GROUP SQLI

REFERENCE DOCUMENT 2005

This reference document was filed with the Financial Markets Authority on 21st July 2006, pursuant to article 211-6 of the AMF's General Rules and Regulations. It may be used in support of a financial transaction if it is supplemented by an operation note approved by the Financial Markets Authority.

Free Translation

1 RESPONSIBLE PERSON

In application of Article 28 of Regulation (EC) No 809/2004 of 29 April 2004 related to the prospectus, the following pieces of information are included in the Reference document:

- The company's consolidated accounts and the statutory auditors' report on the consolidated accounts for financial year ended 31 December 2004, as described on pages 77 to 97 and 98 to 99 respectively of the reference document deposited with the Financial Markets Authority on 13 July 2005 under the number D.05-1019,

- The social accounts of SQLI Inc and the statutory auditors' general report on social accounts for financial year ended 31 December 2004, as described on pages 100 to 124 and 125 to 126 respectively of the reference document deposited with the Financial Markets Authority on 13 July 2005 under the number D.05-1019,

- The company's consolidated accounts and the statutory auditors' report on consolidated accounts for financial year ended 31 December 2003, as described on pages 98 to 120 and 96 to 97 respectively of the reference document deposited with the Financial Markets Authority on 2 July 2004 under the number R.04-136.

- The social accounts of SQLI Inc and the statutory auditors' general report on social accounts for financial year ended 31 December 2003, as described on pages 100 to 124 and 125 to 126 respectively of the reference document deposited with the Financial Markets Authority on 2 July 2005 under the number R.04-136.

The pieces of information included in these two reference documents that differ from those above mentioned have, if necessary, been corrected and/or updated by new statements included in the present reference document.

The two reference documents given above are available on the company's website, www.sqli.com, or on the Financial Markets Authority's, www.amf-France.org.

1.1 PERSON RESPONSABLE FOR THE REFERENCE DOCUMENT

Monsieur Yahya EL MIR as a Chairman of SQLI's Executive Board.

1.2 RESPONSIBLE PERSON'S ATTESTATION

After having taken all reasonable measure to this end, I attest that the pieces of information presented in this reference document fairly reflect the current situation and I certify that no information likely to have a material impact on the interpretation of this document has been omitted. The statutory auditors gave me a notice of completion of work that guarantees both the audit of the financial situation and the accounts presented in this reference document, and the reading of this very document.

Historical financial information has been the subject of reports by the statutory auditors, reports that appear in chapter 20.4 of the present reference document, in chapter 6 of the 2004 reference document deposited on 13 July 2005 and in chapters 5 and 6 of the 2003 reference document deposited on 2 July 2004 under number R .04-136. The auditors' reports for 2005 contain the following statement:

"Without calling into question the opinion expressed above, and in accordance with the provisions of Article 232-6 of the Commercial Code we would like to draw your attention to the change in accounting methods made during the financial year, due to Regulations CRC 2002-10 and 2004-06, enforced by French companies for the first time in 2005, concerning on the one hand the amortization and depreciation of the assets, and on the other hand the definition, accounting and valuation of the assets, as mentioned in the footnote 3.9 of the appendix."

La Plaine Saint-Denis, 21 July 2006

Yahya EL MIR

2 STATUTORY AUDITORS

2.1 INCUMBENT STATUTORY AUDITORS

The Chart of the statutory auditors’ fees is presented in chapter 20.4.5.

Incumbent Statutory Auditors

Fiduciaire de la Tour
Represented by Monsieur 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 Shareholders' Meeting called to assess the financial statements for the financial year ending 31 December 2006.

Constantin Associés
Represented by Monsieur Jean-Marc Bastier until the 16 June 2006 meeting, then by Monsieur Michel Bonhomme after the mandate renewal.
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 20011.

The Chart of the statutory auditors’ fees is presented in chapter 20.4.5.

2.2 AUXILIARY STATUTORY AUDITORS

Auxiliary statutory auditors

Monsieur 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.

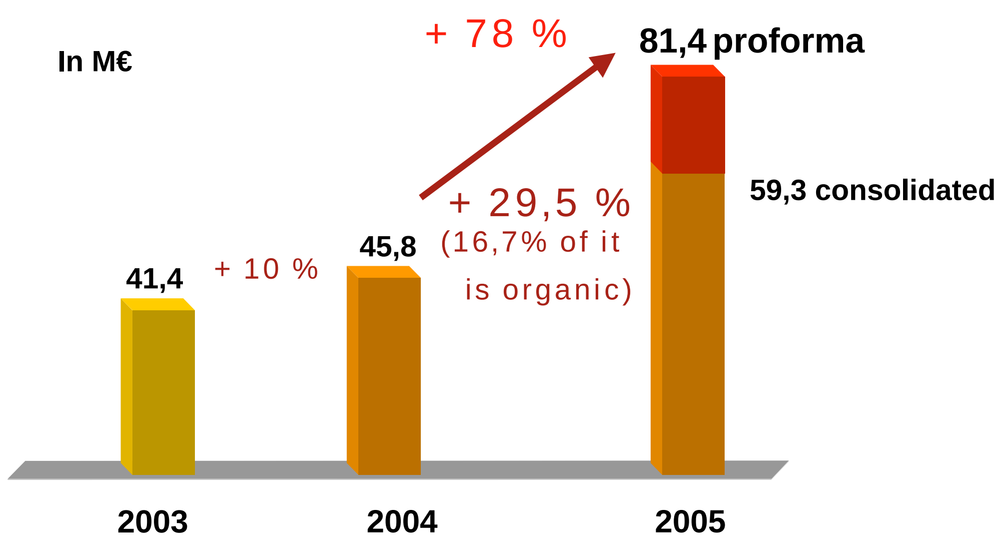
Monsieur François-Xavier AMEYE
114, rue Marius Aufan
92532 Levallois-Perret Cedex

First appointed: 21 March 2000, renewal of mandate on 16 June 2006.

Mandate expiry date: mandate for six financial years to expire following the Ordinary General Shareholders' Meeting called to assess the financial statements for financial year ended 31 December 2011.

3 SELECTED FINANCIAL DATA

3.1 2005: A REAL DIMENSION CHANGE



- **A 16.7 % organic growth in 2005: a strategy success**

- This performance is higher than the market one (between 6 and 8% according to Syntec statistics);
- The growth has affected both the development of existing referencing and the one of new accounts;
- Marketing and partnerships actions are fructifying: SQLI is more and more present and consulted in tender offers.

