	31.12.03	31.12.02	31.12.03	31.12.02	31.12.03	31.12.02
Closing rate	0.79 EUR	0.95 EUR	0.64 EUR	0.69 EUR	0.09 EUR	NA
Annual average rate	0.88 EUR	1.06 EUR	0.66 EUR	0.68 EUR	0.09 EUR	NA

5.3 FEES PAID TO THE AUDITORS AND TO MEMBERS OF THEIR NETWORKS FOR THE GROUP'S ACCOUNT

The following table shows the auditing and consulting fees paid to SQLI company's statutory Auditors for financial year 2003:

Assignments	FIDUCIAIRE DE LA TOUR				CONSTANTIN ET ASSOCIES			
	2003	2002	N in %	N-1 in %	2003	2002	N in %	N-1 in %
Auditing								
?? Auditing and certification of the annual and consolidated financial statements	47,074€	44,875€	90	75	37,450€	37,450€	71	66
?? Accessory assignments (1)	5,000€	15,000€	10	25	5,000€	15,000€	10	27
	52,074€	59,875€	100	100	42,450€	52,450€	81	93
Other services								
?? Legal, taxation, social (2)					9,928€	4,000€	19	7
TOTAL	52,074€	59,875€	100	100	52,378€	56,450€	100	100

(1) In 2003, ENA auditing assignment (compagnie des commissaires aux comptes-AMF) in connection with the regular checks made of the listed companies. In 2004, external contractual auditing assignment.

(2) Fees paid to the foreign correspondents of the Constantin et Associés firm in connection with consulting services for monitoring the American subsidiary and for constitution and review of the financial statements of the Moroccan subsidiary.

6 CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2003

6.1 GENERAL STATUTORY AUDITORS REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2003

Mr Chairman,

Sir, Madam,

As a result of the mission that was given to us by your Shareholder's meeting, we present the report relating to the financial year ended 31 December 2003 for:

- ?? auditing the annual accounts for SQLI, as attached to this report,
- ?? the justification for our judgements
- ?? specific reviews and information laid down by the law.

The annual accounts have been validated by the Executive Board. It is our responsibility, on the basis of our audit, to express an opinion on these accounts.

I. OPINION ON THE ANNUAL ACCOUNTS

We conducted our audit in accordance with the professional standards applied in France. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material mis-statements. An audit consists of examining, by opinion polls, the convincing elements which justify the data contained in these accounts. It also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for the opinion expressed hereafter.

We certify that the annual accounts, which have been established according to French accounting principles, are in order and give a true picture of the results of the business activities as well as the company's financial situation and its asset base at the end of this financial year.

II. JUSTIFICATION OF THE JUDGEMENTS

In application of the provisions of article L. 225-235 of the Code of Commerce, introduced by the law concerning financial security of 1 August 2003 and applicable for the first time to this financial year, we inform you that the judgements that we made in order to issue the above opinion concerning the annual financial statements taken as a whole and which bore, in particular, on the accounting principles followed and the significant estimates adopted in closing out the financial statements as well as on their general presentation do not call for any particular comments.

III. VERIFICATIONS AND SPECIFIC INFORMATION

We also carried out the specific verifications provided for by law, in accordance with the professional standards applicable in France.

We have no remarks to make concerning the accuracy and the agreement with the annual financial statements of the information provided in the Executive Board's management report and in the documents sent to the shareholders concerning the financial situation and the annual financial statements.

In application of law, we made sure that the various information relative to acquisitions of holdings and of control and to the identity of the holders of the capital was communicated to you in the management report.

Paris, 9 April 2004

The Auditors

CONSTANTIN ASSOCIES
J.M. BASTIER

SA FIDUCIAIRE DE LA TOUR
J.P. PAUMARD

6.2 COMPANY ACCOUNTS AS OF 31 DECEMBER 2003

Balance Sheet: Assets

Categories	Gross Amount	Depreciation	31/12/2003	31/12/2002
Capital subscribed but not called up				
INTANGIBLE FIXED ASSETS				
Set up costs				
Research and Development costs				
Grants, patents and similar rights	520,173	473,813	46,360	117,295
Goodwill				
Other intangible fixed assets				
Advances, downpayments on intangible fixed assets				
TANGIBLE FIXED ASSETS				
Land				
Buildings				
Technical installations, equipment, tools				
Other tangible fixed assets	1,852,899	1,513,487	339,413	470,379
Fixed assets in progress				
Advances and instalments				
FINANCIAL FIXED ASSETS				
Holdings by M.E.				
Other holdings	7,825,086	7,277,950	547,135	295,959
Receivables linked to holdings				
Other assets				1,067
Loans	159,291	58,530	100,761	43,201
Other financial fixed assets	224,842		224,842	235,723
FIXED ASSETS	10,582,291	9,323,780	1,258,511	1,163,624
INVENTORY AND WORK IN PROGRESS				
Raw Materials, procurements				
Production of goods in progress				
Production of services in progress				
Intermediate and finished products				
Goods				
Advances and downpayments paid on orders	10,282		10,282	44,384
RECEIVABLES				
Customer receivables and related accounts	9,372,943	1,062,761	8,310,182	8,594,202
Other receivables	3,818,638	511,090	3,307,548	5,281,475
Subscribed Capital, called up but not paid				
OTHER				
Short-term investment securities (including own shares:)	4,424,429		4,424,429	724
Cash	2,218,756		2,218,756	265,818
REGULARISATION ACCOUNTS				
Pre-paid costs	293,803		293,803	398,006
CURRENT ASSETS	20,138,850	1,573,851	18,564,999	14,584,609
Costs to be spread over several financial years				
Bond redemption premium				
Unrealised gains and losses - ASSETS	3,694		3,694	61,458
OVERALL TOTAL	30,724,835	10,897,631	19,827,204	15,809,691

Balance Sheet: Liabilities

Categories	31/12/2003	31/12/2002
Share or individual capital, including paid up: 948,863	948,863	3,795,452
Premiums (shares, merger or in kind)	2,731,215	13,658,792
Purchase price discrepancy re-evaluations		
Legal reserve	32,777	32,777
Statutory or contractual reserves		
Regulated reserves (including fluctuation reserve provisions)		
Other reserves (including purchase of original works of art)		
Carry -forward	(1,622,668)	(6,572,560)
EARNINGS FOR THE FINANCIAL YEAR (profit or loss)	540,231	(11,745,262)
Investment grants		
Mandatory provisions		
SHAREHOLDERS EQUITY	2,630,418	(830,801)
Earnings from issues of securities in capital		
Advances with conditions	427,715	
OTHER EQUITY	427,715	
Provision for risks	234,334	1,392,450
Provision for costs		
PROVISIONS FOR RISKS AND COSTS	234,334	1,392,450
FINANCIAL DEBTS		
Convertible bond loans		
Other bond loans		
Loans and debts with credit companies	9,601	20,765
Various loans and financial debts (including equity loans:)	2,318,421	2,516,568
Advances and accruals received on outstanding orders		
OPERATING DEBTS		
Supplier debts and related accounts	2,310,530	2,413,919
Fiscal and social debts	9,262,490	8,661,002
OTHER DEBTS		
Debts on fixed assets and related accounts	20,611	15,987
Other debts	124,196	249,700
REGULARISATION ACCOUNTS		
Pre-paid earnings	2,471,900	1,370,101
DEBTS	16,517,749	15,248,041
Liability adjustments	16,989	
OVERALL TOTAL	19,827,204	15,809,691

Period Earnings in cents

540,230.54

Balance Sheet Total in cents

19,827,204.31

Income statement (as a list)

Categories	France	Exports	31/12/2003	31/12/2002
Sale of goods	180,805		180,805	
Production of goods sold				
Production of services sold	34,656,943	707,953	35,364,897	37,405,517
NET REVENUE	34,837,748	707,953	35,545,702	37,405,517
Stored production				
In-house production				
Operating subsidies			17,242	6,060
Decreases in depreciation / provisions, cost transfers			2,330,232	634,199
Other earnings			800,916	568,484
TOTAL OPERATING INCOME			38,694,092	38,614,261
Purchase of goods including customs duties			214,494	352,139
Variations in inventory (goods)				
Purchase of raw materials and other supplies (and customs duties)				
Inventory variation (raw materials, supplies)				
Other purchases and external costs			8,063,100	8,206,874
Taxes and similar payments			994,841	1,203,453
Salaries and allowances			19,020,109	21,856,727
Social costs			8,686,903	10,154,021
ALLOCATIONS TO RUNNING COSTS				
On fixed assets: Allocations to depreciation			217,024	504,896
On fixed assets: Allocations to provisions				
On current assets: Allocations to provisions			176,172	657,525
For risks and costs Allocations to provisions			41,484	1,191,632
Other costs			675,260	26,647
OPERATING COSTS			38,089,386	44,153,914
OPERATING PROFIT/LOSS			604,705	(5,539,653)
OPERATIONS IN COMMON				
Profit attributed or losses transferred				
Loss borne or Profit transferred				
FINANCIAL EARNINGS				
Financial allocations			52,571	235,431
Other assets, receivables and capitalised asset earnings				47,242
Other interest and other such expenses			780	8,273
Decreases in provisions and transfer expenses			4,784,348	314,428
Positive exchange rate adjustments			921	
Net expenses on the sale of marketable securities			966	2,101
FINANCIAL EARNINGS			4,839,586	607,476
Allocation of depreciation and provisions			4,200,105	6,171,173
Interest and similar costs			524,656	303,767
Negative exchange rate adjustments			18,874	2
Net charges on disposal of short-term investment securities				7,092
FINANCIAL COSTS			4,743,636	6,482,035
FINANCIAL PROFIT/LOSS			95,950	(5,874,559)
EARNINGS BEFORE TAX			700,655	(11,414,212)

Income Statement (cont.)