- **A 2005 pro forma turnover of 28M€ for each targeted external growth.**

LN Multimédia in March 2005 (2005 turnover: 1,2M€) : strengthening of our positions in west France and Morocco
- With the passing of one year, the integration has been successful in both west France and Morocco;
- Lnet has developed solutions and specific competences in synergy with the company.

Aston in November 2005 (2005 turnover : 20M€) : strong technological, job and trade connections in the entire e-business line
- The relocation of all Aston's assets in SQLI premises in Saint Denis, Lyon and Toulouse has been made in 2005;
- SQLI has taken over the management of Aston's activities in order to boost its integration in SQLI group from 1st January 2006;
- The training activities in deficit have been sold during the integration of Aston in the company (turnover: 1M€) ;
- Economies of scale of about 1.5M€ are expected from 2006.

Sysdéo in November 2005 (2005 turnover : 7M€) :a strong competence in services with very high added value (advice, training)
- From 1st January 2006 training activities of SQLI and Sysdéo have been brought together as to create one of the major training centres specialized in internet technologies that produce

economies of scale (same retail catalogue, better attendance in training sessions, mutualisation of the equipment and the dedicated teams...) ;
- The integration of the advice teams is taking off : Sysdéo colleagues have integrated SQLI offices in March 2006;
- Sysdeo services will be commercialised by all the sales representatives;
- The economies of scale are expected to be about 0,3M€ in 2006.

3.2 A CURRENT OPERATING MARGIN AT 3,6% THAT INTEGRATES GROWTH INVESTMENTS

In K € IFRS	2004
	45 776
Current operating result	**1 782**
Non ordinary incomes and expenses	45
	(27)
Taxes on result	(166)

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referencing towards the big national groups (the referencing of France ing summer 2005 is one of this new organisation's main successes) on the and developing partnerships with the editors/publishers (IBM, Microsoft, Borland her hand.

<u>The CMM-I team</u>

The headquarters' CMM-I team has been extended in order to accelerate t of tools, the deployment in agencies and the certification.

3.3 A FINANCIAL STRIKE FORCE REINFORCED IN 2005

ASSETS (M€)	12/04	12/05	LIABILITIES (M€)	12/04	12/05
Goodwill	0,1	15,0	Equity Capital	6,8	23,5
Other fixed assets	1,3	2,9	Deferred charges liabilities	-	0,2
Deferred charges assets	0,3	0,8	Other long-term liabilities	0,3	0,9
Short-term assets	14,7	34,7	Short-term liabilities	16,1	33,1
Cash position and equivalents	7,4	10,6	Short-term & long-term financial debt	0,6	6,3
TOTAL ASSETS	23,8	64,0	TOTAL LIABILITIES	23,8	64,0

- **Positive impact of the 9.1M€ increase in capital in October 2005**

The available cash in December 2005 amounts to 10,6M€.

The group also cuts from 3.8 million its use of factoring financing between December 2004 and December 2005.

Equity capital has been multiplied by 3.5 in the end of 2005 compared with last year figures.

4 RISK FACTORS

4.1.1 MARKET-RELATED RISKS (INTEREST RATES, EXCHANGE RATES, SHARES AND LOANS)

SQLI operates mainly in France and has subsidiaries in Switzerland and in Morocco. The group bears an exchange rate risk in connection with the activities in Switzerland and Morocco (i.e. a 8.3M€ turnover in 2005, for consolidated accounts of 59.3M€). However, the 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 4,5M€ medium-term, floating rate loan subscribed to finance the acquisition program. This risk is yet covered by a hedging instrument described in chapter 20.3.1, footnote VI, paragraph 3.14 where 2005 consolidated accounts are exposed.

4.1.2 BUSINESS-RELATED RISKS

4.1.2.1 Customer risks

SQLI has always been careful not to become dependent on any customer or business sector. For financial year 2005, the group's main customer (Airbus) accounted for 6% of the turnover.
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) without eliminating it.

4.1.2.2 Competition risks

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

However after several years of crisis, price pressure weakened in 2005. The company believes that prices should remain stable for the coming years.

But competition still remains sharp. SQLI intends to strengthen its competitive positions by industrialising its trade approach: with CMM-I, the solution approach and the offshore sector, SQLI has gained some real competitive advantages. SQLI also benefits from an increasingly strong position on the specialized market, thanks to its strong organic growth and its recent acquisitions.

4.1.2.3 Key persons risks

The direction thinks that the risk to see key persons leaving is weak because SQLI Group is organised into profit centres placed under the responsibility of the manager, who freely runs the centre. These responsibility and freedom for operations mean that 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 a network organisation, i.e. relying on other members of the group to reinforce the notion of a true team. The group management checks that managers pay attention to detecting talented employees and to their career progress, so as to have potential managers available.

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

4.1.2.4 Liquidity risk

The direction reckons liquidity risks is weak because of the following facts:
-a healthy financial structure (consolidated own funds of 23.5M€, available funds of 10,6M€ (financial debt non included), respectively 19,1M€ and 9.6M€
-the financial debt has a 4,5M€ medium-term loan repayable over a period of 4 years.
-the financing capacities of the customer through factoring are full
-the company benefits from short-term credit lines of 2.1M€

The 4.5M€ medium-term loan has a collectability clause anticipated in case of failure to reach the following ratios:

Net Financial Debts/GOS < 1 for the entire credit period (consolidated basis)
Free Cash-Flow/ debt service > 1 ;
CIF > 2 M€ ;
Medium and long term Debt/ shareholders' equity and quasi own funds < 1.

The following transactions, if done without the lenders' provisional authorization, could also lead to the anticipated collectability of the loan:
Investments higher than 1M€ a year;
External growth transactions amounting to more than 0.5 M€ a year. By way of an exception, the lenders' provisional authorization is not required for external growth transactions that had been financed for at least 40% by a capital increase (cash or in kind) and whose cash price given for the part exceeding the capital increase is lower or equal to 3,5 M€.

4.1.2.5 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 SQLI group to make most changes in technology.

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

4.1.2.6 Legal risks

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

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 by its needs on the basis of the reference terms prepared by customers

-limits its responsibility in 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 or any particular risk for the group.