Categories	31/12/2003	31/12/2002
Exceptional earnings on management operations	93,332	83,032
Exceptional earnings on capital operations	51,224	80,702
Write-backs from provisions and transfers of charges	98,927	156,237
EXCEPTIONAL EARNINGS	243,484	319,972
Exceptional costs on management operations	2,781	162,290
Exceptional costs on capital operations	335,868	420,062
Exceptional allocation to depreciation and provisions	243,003	73,427
EXCEPTIONAL COSTS	581,652	655,779
EXCEPTIONAL PROFIT/LOSS	(338,168)	(335,807)
Participation of employees in the success of the company's financial results		
Taxation on profits	(177,743)	(4,757)
TOTAL EARNINGS	43,777,161	39,541,708
TOTAL COSTS	43,236,931	51,286,970
PROFIT OR LOSS	540,231	(11,745,262)

6.3 APPENDIX TO THE CORPORATE FINANCIAL STATEMENTS DATED 31 DECEMBER 2003

We are presenting to you the appendix to the balance sheet before distribution for the financial year ending on 31 December 2003 the total of which comes to 19,827,204 €, and to the income statement, presented in list form, showing total turnover of 35,545,702 € with a profit of 540,231 €.

The financial year ran for 12 months from 1 January 2003 to 31 December 2003.

≠≠ IMPORTANT EVENTS DURING THE FINANCIAL YEAR

Operations on the capital

Two major operations in the year 2003 led to a strengthening of SQLI's shareholders' funds:

The Combined Shareholders' Meeting held on 30 June 2003 adopted the following resolutions in order to settle the company's prior losses:

- ?? the allocation of the premiums on shares and on merger to the negative retained earnings in an amount of 13 659 K€;
- ?? the reduction of the share capital by an amount of 3 036 K€ to lower it from 3 795 K€ to 759 K€, by reducing the par value of the shares from 0.25 to 0.05 €.

On 29 December 2003, SQLI company issued 3 795 452 new shares on the Nouveau Marché (New Market) at 0.80 €, enabling it to increase its shareholders' equity by 2 921 K€ after allocation of the expenses.

On 31 December 2003, the SQLI share capital stood at 948 863.10 €, consisting of 18 977 262 shares with a par value of 0.05 €.

Activity and subsidiaries

The restructuring measures launched during the last quarter of 2002 and completed in March 2003 made it possible to get back to profitability. The closing of the Lille and Sophia-Antipolis agencies, the transfer of the registered office from Paris to Saint Denis and the reduction of the staff that was not directly productive made a strong contribution to restoration of margins.

The measures contained in the employment protection plan covered in full by provisions in 2002 had no effect on net income in 2003.

ABCIAL also improved the profitability of its operations and strengthened its shareholders' funds by incorporation into its capital of most of its current account with SQLI (4 381 K€). That operation results in the SQLI accounts in an increase in the value of its holding in its French subsidiary. The corresponding provision for depreciation of receivables was written and a provision on securities was funded in the same amount (4 157 K€).

Two Group companies, without activity, exited from the perimeter: PROFIL, 99.90% held by ABCIAL, was dissolved in October 2003, and INVERSO, a wholly-owned SQLI subsidiary, was merged with SQLI CH as of 1 July 2003.

In November 2003, SQLI established SQLI Maroc in Rabat in order to support the Group's activity by subcontracting in Morocco for projects sold in France and in Switzerland.

Events occurring after the close

No events occurred after the close that could modify the reading of the financial statements presented.

ACCOUNTING METHODS AND RULES

The individual accounts as of 31 December 2003 have been drawn up and presented in accordance with the currently accepted accounting rules and principles.

The general accounting agreements have been applied respecting the principle of prudence and in accordance with the basic hypotheses:

- ?? Continuity of operation,
- ?? Consistent accounting methods from one financial year to another,
- ?? Independence of the financial years.

No changes in the evaluation method or in the presentation have been made in the course of the financial year.

The base method retained to evaluate elements written up in the accounts is the historic costs method.

The main methods used are as follows:

1- Intangible and tangible fixed assets

The gross value of capitalised assets corresponds to the book entry value of the items in the asset register.

Depreciation is calculated using the straight-line method in accordance with the expected life cycle of the asset:

?? Software	1 year and 3 years
?? General installations	8 years
?? IT Equipment	2 years
?? Office Equipment	5 to 8 years

The depreciation timeframe for IT equipment and software takes into account the rapid changes in the Company's hardware.

2- Financial Fixed Assets

Financial fixed assets are written to the balance sheet at historic value. They are comprised of the subsidiaries' equity investments, receivables in conjunction with these investments and deposits and sureties paid out.

At the close of each financial year, the historic value is compared to the market price taking account of the proportion of net assets increased for hidden capital gains and the trend in profits as well as the economic interest the companies represent for the Group. The unfavourable variations lead to provisions for the depreciation of securities and financial loans.

In 2002, the company decided to pay off its contribution in the form of 20 year loans and has made a provision to bring this receivable back to its actual value.

3- Receivables

Receivables are valued at face value. A provision for depreciation is made when the inventory value is lower than the accounting value.

The company initiated a research and development programme meeting the criteria for eligibility for a research tax credit, and it recorded the corresponding claim under assets in its balance sheet in an amount of 182 146 €. For prudential reasons, an equivalent non-deductible provision was set aside on this asset, which has not been definitively earned.

4- Long-term contracts

Turnover resulting from all-in projects is entered in the accounting in accordance with the progress method. The current services are valued at the sale price. If the amount of services performed is greater than the amount invoiced for, the difference appears in the line called "customer receivables and related accounts" in invoices to be established. Otherwise, it is posted to prepaid income.

A provision for losses upon completion is entered when the anticipated project margin is negative.

5- Transactions in foreign currencies

The charges and income in foreign currencies are entered at their equivalent value on the date of the transaction. The debts, receivables and liquid assets in foreign currencies appear in the balance sheet at their equivalent value as determined by the rate at the end of the financial year. The difference resulting from this updating of debts and receivables in foreign currencies at this rate is entered in the balance sheet under the heading for "unrealised foreign exchange gains and losses".

Hidden exchange rate losses, which are not compensated for, are the subject of risk provisions.

6- Short-term investment securities

The short-term investment securities are valued at the purchase price or at the market price for the latest month, if the later is less. If the balance sheet value is less than the likely trading value, a provision is set aside for depreciation.

The securities portfolio consists of monetary SICAV (unit trust) valued on 31 December 2003 as 4 425 191 €.

7- Stock options and warrants

The Shareholders' Meetings held on 21 March 2000, 6 July 2000 and 30 June 2003 authorised the Board of Directors or the Executive Board to assign to a certain number of the Group's employees, on one or on several occasions, BSC Warrants or share subscription options.

No BSC Warrant or option has been exercised as of 31 December 2003.

Stock options allocated during financial years 2000 and 2003			
	Plan n°1	Plan n°2	Plan n°3
Meeting date	21 March 2000	21 March 2000	21 March 2000
Date of the Board of Directors' meeting	4 July 2000	27 November 2000	27 July 2001
Total number of stock options allocated and adjustments made ⁽¹⁾	37,556 at the outset including 6031 lapsed, making 31,525 unexpired, adjusted to 33,734 on 29 December 2003	22,955 at the outset including 21,350 lapsed, making 1,605 unexpired, adjusted to 1,717 on 29 December 2003	317,650 at the outset including 39,503 lapsed, making 278,147 unexpired, adjusted to 297,504 on 29 December 2003
<u>Including</u> : number of shares that may be acquired by the company's authorised agents	0	0	0
Start of the right to exercise the stock options allocated	5 July 2005	28 November 2005	28 July 2006
Expiration date of the stock options	4 July 2007	27 November 2007	27 July 2008
Exercise price of the stock options	5 € at the outset, adjusted to 4.675 € on 29 December 2003	8.08185 € at the outset, adjusted to 7.556€ on 29 December 2003	2.3885 € at the outset, adjusted to 2.233 € on 29 December 2003
Exercise procedures regarding the stock options	The exercise right is acquired by annual tranches (2000, 2001 and 2002)	None	None
Stock options exercised during financial years 2000 to 2003: No options were taken up during financial years 2000 to 2003			
Stock options cancelled during financial years 2000 to 2003:			
Total number of cancelled stock options ⁽²⁾	6,031	21,350	39,503
Stock options still to be allocated at the end of financial year 2003: 11,912			

(1) The stock options were adjusted with respect to the exercise price and the number of options in order to take account of the effects of the capital increase without elimination of the preferential subscription right put through on 29 December 2003.

(2) This concerns options that have been allocated, but which are known to be unusable.

Stock options relating to "parts de créateur d'entreprise" allocated during financial years 2000 to 2003			
	Plan no. 1	Plan no. 2	Plan no. 4
Date of the meeting	21 March 2000	6 July 2000	30 June 2003
Date of the meeting of the Board of Directors or of the Executive Board	29 September and 27 November 2000	29 September and 27 November 2000	25 July 2003 and 22 September 2003
Total number of warrants for "parts de créateur d'entreprise" authorised ¹	1,197,000	362,221	1,000,000
Of which: Number of shares able to be subscribed to by the corporate officers of the company	149,386	34,640	190,000
Number of subscription warrants allocated	1,197,000	362,221	955,000
Starting point for exercising warrants	1st October 2002	29 September or 27 November 2003, depending on the date of the Board of Directors' meeting	23 September 2003 for 100,000 warrants 25 July 2004 for 855,000 warrants
Expiration date of the stock options	29 September 2005	29 September or 27 November 2005, depending on the date of the Board of Directors' meeting	24 July 2008
Price of the shares resulting from exercise of the warrants	1.07 Euros	5 Euros	0.46 Euros
Exercise procedures of the warrants	The exercise right is acquired by annual tranches (1999, 2000 and 2001)	None	The exercise right is acquired by annual tranches (2004, 2005 and 2006) for 855,000 warrants, and it is immediate for 100,000 warrants
Total number of lapsed warrants	233,389	99,235	30,000

Plan n°3, submitted to the Shareholders' Meeting held on 26 June 2002, did not result in any allocations as follows: of 30 June 2003, and hence it lapsed on that date.

¹ The beneficiaries of warrants for "parts de créateur d'entreprise" allocated prior to the capital increase put through on 29 December 2003 may subscribe to one new share at a price of 0.8 € for four shares created by exercise of the warrants.

8- Other shareholders' funds

In 1999 SQLI signed a guarantee contract with the COFACE (French Insurance Company for Foreign Trade), covering the losses that might result from establishment of its subsidiary TECHMETRIX US in the United States.

Under that contract, from 2000 to 2002 COFACE granted advances in a total amount of 445 545 €, repayable starting in 2003 and until 2007 in the form of 25% of the annual receipts of the American subsidiary. Advances not repaid at the end of the said period becomes SQLI's property.

SQLI repaid 17 830 € in 2003. In view of the conditional nature of the future repayments and of the reduction of business in the United States, the advances that previously appeared on the line called "Various borrowings and financial debts" have been reclassified under "Other shareholders' funds".

9- Taxation integration

As of 31 December 2003, SQLI constitutes an integrated group for taxation purposes with its subsidiaries SUDISIM and ABCIAL. The tax charges are borne by the integrated companies (subsidiaries and parent), as in the absence of taxation integration. The tax savings made by the group are retained by the parent company.

10- Consolidation

SQLI is the parent company of a consolidated group consisting of the subsidiaries SUDISIM, ABCIAL, CARI, SQLI CH, TECHMETRIX US and SQLI MAROC.

11- Retirement indemnities

At the end of the financial year, the company calculates the amount of the retirement commitments: the end-of-career indemnity that might be paid is updated and is weighted for life expectancies and presence in the company on the closeout date. It is then spread out in uniform fashion over the total duration of work of each of the company employees. The fraction corresponding to the time of service already put in on the valuation date constitutes the amount of the company's commitment to its employees.

As of 31 December 2003, the calculation assumptions are as follows: the retirement age is set at 65 years, the annual rate for revaluation of salaries is estimated at 3%, the discounting rate used industrial 5%, and the turnover and mortality tables are the ones commonly used in the computer sector.

This commitment appears off balance sheet and is entered in the accounting only in the SQLI Group's consolidated financial statements.

FIXED ASSETS

Categories	Beginning of the financial year	Reevaluation	Acquisit,, contributions
SET-UP AND RESEARCH & DEVELOPMENT COSTS			
OTHER HEADINGS FOR INTANGIBLE FIXED ASSETS	512,478		7,695
Lands			
Land Buildings			
Constructions on others' land			
General installations buildings, fixtures, fittings			
Technical installations, equipment and industrial tools			
General installations , fixtures, fittings	398,924		5,723
Transport equipment	4,437		
Office, IT, equipment and furniture	1,463,581		47,614
Recyclable and various packaging			
Tangible fixed assets in progress			
Advances and instalments			
TANGIBLE FIXED ASSETS	1,866,942		53,337
Contributions evaluated against equivalents			
. Other contributions	3,706,695		4,408,349
Other assets	1,067		
Loans and other financial assets	311,758		96,285
FINANCIAL FIXED ASSETS	4,019,520		4,504,634
OVERALL TOTAL	6,398,940		4,565,666

Categories	Payment	Transfer	End of the financial year	Initial value
SET UP AND RESEARCH & DEVELOPMENT COSTS				
OTHER HEADINGS FOR INTANGIBLE FIXED ASSETS			520,173	
Lands				
Land buildings				
Constructions on others' land				
Constructions, general installations, fittings				
Technical installations, equipment and industrial tools				
General installations and various fixtures		24,630	380,017	
Transport equipment			4,437	
Office, IT, equipment and furniture		42,750	1,468,445	
Recyclable and various packaging				
Tangible fixed assets in progress				
Advances and instalments				
TANGIBLE FIXED ASSETS		67,380	1,852,899	
Contributions evaluated against equivalents				
Other contributions		289,958	7,825,086	
Other long-term securities		1,067		
Loans and other financial assets		23,910	384,133	
FINANCIAL FIXED ASSETS		314,935	8,209,219	
OVERALL TOTAL		382,316	10,582,291	

DEPRECIATION

Categories	Beginning of the financial year	Depreciation allowances	Recoveries	End of the financial year
SET UP AND RESEARCH & DEVELOPMENT COSTS				
OTHER INTANGIBLE FIXED ASSETS	395,183	78,630		473,813
Lands				
Land buildings				
Constructions on other's land				
Inst. constructions General, fixtures				
Technical installations, equipment and tools				
General installations and fixtures	108,826	48,586	8,491	148,921
Transport equipment	4,437			4,437
Office, IT, equipment and furniture	1,283,301	89,808	12,980	1,360,129
Recyclable and various packaging				
TANGIBLE FIXED ASSETS	1,396,564	138,394	21,471	1,513,487
OVERALL TOTAL	1,791,747	217,024	21,471	1,987,300

Breakdown of depreciation allowances	Straight-line	Reducing Balance	Exceptional	Tax-based allowances	Tax-based recovery
SET UP, RESEARCH COSTS					
OTHER INTANGIBLE FIXED ASSETS	78,630				
Lands					
Land buildings					
Constructions on other's land					
Constructions and installations					
Install. Technical, tools					
Install. General, fixtures	48,586				
Transport equipment					
Office and IT equipment	89,808				
Recyclable packaging					
FIXED ASSETS TANGIBLE	138,394				
OVERALL TOTAL	217,024				

Costs spread over several financial years	Beginning of the financial year	Increases	Depreciation Allowances	End of the financial year
Costs to be spread over several financial years				
Bond redemption premiums				

PROVISIONS

Categories	Beginning of the financial year	Depreciation Allowances	Recoveries	End of the financial year
Mining and oil deposits				
Investment provisions				
Provisions for price increases				
Provisions for stock price fluctuations				
Tax-based depreciation				
Foreign ventures before 01/01/92				
Foreign ventures after 01/01/92				
Provisions for installation loans				
Other regulated provisions				
REGULATED PROVISIONS				
Provisions for litigation	89,100	37,607	74,916	51,791
Provisions for guarantees given to customers				
Provisions for future market losses	117,798	41,484	117,798	41,484
Provisions for fines and penalties	37,425		37,425	
Provisions for foreign exchange losses	61,458	3,694	61,458	3,694
Provisions for pensions and similar commitments				
Provisions for taxes	50,261	23,250	24,011	49,500
Provisions for renewing fixed assets				
Provisions for large repairs				
Provisions for company costs, tax costs and leave to be paid				
Other provisions for risks and costs	1,036,409		948,545	87,864
PROVISIONS FOR RISKS AND COSTS	1,392,450	106,035	1,264,152	234,334
Provisions for intangible fixed assets				
Provisions for tangible fixed assets				
Provisions for securities treated on an equity basis				
Provisions on long-term securities	3,410,736	4,157,172	289,958	7.277.950
Provisions for other financial fixed assets	32,834	31,182	5,486	58.530
Provisions for stock and work in progress				
Provisions for customer accounts	1,933,577	176,172	1,046,988	1.062.761
Other provisions for depreciation	4,748,333	190,203	4,427,446	511.090
PROVISIONS FOR DEPRECIATION	10,125,480	4,554,729	5,769,878	8.910.331
OVERALL TOTAL	11,517,931	4,660,764	7,034,030	9.144.665
Set-up contributions and recoveries		217,656	2,150,756	
Financial contributions and recoveries		4,200,105	4,784,348	
Exceptional contributions and recoveries		243,003	98,927	
Depreciation of securities at the end of the financial year				

USE OF PROVISIONS FOR RISKS AND COSTS

Nature of provisions	Initial amount at the start of the financial year	Contribution for the financial year	Recovery for the financial year Provision used	Recovery for the financial year Provision not used	Amount at the end of the financial year
Provisions for litigation	89,100	37,607		74,916	51,791
Provisions for losses upon completion	117,798	41,484	117,798		41,484
Provisions for fines and penalties	37,425			37,425	
Provisions for exchange losses	61,458	3,694	61,458		3,694
Provisions for taxes	50,261	23,250	24,011		49,500
Provision for restructuring plan (1)	1,036,409		948,545		87,864
TOTAL PROVISIONS	1,392,450	106,035	1,151,811	112,341	234,334

(1) The balance of the provision for restructuring is mainly aimed at covering the costs connected with under-use of the Saint Denis premises until 30 June 2004.