4.1.2.7 Industrial risks and risks relating to 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.

4.1.2.8 Risks relating to the external growth policy

SQLI carried out three external growth operations in 2005 and announced the signing of a new contract on 15 May 2005. This external growth strategy established by the group involves some risks:
Integration difficulties: Considered as the major risk by the company's managers all the more since the group tends to favour a strong degree of integration of acquired companies, in order to boost the development of commercial, technical and administrative synergies. For each future acquisition the company's management carefully assesses the risk factors of an integration failure in order to complete the operations without guaranteeing the success of the integration.
- Key men leaving : When the acquired companies' managers or shareholders are considered as essential in the cooperation success, there are asked by SQLI to commit themselves to remaining in the group for at least two to three years after the acquisition.
- Partners leaving: Since SQLI is a services firm, its partners represent its real potential manpower. The integration of new partners in the group is thus carefully followed, and the harmonisation of working conditions is generally favourably considered.
The change of working places can also create difficulties. However as most partners work in the customers offices, the headquarters move does not modify their main workplace. The announcement of the companies merger can also lead to a questioning period for some partners, that can be used by competitors to poach them.
-Customer loss : SQLI group, the acquired companies and the targets mostly work for major customers. For a few years these customers have carried out an active referencing policy aiming to reduce the number of service providers. These acquisitions have thus been positively considered both by the customers of SQLI and by those of recently acquired companies, as they take part in the sector consolidation wanted by the major accounts.
-Emergence or detection of conflicts:
Even if the group carries out judicial, tax, accounting and operational due diligences on external growth transactions in order to finalize definitive agreements, an uncertainty still remains about the existence of conflicts that would not have been mentioned or translated in the accounts. The agreements relating to the acquisitions provide consequently the conventional assets and liabilities guarantees as well as a the mode of paying them if they are invoked.
-Earn out :
A clause allowing the payment of a price supplement if the objective expected have been met is usually inserted in the protocols of agreement relating to firm acquisitions. In 2005, 3.1M€ price supplements relating to the acquisitions of Aston and Sysdeo have been budgeted in the accounts ended 31 December 2005 on the basis of the turnover and the results performed by these companies in 2005, results that have met (for Sysdeo) or surpassed (for Aston) the set objectives. There does not remain any price supplement to pay relating to events later than 31 December 2005 not yet registered in the debts.

4.1.3 INSURANCE AND 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 contact 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 AXA company which covers any damages caused to third parties by its activities up to a maximum amount per accident of 7,500,000€.

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

The Group is not covered against business loss risks.

A 1,100,000€ key man insurance for the Chairman of the Executive Board has been subscribed in favour of the company.

Table summarising the company's main insurance policies

Type of risk	Company	Annual cost	Extent of coverage
Professional multi-risk	AXA	15K€	Fire, explosion, theft, additional costs
Professional Third Party liability	AXA	0,09% of the turnover	Operating legal liability ceiling of 7500k€ per claim Legal liability for product/after delivery with ceiling of 762k€ per insurance year
Corporate officers and managers' responsibilities	AXA	16k€	Fault of oversight on behalf of managers, guarantee of 5000k€ per accident
Car Fleet	AXA	76k€	All professional travelling risks

5 INFORMATION ABOUT THE ISSUER

5.1 HISTORY AND EVOLUTION OF THE COMPANY

5.1.1 COMPANY NAME, DATE OF INCORPORATION, TYPE, DURATION, LOCATION, AND REGISTRATION NUMBER OF THE COMPANY

Company name (Article 2)

SQLI

Headquarters (article 4)

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

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.

Date of incorporation

SQLI was incorporated on 22 March 1990.

Commercial register (registre du commerce et des sociétés)

SQLI is registered in the Bobigny Commercial Register under number 353 861 909. The company's articles of incorporation were registered with the Clerk's Office of the Commercial Court of Paris on 28 March 1990.

Legal duration

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

5.1.2 CORPORATE PURPOSE, FINANCIAL YEAR, APPROPRIATION OF EARNINGS, DIVIDEND PAYMENT

Corporate 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,
- Integration and implementation of information technology 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 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.

Business Code (APE)

721 Z

Information and examination of documents (articles 11 et 32)

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

Business Calendar (article 5)

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

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.

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.

5.1.3 HISTORY AND EVOLUTION OF THE COMPANY

SQLI, created to accompany businesses in their use of new technologies, has specialised in realising new-generation information systems.

Starting at the time of its creation in 1990, SQLI based its development on advanced technological expertise and on its intense policy of monitoring developments and R&D. The company recruits high-level engineers and experts in complex assignments, and invests large amounts in training.

Strengthened by its expertise, SQLI has been able to anticipate all major computer trends and to determine their potential for the company's information system and performance:

1990 – 1995 : The user-server years

Jean Rouveyrol and Alain Lefebvre created the company, focusing on the new technologies.

Creation of a department of R&D and publication of comparative studies on the user-server development tools.

1995 - 1998 : From user-server to the Internet

A shift is made towards Internet technologies, that help the R&D teams to resolve the problems of user-server application deployment (in 1995 the Internet is considered as the universal user-server).

Creation of the « Web Agency ». Publication of an ergonomics guideline for Internet applications.

Beginning of a regional development with the creation of an agency in Lyon

1999 - 2001 : Acceleration of the company’s development in order to reach the critical size

Capital uplift thanks to the company’s initial public offering (listed on the new market in 2000). The company has more than 700 customers for a turnover of 45,3M€ in 2001.

Purchasing of Sudisim, Abcial, InVerso and Cari. Opening of a subsidiary in Switzerland. Development of the regional network (Toulouse, Bordeaux, Nantes…)

2002 - 2004 : New board of directors and new development project

The company’s founders form a new board of directors with an Executive board directed by Yahya El Mir.

In order to meet the customers expectations « better, faster, and cheaper » SQLI launches the industrialization project with CMMI, which is the spearhead of the company's strategy. The group obtains certification CMMI 2 in 2004.

Industrialisation of the technical capitalization with CMMI in order to offer turnkey contracts. In 2003 is created IdeoPass the patient identity server, that will quickly be completed by a range of products in the health sector.

In 2003 is created an offshore development centre in Morocco. Totally owned by SQLI, the centre follows all methods and processes projected by the company.

2005 – Today : SQLI has become the leader of e-business projects

The industrialization strategy is going on : all agencies have obtained level 2 certification and SQLI obtained CMMI level 3 certification in early 2006. More than 70% of the turnover is now certified CMMI3.