RECEIVABLES AND DEBTS

TYPE OF RECEIVABLE	Gross Amount	1 year maximum	over 1 year
Receivables attached to holdings			
Loans	159,291		159,291
Other financial fixed assets	224,842		224,842
Doubtful or disputed customers	775,339	775,339	
Other customer receivables	8,597,604	8,597,604	
Receivables relating to securities loaned			
Staff and related accounts	5,500	5,500	
Social security and other social bodies	42,231	42,231	
Government, other groups tax on profits	315,471	26,250	289,221
State, other governmental units : value added tax	446,126	446,126	
State, other governmental units: other taxes, levies, similar payments			
State, other governmental units, sundry receivables	45,560	45,560	
Group and associates	1,004,148	1,004,148	
Various debtors	1,959,603	1,509,603	450,000
Costs set out in advance	293,803	293,803	
OVERALL TOTAL	13,869,517	12,746,162	1.123.354
Amount of loans accorded during the financial year	83,256		
Amount of repayments obtained during the financial year			
Loans and advances given to associates			

TYPE OF DEBTS	Gross Amount	1 year maximum	More than 1 year, less than 5 years	over 5 years
Convertible bond loans				
Other bond loans				
Loans and debts of 1 year maximum initially	9,601	9,601		
Loans and debts of more than 1 year initially				
Various loans and financial debts	2,318,421	2,318,421		
Suppliers and related accounts	2,310,530	2,310,530		
Staff and related accounts	3,193,749	3,193,749		
Social security and other social bodies	2,702,124	2,702,124		
Government tax on profits				
Government value added tax	3,296,568	3,296,568		
Government bonds				
Government other taxes and similar payments	70,049	70,049		
Debts on fixed assets and related accounts	20,611	20,611		
Group and associates				
Other debts	124,196	124,196		
Debts relating to borrowed securities				
Prepaid income	2,471,900	2,471,900		
OVERALL TOTAL	16,517,749	16,517,749		
Loans taken out during the financial year				
Loans repaid during the financial year	17,831			
Loans and debts entered into with associates	2,181			

COSTS PAYABLE AND EARNINGS RECEIVABLE**COSTS PAYABLE****STAFF**

Paid leave	1,482,883
Reduction of Time at Work	5,818
Holiday Bonuses	66,942
Bonuses	427,584
	1,983,228

PUBLIC SERVICE BODIES

Continuous professional training	159,589
Training Tax	82,027
Construction investment	9,433
Handicapped Person Contribution	74,776
Gsc Gan	1,277
Urssaf control adjustment	2,261
Social costs on Reduction of Time in Work - Bonuses	892,451
	1,221,814

STATE

Professional Tax	5,608
Organic	50,656
TVTS	13,785
	70,049

EARNINGS RECEIVABLE

Daily Social Security Allowances	19,221
Contribution for handicapped (2002)	10,928
Social entities	11,240
Professional Tax	45,560
	86,950

DETAILS CONCERNING PREPAID CHARGES AND INCOME**COSTS SET OUT IN ADVANCE**

Catalogues and forms	25,485
Rent	84,215
Equipment	18,379
Maintenance	142,196
Insurance	933
Training programmes	19,294
Stickers	3,301
	<hr/>
	293,803

EARNINGS SET OUT IN ADVANCE

Service provisions invoiced in advance	2,471,900
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ELEMENTS RELATING TO SEVERAL BALANCE SHEET ITEMS

Categories	Companies involved	Contributions	Common debts and receivables
FIXED ASSETS			
Contributions	7,825,086		
CURRENT ASSETS			
Customer receivables and related accounts	1,305,331		
Other receivables	1,004,148		
DEBTS			
Various loans and financial debts	2,316,240		
Suppliers and related accounts	779,090		

TABLE OF SUBSIDIARIES AND AFFILIATES

Detailed information concerning each subsidiary and affiliate		Financial information			
		Capital	Shareholders' equity other than the capital	Share of capital held (in %)	Earnings (profit or loss for last complete financial year)
1 – Subsidiaries (more than 50%)					
SUDISIM	Montpellier (34)	182,939	132,702	99.95%	36,901
ABCIAL	Saint Denis (93)	37,000	71,400	99.73%	71,400
CARI	Saint Denis (93)	7,622	-296,884	100.00%	60,717
SQLI CH (1)	Lausanne (Switzerland)	64,189	1,653,718	99.80%	465,620
TECHMETRIX US (2)	Lexington (United States)	39,588	-467,958	97.50%	-91,433
SQLI MAROC (3)	Rabat (Morocco)	27,111	2,303	99.87%	2,321
SQLI SL	Madrid (Spain)	30,500	-58,000	99.84%	-1,242
2 – Affiliates (10% to 50% held)					
<i>NONE</i>		<i>NONE</i>			

General information concerning all subsidiaries and affiliates	Subsidiaries		Affiliates	
	French	Foreign	French	Foreign
Book value of securities held				
- Gross:	7,656,503	168,582		
- net:	456,447	90,689	<i>NONE</i>	
Amount of loans and advances granted	933,233	70,915		
Amount of guarantees and endorsements given	300,000	0		
Amount of dividends received	0	0		

Using the following exchange rates:

- (1) 1 CHF = 0,64189 EUR
- (2) 1 USD = 0,791766 EUR
- (3) 1 MAD = 0,090369 EUR

VARIATION OF SHAREHOLDERS' EQUITY

Situation at financial year start		Balance
Shareholders' equity before distributions on prior earnings		(830,801)
Shareholders' equity after distributions on prior earnings		(830,801)
Variations during financial year		Decreases
Capital variations		2,486,589
Variations of premiums connected with the capital		10,927,577
Other variations		17,235,385
BALANCE		3,461,219
Situation at financial year end		Balance
Shareholders' equity before distribution		2,630,418

FINANCING TABLE

Applications	Financial year N	Financial year N-1	Resources	Financial year N	Financial year N-1
Distributions paid out during financial year			Financial year cash flow	-1,331,368	-3,801,785
Acquisitions of fixed assets			Disposals of fixed assets		
- Intangible fixed assets	7,695	32,415	- Intangible fixed assets		
- Tangible fixed assets	53,337	66,241	- Tangible fixed assets	51,224	74,347
- Long-term investments	4,504,634	120,914	- Long-term investments	24,977	302,602
Charges to spread out over several financial years			Increase of shareholders' equity		
Reduction of shareholders' equity			- Capital or conveyances	189,773	522,728
			- Other shareholders' equity	2,731,215	1,714,321
Repayment of financial debts	115,340	1,086,471	Increase of financial debts	4,819,274	1,495,718
TOTAL APPLICATIONS	4,681,006	1,306,041	TOTAL RESOURCES	6,485,095	307,931
NET RESOURCE	1,804,088		NET APPLICATION		998,110

Variation of global net operating capital	Needs (B)	Decreases in operating capital (D)	Balance N (D - B)	Balance N - 1 (D - B)
OPERATING VARIATIONS				
Variation of operating assets				
- Stocks and in progress				
- Advances and downpayments paid on orders		42.437	42.437	27.969
- Customer receivables, related accounts and other receivables		728.492	728.492	3.471.351
Variations of trade accounts payable				
- Advances and downpayments received on orders in progress				172.521
- Supplier debts, related accounts and other debts		1.604.522	1.604.522	194.454
OPERATING TOTALS		2.375.452		
A NET OPERATING VARIATION			2.375.452	3.866.295
NON-OPERATING VARIATIONS				
Variations of other debtors	2,164,667		-2.164.667	-2.562.420
Variations of other creditors	50,772		-50.772	68.321
NON-OPERATING TOTALS	2,215,439			
B NON-OPERATING NET VARIATION			-2.215.439	-2.494.099
TOTAL [A+B] NET DECREASE OF OPERATING CAPITAL			160,013	1.372.196
CASH POSITION VARIATIONS				
Variations of liquid assets	1,952,938		-1.952.938	-57.990
Variations of current bank loans, balances, credits, bank	11,164		-11.164	-316.096
CASH TOTALS	1,964,102	0		
C NET VARIATION IN CASH POSITION?			-1964.102	-374.086
GLOBAL NET OPERATING CAPITAL VARIATION [A+B+C]: NET RESOURCE			-1,804,089	998.110

BREAKDOWN OF REVENUE IN €K

Categories	France Revenue	Export Revenue	Total 31/12/2003	Total 31/12/2002	% 03 / 02
ENGINEERING	32,481	702	33,183	34,446	-3.67%
TRAINING	1,415	2	1,417	1,689	-16.10%
CONSULTING	701		701	1,239	-43.42%
EQUIPMENT SOLD	180		180		
STUDIES	61	4	65	31	109.68%
TOTAL	34,838	708	35,546	37,405	-4.97%

BREAKDOWN OF REVENUE BY GEOGRAPHICAL AREA

CATEGORIES	REVENUE			TOTAL
	France	EEC	OUTSIDE EEC	
STUDIES	61	4		653
TRAINING	1,415	2		1,416
CONSULTING	701	1		701
PROJECTS	32,481	215	487	33,183
EQUIPMENT SOLD	181			181
TOTAL	34,838	221	487	35,546

COST TRANSFERS

Nature of transfers	Amount	Charging to account
Benefits in kind	94,523	
Insurance indemnities	82,177	
Welfare indemnities	2,776	
TOTAL	179,476	

EXTRAORDINARY CHARGES AND INCOME

Nature of charges	Amount	Charged to account
Exits of the INVERSO securities following company's merger with SQLI CH	289,958	
Transfers to the research tax credit provisions	182,146	
Outgoing materials	45,910	
Transfers to provisions for industrial tribunal cases	31,122	
Transfer to IFA provision	23,250	
Disputes with employees	6,485	
Various	2,781	
TOTAL	581,652	

Nature of income	Amount	Charged to account
VAT recovery on expense accounts (2002)	93,332	
Disposals of materials	51,092	
Write-backs from provisions for industrial tribunal cases	74,916	
Write-back of lost IFA provision	24,011	
Disposal of long-term securities	133	
TOTAL	243,484	

CHARGES AND INCOME CONCERNING PRIOR FINANCIAL YEAR

Nature of the charges	Amount	Charged to account
Guarantee deposits lost	4,209	
Suppliers	12,643	
Receivables indemnities (excess provisions)	12,196	
Various	3,312	
TOTAL	32,360	

Nature of income	Amount	Charged to account
Social entities	29,490	
Rental charges	46,616	
Property tax (excess provisions)	12,913	
Suppliers	1,904	
Salaries	3,431	
TOTAL	94,354	

LEASING COMMITMENTS

Categories	Lands	Buildings	Equipment tools	Other fixed assets	Total
INITIAL VALUE				442,980	442,980
DEPRECIATION					
Running total for previous financial years				442,980	442,980
Financial year in progress					
TOTAL				442,980	442,980
NET VALUE				0	0
RENTAL RIGHTS PAID					
Running total for previous financial years				448,022	448,022
Financial year in progress				27,874	27,874
TOTAL				475,896	475,896
RENTAL RIGHTS TO BE PAID					
One year at most					
At more than one year and less than 5 years					
At more than five years					
TOTAL					
RESIDUAL VALUE					
Amount accounted for in this financial year				27,874	27,874

DEFERRED AND UNDERLYING TAX POSITION

Categories	Amount
TAX DUE ON:	
Regulatory provisions	
Provisions for price increases	
TOTAL INCREASES	
TAX PAID IN ADVANCE ON:	
Temporarily non-deductible costs (to be deducted the following year):	
Others	60,104
To be deducted afterwards	
TOTAL TAX RELIEF	60,104
NET DEFERRED TAX POSITION	(60,104)

Categories	Amount
TAX DUE ON:	
CREDIT TO BE ACCOUNTED ON:	
Reportable losses	11,883,746
	11,883,746
NET LATENT TAX POSITION	(11,883,746)

AVERAGE STAFF LEVELS

Workforce	Paid staff	Staff used in the company
Management	485	
First-line supervisors, technicians	13	
Trainees	5	
Apprentices	3	
TOTAL	506	

OFF BALANCE SHEET COMMITMENTS

Categories	Off balance sheet amount
Bills discounted not due	
Guarantees and bonds	48,155
Pension commitments	44,629
Other commitments given	
Guarantee granted to ABCIAL vis-à-vis the FACTOBAIL factoring company for a maximum amount of 300 000 Euro, and used to an extent of 150 000 EUR	
Indemnities in case of removal in favour of two Executive Board members for a maximum amount of 150 000 Euro	
TOTAL	92,784

MANAGEMENT REMUNERATION

Categories	Total managers	Bodies		
		Administration	Management	Supervisors
Financial commitments				
Remunerations allocated	394,736		394,736	
Conditions of loans accorded during the financial year:				
Repayments transacted during the financial year				

6.4 SPECIAL STATUTORY AUDITORS REPORT ON CONTRACTUAL AGREEMENTS AS OF THE END OF THE FINANCIAL YEAR 31 DECEMBER 2003

Mr Chairman,
Sir, Madam,

In our capacity as statutory auditors of your Company, we hereby present you our report on the contractual agreements.

Agreements authorised during the financial year

In application of article L225-88 of the French Commercial code, we have been advised of the agreements which were authorised before your Supervisory Board.

We are not required to ascertain whether any other contractual agreements exist, but to inform you, on the basis of the information provided to us, of the terms and conditions of agreements indicated to us. It is not our role to comment as to whether they are beneficial or appropriate. It is your responsibility, under the terms of article 117 of the 23 March 1967 Decree, to evaluate the benefits resulting from these agreements prior to their approval.

We conducted our work in accordance with professional standards applicable in France. These standards require us to perform the necessary procedures to verify that the information provided to us is consistent with the documentation from which it has been extracted.

I – Allocation of "parts d'entreprise" warrants to the members of the Executive Board

Nature and purpose

Allocation of "parts de créateurs d'entreprises" warrants to members of the Executive Board

Procedures

Authorisation by the Supervisory Board on 24 September 2003 of allocation of:

50 000 warrants Mr Yahya EL MIR, Executive Board Chairman
70 000 warrants to Mr Bruno LEYSSENE, Executive Board Member
70 000 warrants to Mr Nicolas REBOURS, Executive Board Member

The said warrants may be exercised by thirds on the anniversary of allocation.

The exercise price of the warrants is 0.46 Euros.

Members concerned:

Mr Yahya EL MIR
Mr Bruno LEYSSENE
Mr Nicolas REBOURS

II- Allocation by Executive Board to Mr Bruno LEYSSENE of shares not acquired as shares by right by the shareholders in connection with the capital increase decided on by the Executive Board on 19 November 2003

Nature and purpose

Pursuant to the provisions of article L.225-86 of the Code of Commerce, the Supervisory Board decided to authorise the Executive Board to allocate a maximum of 12 000 new SQLI shares to Mr Bruno LEYSSENE at the time of distribution by the Executive Board of the shares not acquired by right by the shareholders.

Procedures

The Executive Board allocated 10 034 shares to Mr Bruno LEYSSENE not acquired by right by the shareholders within the framework of the capital increase carried out on 29 December 2003, at a unit price of 0.80 Euro.

Member concerned

Mr Bruno LEYSSENE

III - Claim waiver to the benefit of INVERSO company, a SQLI subsidiary

Nature and purpose

SQLI waives its claim to the benefit of its Swiss subsidiary INVERSO.

Procedures

The amount of the waived claim comes to 191 512 Swiss Francs. The waiver came prior to the absorption of INVERSO by SQLI Suisse.

Member concerned

Mr Jean ROUVEYROL

IV - Trademark licensing contract with SQLI Suisse for an annual fee of 2.5% of turnover excluding taxes

Nature and purpose

Installation of a trademark licensing contract between SQLI and SQLI Suisse use of the SQLI trademark.

Procedures.

The fee rate was set at 2.5% of turnover excluding taxes. It can be contractually reviewed by the parties. Any modification of the said rate is to be the object of a new advance authorisation by the Supervisory Board.

Amount excluding taxes for financial year 2003: 115 514 Euros.

Member concerned

Mr Yahya EL MIR

V - Technology licensing contract with SQLI Suisse for an annual fee of 2.5% of turnover excluding taxes

Nature and purpose

Installation of a licensing contract for use of technology between SQLI and SQLI Suisse.

Procedures.

The fee rate was set at 2.5% of turnover excluding taxes. It can be contractually reviewed by the parties. Any modification of the said rate is to be the object of a new advance authorisation by the Supervisory Board.

Amount excluding taxes for financial year 2003: 115 514 Euros.

Member concerned

Mr Yahya EL MIR

VI - Rider to the intragroup cash management convention signed by SQLI with the companies SUDISIM SA, SQLI Suisse SA, TECHMETRIX Inc, ABCIAL SA, CARI SARL and SQLI MAROC SA, modifying the remuneration rate for the intragroup current accounts.

Nature and purpose

An intragroup current account convention was authorised by the Board of Directors' meeting held on 27 November 2000 and was established on 29 December 2000 between SQLI and its subsidiaries.

The interest rate, previously set at 4.69%, was reduced to 2.30% for the subsidiaries with the exception of SQLI Suisse (2.25%) pursuant to a decision made by the Supervisory Board on 8 December 2003. Those rates correspond to the average of the 12-month EURIBOR rates for France and to the minimum rate accepted in Switzerland for taxation purposes on an annual basis.

Procedures

The balances in the current accounts on 31 December 2003 with the various Group companies are indicated in the tables given below.

Your company accounted for as an expense, in the financial year of 2003, the following amounts:

Companies	Amount of interest in Euros	Current account balances in Euros
TECHMETRIX US	0	12,451.31
ABCIAL	40,623.28	598,094.38
CARI	9,624.80	299,340.03
PROFIL	2,323.05	0
MAROC	0	31,232.51
SQLI SL	0	27,231.07

Your company accounted for as an expense, in the financial year of 2003, the following amounts:

Companies	Amount of interest in Euros	Current account balances in Euros
SUDISIM	7,570.10	-419,898.19
SQLI CH	37,872.75	-1,776,718.46

Members concerned

Mr Jean ROUVEYROL
Mr Yahya EL MIR
Mr Bruno LEYSSENE
Mr Nicolas REBOURS

VII - Guarantee for SQLI MAROC with a view to a car rental

Nature and purpose

SQLI company agreed to act as guarantor for SQLI MAROC for a long-term vehicle rental.