The range of turnkey products is improved with Ideoproject, a management and project regulation tool (result of the experience gained with CMMI), and IdeoReport, a web reporting tool.

Purchase of Lnet Multimédia, Aston and Sysdeo in 2005. SQLI confirms his leading position in e-business sector in France; 1200 associates pool their assessments to help customers transform their information systems thanks to new technologies.

To continue its development, SQLI has decided to concentrate its efforts on:

- **Strengthening its e-business company status** continuing to broaden the range of intervention so as to offer its customers a complete accompaniment while maintaining the depth of its expert skills in order to continue offering high-value added.
- Development of a **customer-centred sales organisation** to benefit from the sole agency network for a specialised company in innovation (geographical proximity) and to accompany it over time with all of the group services.
- Continuing to carry out of a **service industrialisation strategy** combining total control of the software development process (CMM-I approach), and offshore development centre (so as to cut production costs) and turnkey software solutions (Solutions programme).
- Developing commercial, job and administrative synergies with the companies purchased in 2005.
- Accelerating the company development by external growth operations targeted on firms able to reinforce the range of e-business competences, the catalog of software solutions, or the regional establishment.

5.2 INVESTMENTS

5.2.1 DESCRIPTION OF SQLI'S MAJOR INVESTMENTS DURING THE LAST THREE YEARS

Excepted the external growth operations carried out in 2005, the group did not make any major investment during the last three years. The production equipment mainly consists in premises taken out on commercial lease, computer hardware, and hired vehicles, and does not necessit any investment from the company.

EXTERNAL GROWTH OPERATIONS CARRIED OUT IN 2005

LNET Multimédia company became associated with SQLI after having been put in receivership in October 2004.
Supported by SQLI, LNET administrators suggested a continuation plan that was accepted by the Commercial Court of Nantes on 16 March 2005. Within the framework of this plan SQLI purchased for 6 euros all the shares of LNET and recapitalized the company up to 200K€. The goodwill of 494 K€ represents the difference between the purchase price of the securities of SARL LNET Multimédia, LNET Morocco and IROKO.net and their net assets ended 28 February 2005 on the basis of IAS/IFRS standards. Given the net result of 150K€ performed by LNET since it entered SQLI group, this external growth operation is already a financial success.

Aston has been purchased in cash for 50% of its securities, i.e. 774,149 securities at a price of 3.994€ per share; the 50% remaining have been given in kind and paid with SQLI securities according to the exchange rate of 2 SQLI shares for 1 ASTON share. The transfers in cash and in kind have been made between 29 July 2005 and 7 November 2005.

The final price of 8,942 K€ contains a price supplement of 2,339 K€ calculated in relation to the 2005 results obtained by ASTON and that was due on 31 December 2005. This price supplement has been paid in April 2006, and consisted in 1.459K€ in cash and 434.953 SQLI shares in kind.

The acquisition charges have been integrated in the purchasing costs for 282K€.

During ASTON's entry in the group's perimeter on 1st November 2005 a goodwill of 10,037K€ representing the difference between the acquisition value of Aston securities and its net assets on 31 October 2005 on the basis of IAS/IFRS standard has been recorded.

The economies of scale related to the move of Aston teams in SQLI premises in Paris, Lyon and Toulouse, to the steering groups, to the cut of administrative staff should result in a saving of 1.5M€ per year from 2006.
Moreover, Aston Education activity which was in deficit left the group sphere on 31 October 2005.

Aston has been consolidated since 1st November 2005.

Sysdeo has been purchased in application of the protocol provisions signed on 9 November 2005: 60% of securities that is 60,502 securities have been purchased in cash for 39.27 euro per share, and the 40% remaining securities have been given in kind and paid with SQLI securities according to the exchange rate of 17.45 SQLI shares for 1 Sysdeo share.
The acquisition charges have been integrated in the purchasing costs for 235 KE.

The final price of 4,915 KE contains a price supplement of 720 KE calculated in relation to the 2005 results obtained by Sysdeo and that was due on 31 December 2005. This price supplement has been paid in April 2006, and consisted in 1.459K€ in cash and 434.953 SQLI shares in kind. Sysdeo's shareholders will be allowed to subscribe for these shares with their subscription warrants until 30 June 2006.

Sysdeo has been consolidated since 1st November 2005.

5.2.2 DESCRIPTION OF MAJOR CURRENT INVESTMENTS

SQLI announced on 15 May 2006 the signature of a contract to purchase Procea company.

Reinforcement of assessments in the integration of complex information systems.
In a strategy of strengthening its technological density through assessments specialized in e-business, SQLI announced the signature of a protocol of agreement for the acquisition of 100% of Procea company's capital.

Procea, whose headquarters are in Lyon, has developed a strong competence in integrating information systems in order to optimise the liquid assets/expenses ratio. Procea developed its SAGESS program and its assessments in the military field (defence, space field, naval field) where it is necessary to maintain operational conditions. Procea has recently begun to spread its knowledge on the civil market, through its SAMPLE product that offers an integration method oriented to the service in order to control the operational availability.

With the help of more than 30 associates, Procea had a turnover of 2.6 M€ in 2005.

Strong commercial synergies to be expected
This acquisition also helped SQLI to access to new markets with major potential (like Defence, Energy, Petrochemistry, Space field) with the ambition to quickly offer them the entire range of the group's e-business services. By integrating SQLI, Procea acquires the critical size that allows the company to both consolidate its position on the major markets and accelerate the spreading of SAMPLE products in the civil field by relying on SQLI's commercial assets and existing customers.

Same industrial project, similar corporate cultures
The company's administrators and managers will be strongly involved in the success of the industrial project and will continue to actively participate in the development. Operational synergies will quickly be set when the teams will be brought together in SQLI premises in Lyon.

A consolidation expected for July 2006
Half of the acquisition of 1.4 M€ will be paid in cash and half of it with securities. A price supplement of 0.3 M€ could be added according to the objectives set for 2007.

The final conclusion of the operation is expected for July. Procea should thus be consolidated in a 6-months period from 1^{st} July 2006 and should have a relutive impact from 2007 given the growth potential stemming from the merger.

5.2.3 DESCRIPTION OF MAJOR FUTURE INVESTMENTS

SQLI intends to carry on its strategy based on a growth higher than the market one and a specialized external growth policy aimed to reinforce the technological density of the group in e-business programs.