Procedures

Type of vehicle: XSARA PICASSO
Rental duration: 36 months
Rental company: ARVAL PHH
Amount of monthly rental excluding taxes: 4 955 DRH
Rental beginning: 2004

Members concerned

Mr Yahya EL MIR
Mr Bruno LEYSSENE
Mr Nicolas REBOURS

Agreements approved during previous financial years which are ongoing in the course of this financial year

Otherwise, in application of the 23 March 1967 Decree, we have been informed that the agreements approved during the previous financial years have been ongoing during the course of the last financial year.

I - Conditions regarding indemnification of Mr Yahya EL MIR and of Mr Bruno LEYSSENE in case of their removal as Executive Board members

1. Conclusion of an insurance contract of the Social Guarantee type for the business leader by your company

Nature and purpose

Conclusion of a GSC insurance contract in order to provide them with allowances equivalent to the ASSEDIC allowances insofar as their employment contract is suspended because of their appointment as Executive Board members.

Procedures

Payment of a bonus of 3 585 Euros per year to Mr Yahya EL MIR and 3 355 Euros per year to Mr Bruno LEYSSENE.

2. Additional indemnification

Nature and purpose

The company will also pay, to Mr Yahya EL MIR and/or Mr Bruno LEYSSENE, an amount of 75 000 Euros net in case they are removed as Executive Board members, as indemnities, whatever the time of the said removal may be.

II - SQLI bail bond with Factobail

Nature and purpose

SQLI has a bail bond for its ABCIAL subsidiary for all sums this company might owe to FACTOBAIL at the end of a factoring contract. This agreement is limited to a maximum amount of 300 000 Euros.

As of 31 December 2003 the commitment comes to 150 000 Euros.

III – Agreement on the Provision of Services

Price Transfer Agreement

Nature and purpose

An agreement on the provision of services called "Price Transfer Agreement" has been established between SQLI and its subsidiaries in 2000, authorised by the Board of Directors on 27 November 2000.

This agreement sets down the principle of exhaustive invoicing between the companies of the Group for services carried out for the benefit of another company of the Group.

Terms and Conditions:

In 2003, your company billed its subsidiaries for the following amounts

Companies	Amounts (pre-tax) in Euros
ABCIAL	176,875
TECHMETRIX US	4,253
SQLI CH	398,674

In 2003, your company recorded the following invoices sent to it by its subsidiaries:

Convention concerning invoicing of the subsidiaries for central services

Companies	Amounts (pre-tax) in Euros
ABCIAL	1,519,736
SQLI CH	23,970
SQLIMAROC	10,800

Nature and purpose

Your company, which takes responsibility for the management of central services (Human Resources, management control, accounting, marketing, communications,...) invoices the relevant subsidiaries for their proportion of these expenses.

Terms and Conditions

In 2003, your company invoiced the following amounts:

Companies	Amounts (pre-tax) in Euros
ABCIAL	90,225
SQLI CH	263,216

IV – Lease Management Agreement with SUDISIMNature and purpose

On 27 November 2000, your Board of Directors authorised the signing of a lease management agreement between SQLI and SUDISIM for an amount of 44 210.21 euros.

A lease management agreement between SQLI and SUDISIM has been set up with effect from 1 January 2000 and will finish on 31 December 2009.

Terms and Conditions

The annual rent, before tax, is made up of:

a fixed sum of 18 293.88 euros,
a variable sum corresponding to 1% of revenues.

For 2003, this comes to a total of 60 980,18 euros before tax.

V – Lease Management Agreement with ABCIAL

Nature and purpose

A lease management agreement has been set up between SQLI and its subsidiary ABCIAL concerning the Lyon premises starting on 1 January 2001 and finishing on 31 December 2010.

This company's business activities are: Studies, consultancies, and IT training.

Terms and Conditions:

The annual rent, before tax, comes to:

a fixed sum of 13 720.41 €uros which ABCIAL must pay to SQLI on 31 December each year, a variable sum corresponding to 1% of the year's revenues payable on 31 December each year.

For 2003, this comes to a total of 27,393.97 €uros before tax.

VI - Mr LEFEBVRE's current account

Nature and purpose

The interest rate payable on the current account is 5.05% per year. This rate is tax deductible for the financial year ended 31 December 2003.

Terms and Conditions

On 31 December 2003, the current account balance stood at 20 760.25 €uros.

The interest paid by your company during the course of 2003, amounted to 104,85 €uros.

VII – Mr ROUVEYROL's current account

Nature and purpose

The interest rate payable on the current account is 5.05% per year. This rate is tax deductible for the financial year ended 31 December 2003..

Terms and Conditions

As of 31 December 2003, the current account is settled.

The interest paid by your company during the course of 2002 amounted to 1 110.72 €uros.

We would also like to present our report on those agreements subject to article L 255-90 of the French Commercial Code.

In application of article L.255-240 of this Code, we would like to point out to you that this agreement has not been authorised beforehand by your Supervisory Board.

It is our duty therefore, on the basis of the information that has been given to us, to communicate to you the nature and the terms and conditions of this agreement as well as the circumstances as to why the authorisation procedure was not followed. It is not our role to comment as to whether they are beneficial or appropriate. It is your responsibility, under the terms of article 117 of the 23 March 1967 Decree, to evaluate the benefits resulting from this agreement prior to its approval.

We conducted our work in accordance with professional standards applicable in France. These standards require us to perform the necessary procedures to verify that the information provided to us is consistent with the documentation from which it has been extracted.

Ratification of a convention mentioned in article L.225-90 and not previously authorised, namely, a rider to Mr Jean ROUVEYROL's employment contract reducing his compensation.

Nature and purpose

The company calls on Mr Jean ROUVEYROL's services under an employment contract with a view to entrusting him with the following:

management of relationships with investors and managers,
financial communication,
accompaniment of the Group's development strategy.

Terms and Conditions

Conclusion of an employment contract with the company was previously authorised. Mr Jean ROUVEYROL, previously remunerated as Chairman of the Supervisory Board, has not received any further remuneration in connection with his mandate since 1 October 2002.

During financial year 2003, your Chairman decided to reduce his remuneration, without advance authorisation. It was reduced from 5 000 Euros to 2 500 Euros per month starting in October 2003, and then 1 500 Euros per month starting on 1 December 2003.

His compensation, including benefits in kind, came to 57 445 Euros in 2003.

Member concerned

Jean ROUVEYROL

Paris, 9 April 2004

The Statutory Auditors

CONSTANTIN ASSOCIES

FIDUCIAIRE DE LA TOUR

J.M. BASTIER

J.P. PAUMARD

6.5 AUDITORS' SPECIAL REPORT CONCERNING THE REPORT DRAWN UP BY THE CHAIRMAN OF THE SUPERVISORY BOARD

AUDITORS' REPORT

Established in application of the last paragraph of article L.225-235 of the Code of Commerce, on the report by the Chairman of the Supervisory Board of SQLI company, with respect to the internal control procedures relative to development and processing of the accounting and financial information

Financial year ending on 31 December 2003

To the shareholders:

As auditors of SQLI company and in application of the provisions of the last paragraph of article L.225-235 of the Code of Commerce, we hereby present our report to you on the report established by the Chairman of your company's Supervisory Board pursuant to the provisions of article L.225-68 of the Code of Commerce for the financial year ending on 31 December 2003;

On the Supervisory Board's responsibility, it is up to the management to define and implement adequate and effective internal control procedures. It is up to the Chairman to indicate in his report, in particular, the conditions regarding preparation and organisation of the work done by the Supervisory Board and the internal control procedures installed within the company.

It is up to us to provide you with the remarks called for on our part by the information given in the Chairman's report concerning the internal control procedures relative to development and processing of the accounting and financial information.

We conducted our work in accordance with professional standards applicable in France. These standards require us to perform the necessary procedures to verify that the information provided to us in the Chairman's report concerning the internal control procedures relative to development and to processing of the accounting and financial information. Those steps consist in particular of the following:

- ~~///~~ familiarise ourselves with the objectives and general organisation of internal control relative to the development and processing of the accounting and financial information presented in the Chairman's report;
- ~~///~~ familiarise ourselves with the work underlying the information provided in this way in the report.

On the basis of this work, we have no remarks to make concerning the information provided about the company's internal control procedures relative to the development and processing of the accounting and financial information contained in the report by the

Chairman of the Supervisory Board established in application of the provisions of the last paragraph of article L.225-68 of the Code of Commerce.

Paris, 9 April 2004

The Statutory Auditors

CONSTANTIN ASSOCIES

J.M. BASTIER

FIDUCIAIRE DE LA TOUR

J.P. PAUMARD

7 CORPORATE GOVERNANCE

7.1 COMPOSITION AND OPERATION OF THE ADMINISTRATIVE, MANAGERIAL AND SUPERVISORY ORGANS

7.1.1 COMPOSITION

Composition of the Supervisory Board

Last name and given name or corporate name	Date of taking up functions	Expiry date of functions	Main functions within the company	Other mandates and functions exercised in any company
Jean Rouveyrol, (Founder)	Nomination of the Supervisory Board at the Combined shareholder's meeting on 26 June 2002.	His functions will expire on the decision of a general meeting called to rule on the financial accounts for the year ending 31 December 2007.	Chairman of the Supervisory Board	<u>Within SQLI group:</u> Chairman and Chief Executive Officer of ABCIAL Director of Sudisim President of Techmetrix Inc Manager of CARI Employment contract (management of investor relations, financial communication and accompaniment of strategy)
Roland Fitoussi	Nomination of the Supervisory Board at the Combined shareholder's meeting on 26 June 2002.	At the end of the general meeting called to rule on the financial statements for the financial year ending on 31 December 2007.	Deputy Chairman of the Supervisory Board	Chairman of the Supervisory Board of Solving International President of Solving International North America Director of Bohling & Strömberg Director of Solving Ibérica Director of Solving Spa Director of Alcor Développement
Dominique Chambas	Nomination of the Supervisory Board at the Combined shareholder's meeting on 26 June 2002.	His functions will expire on the decision of a general meeting called to rule on the financial accounts for the year ending 31 December 2007.	Supervisory Board member	Director of Semac President and Chief Executive Officer of Sodimap Manager of Synergie Consulting Deputy Chairman of the Aldata Supervisory Board
FD5 (Represented by Xavier Cottin)	Nomination of the Supervisory Board at the Combined shareholder's meeting on 26 June 2002.	His functions will expire on the decision of a general meeting called to rule on the financial accounts for the year ending 31 December 2007.	Supervisory Board member	Xavier Cottin is the permanent Representative of FD5: to the Board of Directors of Sport 4Fun to the Supervisory Board of Maporama to the Supervisory Board of Access Commerce to the Board of Directors of Mistergooddeal

Composition of the Board of Directors

Last name and given name or corporate name	Date of taking up functions	Expiry date of functions	Main functions within the company	Other mandates and functions exercised in any company
Yahya El Mir	Appointment to the Executive Board by the Supervisory Board on 26 June 2002.	26 June 2008	Chairman of the Board of Directors	<u>Within SQLI group:</u> President and Chief Executive Officer of Sudisim Manager (until liquidation at end 2003) of Profil Manager of SQLI SL Chairman of the Board of Directors of SQLI Suisse SA Chairman of the Board of Directors of SQLI MAROC SA
Bruno Leyssene	Appointment to the Executive Board by the Supervisory Board on 26 June 2002.	26 June 2008	Member of the Executive Board	<u>Within SQLI group:</u> Director of Abcial Director SQLI MAROC SA
Nicolas Rebours	Appointment to the Executive Board by the Supervisory Board on 26 June 2002.	26 June 2008	Member of the Executive Board	<u>Within SQLI group:</u> Director of SQLI MAROC SA Treasurer and secretary of TechMetrix US Employment contract (Chief Administrative and Financial Officer with SQLI SA

Information concerning the recommendations made in the Bouton report

At present there are no internal rules and regulations or code of ethics for the company's management organs. No measures have been taken for particular evaluation of the members of the Supervisory Board. No particular committees have been set within the Supervisory Board, particularly in connection with compensation or auditing. All authorised agents were appointed prior to publication of the Viennot II report, and hence the appointment of the independent board members could not take place in accordance with its recommendations, particularly as concerns advance information for the meeting.

The following board member, not holding, directly or indirectly, more than 3% of the shares constituting the share capital or any employment contract with one of the group companies, may be considered as independent: Mr Dominique Chambas.

The number of independent board members is 1 out of 4.

A proposal is being put to the meeting held on 10 June 2004 to appoint two additional independent board members: Mr Bernard Jacon and Mr Marc Bucaille.

You are reminded that pursuant to the articles of association, each board member must hold at least once company share. No shareholding obligation is laid on the members of the Executive Board.

Pursuant to the legal provisions, the SQLI shares belonging to the members of the Supervisory Board, of the Executive Board and to those persons' spouses are registered shares.

Information concerning the securities transactions carried out by the authorised agents

Article L 621-18-2 of the monetary and financial Code provides for communication of the acquisitions, disposals, subscriptions and exchanges of securities carried out by the members of the Executive Board or of the Supervisory Board of the company, as well as by the persons having a close personal relationship with them. However, the general rules and regulations of the financial Markets authority and the decree in Council of State that are to lay down the procedures of such communication are still unavailable. Hence that information will not be supplied this year.

7.1.2 OPERATION

During the financial year ending on 31 December 2003, the Supervisory Board met five times. Those meetings were most often held in the presence of members of the Executive Board presenting documents to the Supervisory Board (annual and semiannual financial statements, quarterly reports by the Executive Board...). Certain such meetings were preceded by telephone conference call among the members of the Supervisory Board.

All members of the Supervisory Board took part in each such meeting.

The Executive Board meets as often as necessary. Pursuant to the provisions of article 15 of the articles of association, its most important decisions were recorded in minutes.

Internal rules and regulations governing the transactions in SQLI securities carried out by the authorised agents were adopted by the Supervisory Board at its meeting on 29 June 2004.

Measures adopted in order to evaluate the Executive Board or measures planned for that purpose: in addition to installation of variable compensation in 2003 depending on the extent to which quantitative objectives are reached, the Supervisory Board regularly rates the Executive Board on the basis of the objectives presented by it and of the realisation reports. A compensation committee was established on 29 June 2004 within the Supervisory Board.

No other committees have been set up within the Supervisory Board. The present limited number of Supervisory Board members and the active participation of each member in all of the problems taken up at each meeting makes establishment of other committees unnecessary.

Verification and auditing of the accounts submitted by the Executive Board were carried out in accordance with the following procedure:

- Review of the closing files
- Verifications by sampling
- Consistency checks

The Supervisory Board made the following checks in order to assure itself of the effectiveness of the Group's internal auditing:

- Review of the internal control organisation installed, particularly as concerns the following points:
 - ?? the powers of the Executive Board and the delegations granted by it;
 - ?? the company's administrative organisation, particularly concerning the development and processing of the financial and accounting information;
 - ?? internal control
 - ?? frequent contacts with the auditors

The Supervisory Board laid down the rules regarding determination of the variable part of the compensation paid to the senior managers for financial year 2003, summed up in the following table:

Period	Level 1	Level 2	Level 3
1 st half net income	If net income greater than 0	If net income greater than 2% of consolidated turnover	If net income greater than 4% of consolidated turnover
Variable amount allocated to each Member	12,000€ (1)	8,000€	8,000€
2 nd half net income	If net income greater than 1.2%	If net income greater than 2% of consolidated turnover	If net income greater than 4% of consolidated turnover
Variable amount allocated to each Member	12,000€ (1)	8,000€ (1)	8,000€
Annual net income	If net income greater than 0.6%	If net income greater than 2% of consolidated turnover	If net income greater than 4% of consolidated turnover
Variable amount allocated to each Member	6,000€ (1)	4,000€ (1)	4,000€

(1) objective reached

You will find a description of the Supervisory Board's operation in the attached report by the Chairman of the Supervisory Board reporting on the conditions regarding preparation and organisation of the board's work as well as the internal control procedures installed by the company. That report is included in chapter 4.3 of the present reference document.

7.2 SENIOR MANAGERS' INTERESTS IN THE ISSUER'S CAPITAL, IN THE CAPITAL OF ITS SUBSIDIARIES, OR IN A SIGNIFICANT CUSTOMER OR SUPPLIER OF THE ISSUER

7.2.1 COMPENSATION AND BENEFITS

The total amount of total gross compensation and benefits of all kinds paid during the financial year ending on 31 December 2003 to the SQLI senior managers (member of the Supervisory Board and Executive Board's members), directly or indirectly, by the issuer and by any group company is 394,737€. Details concerning those amounts appear in the management report reproduced in section 4.1 of the present document.

No attendance fees have been paid in the past to the members of the Board of Directors or of the Supervisory Board. A proposal is being put to the meeting held on 10 June 2004 to decide to allocate attendance fees in an amount of 21,000€.

7.2.2 EQUITY WARRANTS

The special report by the Executive Board appearing in chapter 4.2 details the equity warrants and the stock options known as "part de créateur d'entreprise" allocated to the Executive Board members.

A proposal has been put to the meeting held on 10 June 2004 for creation of two new plans for "bons de souscription de part de créateur d'entreprise" (BCE)

The first plan would be for 460,000 BCE without any performance condition, while the second would be for 1,200,000 BCE and would be subject to performance conditions. The conditions regarding allocation and exercise, determination of the allocatees, of the issue procedures and of the number of BCE to be issued would be the object of a delegation to the Executive Board, and then of validation by the Supervisory Board.

On the basis of a decision by the Supervisory Board, a fraction of the said BCE could be allocated to members of the Executive Board.

7.2.3 REGULATED CONVENTIONS WITH THE SENIOR MANAGERS

The auditors' special report appearing in chapter 6.4 details the various regulated conventions concluded during financial year 2003, as well as the ones concluded previously execution of which continued during financial year 2003.

7.2.4 LOANS

No authorised agent has received any loans from the company or from a SQLI group company.