The group's business plan for 2005-2008 that was exposed in occasion of the capital increase in October 2005 (after the purchases of Aston and Lnet Multimédia), set the objective to reach a turnover of 150M€ for 2008.

Meeting this objective would mean having a growth of average 30% a year.
This ambitious objective means:
-keeping an organic growth of average 15% a year, a growth rate reached in 2005 and in 2006 first term
-carrying on the external growth program

The following external growth objectives (given in turnovers of the purchased companies) were exposed in October 2005.
2006: 10M€. This objective will be reached thanks to Sysdeo acquisitions (November 2005: turnover of 7.6M€), and Procea acquisitions (turnover of 2.6M€ in 2005) that should integrate the group in July 2006.
2007 : 13M€
2008 : 18M€

These objectives are still ambitious but the group thinks that the following facts could contribute to the strategy success:

- The service firms market is very fragmented; that is why the number of potential targets remains substantial despite the current consolidation of the sector;
- SQLI is one of the major computer service firms specialized in internet technologies and is thus competent to support companies that developed technological assessments or e-business jobs, but whose modest size makes it difficult to face the referencing policies of major customers.
- In 2005 SQLI performed a proforma external growth of 28M€.

In order to finance the acquisitions, SQLI wishes to make transactions that can be paid in both cash and kind, a means of financing that enables to associate the management of the purchased companies with the success of the industrial project.
SQLI considers its financing capacity is sufficient to carry out the 2006-2007 acquisition plan. The financing of the second part of the plan (18 M of turnover proforma to acquire in 2008) would mean an improvement of the group profitability in order to increase its self-financing capacity. In this purpose, the objectives of the 2005-2008 plan are to reach an operating margin of average 10% in 2008.

6 GENERAL SURVEY OF THE COMPANY ACTIVITIES

6.1 MAIN ACTIVITIES

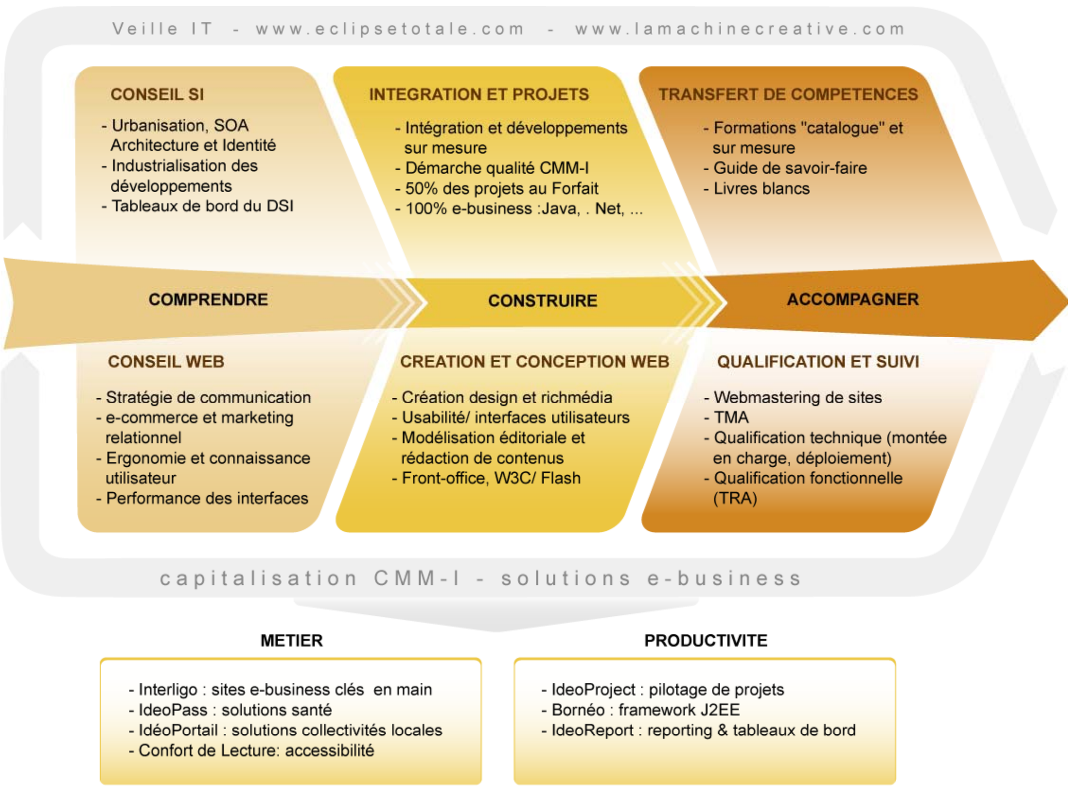
6.1.1 JOBS

SQLI focused its activity on e-business projects, that is all the projects in connection with the information systems integrating the use of internet technologies. As Architects of e-business solutions,
SQLI accompanies its customers on the basis of two main assignments

- **Modernisation of the information system** in order to make it more productive, more flexible and more agile to be able to cope with the company's strategic evolution. This modernisation mainly relies on the integration of the internet technologies into the existing applications in order to upgrade the performance of the trade process;

- The use of internet technologies to offer **new web services** in the objective to promote new marketing channels (e-commerce websites), to improve the customer relations (customer portal), to boost the services offered to partners (extranet partners), to adapt the company communication (institutional websites and intranet communication...).

In order to help companies use internet technologies, SQLI offers a **global accompaniment** throughout the entire project lifecycle: advisory services to help the customers make the good choices, the concrete fulfilment of these choices throughout integration and an accompaniment in the project deployment and the skill transfer.



Information system advisory services

SQLI helps computer departments improve performance of the company's Information System. To that end, SQLI offers a set of services necessary to the success of projects, and in particular:

- A technology watch activity in order to prevent the sector evolution ;
- Advisory services to modernize information systems trough planning assignments architectures assignments based on services (SOA), or integration architectures (EAI, company portals..)
- An accompaniment in the industrialization of developments with the installation of development frameworks, integration processes and tests;
- Definition of security policies for hardware, software and applications, choice and installation of secured architectures (DMZ, firewall…), and of PKI architectures (electronic signatures), together with configuration and dimensioning of the architectures
- To create indicators to evaluate the activity performance through business intelligence projects : definition of key indicators and analysis lines, choice of decision, decisional architectures (ETL, reporting tools...)