8 EVENTS THAT HAVE HAPPENED SINCE THE CLOSED OF THE 2003 FINANCIAL YEAR

8.1 FINANCIAL PRESS RELEASE, 6 APRIL 2004

SQLI

Return to profitability in 2003:
net margin of 2.4 %, above forecasts

Promising prospects for 2004

(M€)	2002	2003
Turnover	44.1	41.4
Operating profit	-5.9	1.4
Operating margin (in % of turnover)	-13.3%	3.3%
Net income before goodwill	-7.1	1.0
Net income after minorities	-9.3	1.0
Net margin (in % of turnover)	-21.3%	2.4%
Shareholders' equity	0.4	4.8
Net cash position	-0.2	6.8

Strong productivity improvement in 2003

In line with its forecasts, in 2003 SQLI recorded turnover of 41.4 M€, down by 6.1 % (3.3 % restated for the closing of the Sophia Antipolis and Lille agencies). In view of the 16 % staff reduction on the basis of an identical period, this change bears witness to the strong improvement of group productivity. The activity rate continues to rise, standing at 87.8 % in the second half of 2003 compared with 83.8 % in 2002.

Return to profitability in 2003: a net margin of 2.4 %

The productivity improvement associated with the benefits of restructuring programmes (no longer any loss centres) and with strict management of expenditures made a spectacular recovery of earnings possible. The operating profit increases from -5.9 M€ to +1.4 M€ in 2003, namely an operating margin of 3.3 %. Net income stands at 1.0 M€ (compared with a loss of 9.3 M€ in 2002), namely a net margin of 2.4 %, markedly above the target of getting back to the breakeven point announced at the start of 2003. This performance is based on gradual improvement of earnings, since the net margin stands at 2.9 % in the second half of the year compared with 2.0 % in the first half.

A strengthened and lasting financial structure

The financial structure improved considerably in 2003. Shareholders' equity, strengthened both by the capital increase of 3.0 M€ and net income of 1.0 M€, comes to 4.8 M€ compared with 0.4 M€ in 2002. The net cash position, negative by 0.2 M€ at end-2002, recovered to 6.8 M€ at end-December 2003. This provides SQLI with a very solid financial structure for continuing its future growth under the best possible conditions.

Promising prospects for 2004: profitable growth

SQLI group, in perfect shape with respect to its fundamentals, is targeting turnover of more than 44 M€ in 2004 thanks to a return to significant organic growth. SQLI is relying on an offensive strategy vis-à-vis its most faithful customers thanks to industrialisation of its services (CMMI quality process, offshore), resulting in a very competitive offering, particularly in connection with packaged projects. In addition, SQLI should continue its breakthrough on the local governmental and health markets, capitalising on packaged trade solutions that have been experiencing increasing success.

At the same, SQLI will continue to pay close attention to the improvement of its margins. The group will benefit from the increasing uniformity of the agencies' operating margins, from the increasing level of operation of its offshore centre in Morocco, as well as from the potential for improved margins on packaged deals.

SQLI will report its turnover for the first quarter of 2004 on May 14.

8.2 FINANCIAL PRESS RELEASE, 12 MAY 2004

SQLI

**A very good start to financial year 2004:
Strong organic growth of + 7.4 %**

(In M€)	2003 turnover	2004 turnover	Variation
1 st quarter	10.8	11.6	+7.4%

unaudited figures

SQLI Group got off to an excellent start to the year 2004, generating growth of 7.4 % in the first quarter of 2004 to 11.6 M€. That growth, entirely organic, is in the upper part of the sector range, confirming the group's positioning and dynamic strategy. As anticipated, the agencies located in the regions are stimulating the growth, now representing 51 % of total turnover. Switzerland and Paris contribute 12 % and 37 % respectively.

For that quarter SQLI continued its productivity optimisation, with an activity rate increasing to 87.7 % compared with 85.3 % for the same period in 2003. As announced, the Group initiated its programme of 80 recruitments planned for this year in order to cope with its dynamic development. Thus the number of employees stood at 610 on 31 March 2004 (594 on 31 March 2003), compared with 596 at end-December 2003.

SQLI is also harvesting the fruits of its strategy aimed at industrialisation of its processes, gradually benefiting from the CMMI quality methods applied to all agencies. Thus SQLI is displaying great control of its "offshore" developments, having successfully delivered, since January and by the deadline, its first three packaged contracts partly carried out in Morocco.

Confirmed 2004 prospects

Strengthened by its good financial year beginning and by its sales dynamism, SQLI asserts great confidence in its objective of turnover of more than 44 M€ for 2004 and in a strong improvement of its margins.

SQLI will report its turnover for the 1st half of 2004 on August 11, after the market close.

9 GLOSSARY

BPR (Business Process Reengineering)

Procedure analysis which enables tasks and operators to be redefined.

CMMI (Capability Maturity Model Integrated):

CMM is a model which evaluates the capability of the organisation to improve the manner in which it manages, develops and changes software. It was designed by SEI (Software Engineering Institute), born of their experience and describes implementation practices to ensure that costs, deadlines and performance of the software developed are controlled.

CORBA (Common Object Request Broker Architecture)

Intra-object communication software whose specifications were established by OMG which brings together more than 500 members..

Datamart (magasin de données)

Datamart is a data centre which responds to all the characteristics of the datawarehouse, but with a restricted volume indicator meter. A datamart can also be built around a particular function (for example, management control), a precise subject (for example, promotion) or a reduced data granularity (for example, monthly consolidations of the last three years of the Ile-de-France region).

Datawarehouse (entrepôt de données)

Data centre organised specifically to respond to decision making needs. Data from production sites are extracted, transformed and recorded in the datawarehouse to enable them to be analysed. Datawarehouse data is classed according to subject, integrated data, non-volatile data, and data aggregated in time and documented.

Datawarehousing

Group of IT tools, technical architectures and business organisations which is necessary for implementating a decision-making environment of the datawarehouse type.

DCE (Distributed Computing Environment)

A development and working platform standardised by OSF supplying the different services inherent to a distributed system. The architecture is composed of 5 basic services.

DMZ (Demilitarized zone)

This is the buffer area of a company's network which sits between the local network and the internet, behind the firewall, which corresponds to an intermediary network which groups together public services (HTTP, SMPT, FTP, DSN, etc.). Its aim is to avoid any direct connection with the internal network and to prevent any external attack from the Internet.

EAI

EAI designs solutions and methods aimed at ensuring the integration of different components of the information system. It increases the flexibility and reduces the cost of maintaining inter-application interfaces.

EIS (Executive Information System)

Executive information system in the form of an automated spreadsheet which represent the essential indicators of a company's business immediately and synthetically. It enables the company to understand trends and identify setbacks.

ETL (Extraction Transformation and loading)

IT tool which extracts data from various sources (production databases, files, Internet, etc.) and tranforms and loads them into a datawarehouse .

Flash

Animation tool for Windows and Macintosh environments created by the Macromedia producer. It is used to set up animated and interactive graphics on websites as well as presentations or games. Flash animations are the only ones which are light enough to be transmitted on line. However, to be able to read them, the internet user must have additional application software (commonly known as a plug-in) which will enrich the functions of his navigator. It is very innovating by its possibilities to manipulate vectoral drawings, associated with time scales and sounds. Flash is a new form of artistic expression for graphics, animated drawings, videos and music.

Framework

Literally corresponds to the French words "charpente" or "ossature". For IT, it creates the framework in which an application will be inserted. For object orientated programming, it creates the software infrastructure which facilitates application design by using java class libraries or programme generators.

J2EE (Java 2 Platform Enterprise Edition)

A set of standards for companies' e-business platforms (application servers) based on the Java language.

PDA (Personal, Digital Assistant)

Pocket computer which complements a desktop computer or portable computer. It integrates multiple management functions which enable it to be used as an office tool which people can use when they are travelling. Newton, launched by Apple in 1993, was the pioneer of personal assistants. Then two models were brought out thanks to synchronisation functions with an office computer: Palm Pilot which has been marketed since 1996 by US Robotics, and Psion. Today numerous brands offer very sophisticated personal assistants which can combine multimedia and wireless Internet access: Compaq, Hewlett-Packard, Toshiba, Sagem, etc.

PGI (Progiciel de Gestion Intégré – Integrated Management Hardware) or ERP (Enterprise Resource Planning)

A set of software which integrates the main functions necessary for flow management and company procedures (accountancy and finance, logistics, payroll and human resources, etc.) This software accesses common resources, in particular databases

PKI (Public Key Infrastructure)

System of numerical certificates used to check and authenticate the validity of parts involved in an electronic transaction. PKI is not yet standardised and is generally implemented by third-party bodies. PKI relies on the use of public key cryptography. This is an encryption key (sequence of symbols) stored in a directory which is accessible to all members of a network or an organisation, enabling messages to be sent in complete confidentiality to its sole owner, or authenticating the receipt of messages sent by this owner. A public key infrastructure can notably offer private life protection services, information access control, integrity, and authentication and non-repudiation services for IT applications and electronic trade transactions.

SDP

Project management and monitoring tool developed by the SQLI Group. This tool enables a project to be split up into phases and tasks, defining their assignment, monitoring their implementation and having a detailed project progress report.

TCM

A tool for formalising management and monitoring unit, business and integration tests developed by the SQLI group for controlling the quality of software of these projects.

XML (eXtensible Markup Language)

Data description standards defined by W3C. An upgrade of the SGML language, XML enables HTML document designers to define their own markers, so as to personalise the structure of the data that they want to present. While HTML specifies how the page elements are presented, XML defines what those elements contain.

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