Web consulting

SQLI helps the functional departments offer new web services by making the company's job processes evolve in the purpose of guaranteeing the return on investment of new web services. SQLI offers its customers:

- The creation of an e-commerce strategy consisting in e-commerce websites, optimisation of internet services (e-mailing, multi channel dispositive system, services traffic analysis...);
- Complete services focused on the information communication to unite the company's partners (company portal, intranet...) and to strengthen the relation between the company and its targets (websites, institutional and events)
- Control of the key elements affecting the ergonomic performance of the trade applications: work station comfort and productivity, harmonisation of interfaces, observance of the W3C standards (HTML, accessibility…)…
- Know-how with respect to the tools and methods to be applied to control the users/customers targets and its competitive universe: competition watch, auditing, on line questionnaires, "focus groups", user tests…

Integration and projects

SQLI helps the project teams to materialise the recommendations made by SQLI consultants. 100% of its projects and missions rely on internet technologies.

SQLI has a real ability to make projects succeed: with more than 50% of its turnover made without recourse, SQLI adopted a pragmatic project approach based on the CMM-I software quality model, that permits a commitment in time limits, budgets, and customer satisfaction in the projects carried out.

The SQLI project teams can call on CMMI project management tools (IdeoProject), designed and developed by the SQLI teams in connection with integration of the CMMI model). The types or know-how displayed by the project teams are the following:

- Project procedure adopted to the new technologies and centered around CMMI: management of requirements, certified project approach (CMMI, RUP, UML…), object/relational mapping (Castor, TopLink), risk analysis and management, internal project management tools (IdeoProject);
- Quality of development by use of the market framework (Struts, JSF, Blue Martini…) or SQLI's framework (Bornéo, Interligo…) ;

- Mastery of the main development environments: Java (J2EE, WebLogic, Websphere…), Microsoft (DNA, DotNet), Open Source tools (Php, Tomcat, Jonas…)
- Integration of technical and applicative software solutions: EAI (Mercator, WebMethod, Seebeyond…), Portal (IBM WebSphere Portal, Oracle Portal, BEA WebLogic Portal, BEA Aqualogic User Interaction, Vignette Portal, Microsoft SharePoint…), Web Content Management (Microsoft Content Management Server , Tridion, Documentum…) ERP (SAP, Siebel, Peoplesoft…);
- Decision-making solutions: ETL (Genio, Sunopsis, Datastage…), analytic reporting (Cognos, Business Object…)…

Creation and Web Design

SQLI cares about the users' satisfaction and about the conquest of new customers throughout an ergonomic interface, target-adapted contents and a differentiated brand image.

In term of front office, that is the visible part of information systems and websites, SQLI has assessments and a know-how that helps to create intuitive user interfaces:

- Know-how with respect to the "usability" of the interfaces, emphasising intuitive navigation (indicators…), speedy display (weight of the pages…), ergonomics of the functions (operating logic, effectiveness…), readability (organisation of the pages…), uniformity and stability (standards accounting…)
- Design of a new type of interfaces: rich interfaces (rich media, Flash…) and interfaces accessible to the greatest possible number of persons, and particularly the blind and persons with visual impairments (W3C accessibility)
- Definition and realisation of a strong visual identity: positioning (creative brief, brand positioning, design recommendation, definition of the creative concepts…), design realisation (graphic indications, graphic revamp, HTML and flash production, logotype creation, banners…)
- Accompaniment in editorial production: design (storyboard, heading indications…), definition of editorial tone, leadership of the editorial committee, content production…

Transfer of skill

For 10 years now SQLI has been making its technological excellence available for training its customers' staffs. Our training courses are conceived and directed by SQLI consultants; consequently, the training approach is based on its consultants' expertise and field experience. Thus each training effort is directly related to business reality and places strong emphasis on feedback.

The SQLI objective: combine excellence and pragmatism so that the trainees are fully operational at the end of the training programmes.
The training offering is organised in the form of 5 training sectors stemming from the SQLI expertise:

- **« Strategy and assessment »** : 32 lectures presenting the feedback on the urbanisation of the SI, SOA, J2EE architecture, company portals, business intelligence, e-commerce...;
- **« Projects »** : 11 lessons presenting the know-how in term of e-business projects (CMMI), in term of modelling (RUP), and in term of development quality (requirements, project control..);
- **« Web »** : 15 lessons on the front office standards (HTML, accessibility), on the content design (write for the web, flash..) and the interfaces performance (ergonomics, usefulness, web trends..);
- **« Microsoft .Net »** in order to conceive and develop e-business applications with Microsoft;
- **« Java/J2EE »** : 22 lessons to develop with Java-J2EE (Eclipse, wsad, rad, J2EE, EJB…) and benefit from SQLI assessment of Java (Struts, JSF, Spring, Hibernate…) and of application servers (websphere, Tomcat, Jboss, Jonas…).

These training programmes are flexible and adaptable: intercompany and intracompany training, seminars, complete courses or thematic breakfasts…

Qualification and monitoring

The deployment of applications and architectures is an integral part of an e-business project. SQLI offers customers various types of services, whether of the validation/safeguarding type or of the upgrade type.

Hereafter are the services of the "validation/safeguarding" type:

- ♦ Validation of technological architectures and of performance measurements before the application deployment
- ♦ Validation of security architectures and break-in tests
- ♦ Optimisation of platforms and of the applications source code to upgrade performance.

Services of the "upgrade" type

- ♦ Turnkey management of your e-business projects based on applicative maintenance third party services that are both remedial and adaptable, articulated around the CMMI model
- ♦ A set of services to improve the performance of our web services based on our « Webmastering » offering to upgrade your web services and make them more dynamic: the « Site planning » to identify, anticipate, determine priorities and budget all on line communication and marketing operations as a function of events and news developments, "Site management" for carrying out all actions (design, editorial…) defined in the site planning, and Site Monitoring to analyse and determine the audience, make recommendations for improvement…

Productivity and job solutions

SQLI's CMMI projects established the know-how capitalization. This approach, combined with a range of projects made without recourse helped SQLI to acquire a set of solutions.

These solutions have two purposes: either improve the teams productivity in order to carry out e-business projects, or offer turnkey solutions to deal with a recurrent functional problem.

These solutions rely on a global accompaniment : from the consultants mastering the customer's trade upstream, to the concrete creation of turnkey solutions and its maintenance downstream.

SQLI offers various productivity solutions :

- ♦ **IdeoProject** is a project management solution, born form CMMI deployment. This solution is made of all the tools used by SQLI teams in the realisation of e-business project. IdeoProject covers all the steps of the project lifecycle: requirement management, risk management, monitoring and planning, test management, steering tools..);
- ♦ **Bornéo** is a J2EE development framework that is SOA-compatible and IHM Web-oriented. Borneo uses OpenSource standards (Struts, Swing, Sring…) and has a CRUD code generator that brings a real productivity gain for the teams;
- ♦ **IdeoReport** is a web solution of reporting and trend chart publication that is made according to Open Source standards and permits to create different kinds of applications: ad-hoc reporting, analysis applications, dashboards...;
- ♦ **ConfortDeLecture** permits to make applications' web interfaces accessible. Created in partnership with the association HandiCapZéro this project is covering all accessibility needs: from mere eyestrain to total blindness.

In terms of **job solutions**, SQLI has various products:

- **IdéoSanté** is a complete range of solutions in the Health sector that are compatible with the shared medical file. This range consists in an identity and Patient comparison server (IdéoPass), a portal of communities of practices (IdéoPortal), a shared medical file (IdéoDMP)... and it also contains specialized files (Perinatal studies, chemotherapy…);
- **Interligo** is a solution offering information websites management and animation (institutional, intranet...). It helps the functional direction boards to be entirely autonomous in modifying their websites' content and animation (newsletter...)...;
- **IdeoPortail** is a solution of citizen portals for local authorities that enables to inform, set up TV procedures...;
- **Idéo CMR** is a solution allowing the traceability and management of partners' exposures to chemical products in the firms.

6.1.2 CUSTOMERS

Main references

SQLI now has more than 900 active customers and operates almost solely on behalf of the major accounts and the large regional SME.

A FEW OF OUR CUSTOMERS, BY ACTIVITY SECTORS	
BANKING AND INSURANCE	AG2R, April, Aviva, BNP Paribas, Caisse d'Epargne, Crédit Agricole, CCF, CNP,COFACE,Groupama, GE Bank, Groupe Banque Populaire,MMA,Réunica, Société Générale…
INDUSTRY	Airbus, BMW, Essilor, Michelin, Nestlé, Philip Morris, PSA, Renault, Sanofi-Aventis…
SERVICES	Accor, Actif Plus, Amadeus, Bobst, Bureau Véritas, Compass Group, France Télévision, Mediapost, SITA…
ADMINISTRATION – PUBLIC SERVICES	Agence Française du Développement (AFD), ARH Franche-Comté, Conseil Général de la Moselle, Conseil Général des Hauts de Seine, EDF, Etat de Vaud, La Poste, MSA, SNCF...
DISTRIBUTION – TELECOM – TRANSPORT	Air France, Bouygues Télécom, Carrefour, Casino, Cegetel, France Télécom, Galeries Lafayette, Monoprix…

Changes in activity with main customers

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

	2002	2003	2004	2005*
Revenues received from first 5 customers	20%	23%	29%	20%
Revenues received from first 10 customers	33%	39%	44%	33%
Revenues received from 20 first customers	46%	51%	56%	46%

*on the basis of the proforma turnover integrating Aston and Sysdéo acquisitions at 1st January 2005

The purchase of Aston and Sysdéo has contributed to decrease the relative weight of first 5, 10, and 20 customers. The turnover in absolute value made with main customers kept on increasing, demonstrating the recurrent nature of a part of the revenues. This trend is the fruit of a commercial approach focused on the customers, and of the improvement in customer satisfaction due to the quality of the services connected, in particular, with implementation of the CMMI approach. But this also results from the policy aimed at reducing the number of service providers followed by the major account customers.

The following table shows the increase in sales (the proforma revenues of Sysdeo, Aston and Lnet has been integrated in 2005 accounts; 2004 accounts contain only SQLI turnover) to the group's leading ten customers between 2004 and 2005.

In millions of euros	2005	2004	Trend
AIRBUS	5,0	4,2	20%
AVENTIS - SANOFI	4,1	2,5	61%
CA - CL	2, 6	0,3	670%
BNP PARIBAS	2,5	0,9	180%
SOCIETE GENERALE	2,4	1,9	26%
LA POSTE	2,2	1,6	34%
RENAULT	2,1	1,7	20%
PHILIP MORRIS	2,1	2, 2	-5%
ETAT DE VAUD	1,9	2,4	-18%
CAISSE D EPARGNE	1,7	1,1	56%

The turnover decrease in 2005 for the Etat de Vaud account is connected with the execution of a substantial package project in 2004.

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.

Sales trend by agencies

In %	2003	2004	2005*
East	7,5%	7,9%	4,6%
Lyon	21%	19,5%	11,5%
Mediterranean	8,1%	6,7%	5,2%
West	5,3%	6,0%	5,5%
Paris	38,1%	34,5%	50,6%
Switzerland	10,8%	12,9%	10,2%
Toulouse	9,2%	12,0%	11,5%
Morocco		0,4%	0,9%

*On the basis of the proforma turnover integrating Aston and Sysdéo acquisitions at 1st January 2005

The "East" agency groups brings together the geographical areas of Belfort, Strasbourg and Dijon.
From 1st January 2005, Dijon became the "Health" service centre for the group.

The "Mediterranean" agency brings together the sites in Aix en Provence and Montpellier, the Switzerland agency group brings together the Lausanne and Geneva sites.
The West agency groups the agencies of Nantes, Bordeaux and Poitiers.
The Morocco agency is represented in Rabat and Casablanca.

6.2. MAJOR MARKETS

6.2.1 PRESENTATION OF THE COMPUTER SERVICES MARKET

According to Pierre Audoin conseil legal office there has been a renewal activity in the services sector in 2005.

After a restart of activity in 2004, the recovery of computer spending experienced a new jump in 2005, reaching a 3.4% growth, almost twice as good as in 2004.

The computer services market experienced a 6.2% growth in 2005 for provisions like advisory services, technical assistance, integration-realisation and training (CARIF), while 2004 growth was only 4.8%.
Still according to Pierre Audouin Conseil, this market is estimated at 11.7 billion euros for the CARIF services segment and at 7 billion euros for the outsourcing segment (facilities management).

After a period of computer investments freeze, all the sectors experienced new investments in their information systems.

For the internet technologies services, SQLI's main activity, Pierre Audoin Conseil estimated the market at 2.5 billion euros in 2005. This segment is very buoyant and experienced a 14.9% growth in 2005, a growth 2.5 times higher than that of CARIF sector, taking all technologies together.

Market prospects in 2006.

According to Pierre Audouin Conseil the provisions like CARIF of the information services sector should grow 6% in 2006, a rise similar to 2005'.The internet technologies services segment should keep on over performing the market, with an expected growth of average 18%, three times as much as the market's.

All sectors contribute to the demand increase. During the 2001-2003 crisis, ordering customers have structured their computer equipment purchasing behaviours, the price pressure still remains, even if the services with high added value (advice, assessments..) experience a sustained reversal.

Medium-term prospects

According to Pierre Audouin Conseil, the market is therefore experiencing a mature growth cycle and should have an average yearly growth of 6% for CARIF services during the period 2006-2009 and of 18% for the internet technologies services.

According to this analysis office, various factors should help to sustain the growth for coming years:

- Macroeconomic factors : economic growth, "“grandpa”-boom, globalisation, relocation,...;

- Regulatory changes in the general government sector: European integration, dematerialization, shared medical file, LOLF (organic law on finance legislation), reforms, security..;
- Microeconomic factors : charges cut to improve the flexibility of the International System (SOA architectures, urbanization…), adaptation to the market evolution (deregulation of the Energy market, mergers and acquisitions).

Pierre Audouin Conseil explains that the economic crisis drove the firms to better control their expenses and computer investments, forcing thus the services suppliers to change their practices and offer. The firms are more and more competent at mastering software fabrication processes (for which the CMMI model is recommended) and operating processes (for which ITIL is equally recommended).

According to SQLI, the internet services market should grow more quickly than the computer services market during the next years for the following reasons:

- Computerization remains a source of major productivity gain and cost reduction for all the economic operators
- The information system has to improve its flexibility in order to better adapt to the company's strategic evolutions.
- New technologies have totally changed some sectors (media, music industry, advertising..) and the firms unable to integrate them risk to disappear.
- The fast development of fast web compels companies and public services to offer their customers always more services.

The medium-term vision of SQLI is to drive services firms to constantly improve the investment feedback of the firms' information systems. We think that services firms should evolve towards an industrialization model that helps to better answer customers expectations, that could be described as "better, faster and cheaper".

In order to answer these expectations, the services firms should be able to guarantee the success of the project respecting the time limit, the budget and the functionalities planned and to deliver projects faster thanks to the integration of software bricks.

6.2.2 EXCEPTIONAL EVENTS THAT INFLUENCED THE ACTIVITIES OR THE MARKETS OF THE COMPANY

According to the company's direction, no exceptional event influenced the company's activities or markets during last financial year or at the filing date of the present reference document.

6.2.3 THE COMPANY'S DEPENDENCE UPON PATENTS, LICENCES AND SO ON

The company is not dependent on any patent or licence really essential to its activity.

6.2.4 THE COMPANY'S COMPETITIVE ENVIRONMENT

The year 2005 marked a radical size change for SQLI since external growth operations almost double the company proforma turnover for a workforce of 1200 persons.

According to Pierre Audouin Conseil, this size change places SQLI among the leader companies on the internet technologies services market. Indeed, SQLI has been ranked:

- **N°1 of services firms specialized** in internet technologies, with a size twice as big as the second firm's one.
- **N°5 of services firms** behind the great historic integrators of the market (Cap Gemini, Unilog/LogicaCMG, Atos Origin et IBM GS/BCS) ;
- **N°1 of services firms in French regions** (except Paris area).

This rank is due to strong particular elements like :

- The company's 10 years experience in projects achieved with internet technologies helped it to build a complete and accurate assessment that makes of the firm a reference operator;
- A regional agencies network that allows to better gain the loyalty of major customers and to access to local authorities markets;
- A complete quality throughout the CMMI program ;
- Job or technology solutions stemming from the group's best achievements;
- An offshore development center located in Rabat.

An assessment of the Internet network

Here is the real purpose of SQLI's culture: anticipate the trends, develop a leading-edge assessment in order to guarantee reliable and perennial solutions. From the beginning, **SQLI group carried out an intensive surveillance strategy and an active policy of Research and Development and training.**

SQLI has been among the first firms to use Internet in 1995 and **is by now seen as a technological leader.** Thanks to its specialized experts, SQLI offers its customers a complete range of solutions associated with a perfect mastery of each technology.

SQLI experts give regular interviews in the specialized press with more than 400 articles in the media in 2005; they play a major part in popularising the internet discoveries (web, 2.0, SOA, CMMI...) throughout the publication of official reports, seminars, weblogs or published books.

A 15 agencies network

SQLI group is the only specialized company to have such a big agencies network. This network has for a long time been penalizing the group profitability, but it has by now become profitable and takes part in the turnover growth and the margin improvement.

Thanks to their nearness to customers, regional agencies have gained more customer loyalty than Parisian agencies that have to cope with a harder competition due to a higher number of operators.

Moreover this nearness is a main competitive asset in the invitation to tender from local authorities and administrations of the region: as a local service provider, SQLI agencies are well located to get contracts since they do not have to include travel expenses in their offers. Local authorities also appreciate to work with a local service provider likely to offer a better quality service.

For national major accounts such as La Poste (Paris, Bordeaux, Montpellier, Nantes), Sanofi-Aventis (Paris, Lyon, Toulouse), SQLI presence in many geographical locations allow to meet their global expectations.

CMMI quality and the company's ability to deliver projects

The "Computer" function reached complete maturity and has to meet higher performance expectations both in terms of investment and result. The company wants to focus on cost reductions by better mastering package projects. This improvement must integrate a better fabrication process of computer projects.

The CMMI (Capability Maturity Model Integrated) model is by now a reference in computer projects achievement.
SQLI has been a precursor and has integrated CMMI model since 2002. The company can today rely on a 4 years experience in the achievement of such an improvement model.

SQLI obtained level 2 official certification in July 2004 and all the agencies have by now reached this level 2. Early 2006, SQLI obtained level 3 official certification and 6 agencies, representing more than 70% of its turnover, also obtained this certification.

These certifications are a strong competitive asset on the market. Throughout the projects by them ordered, customers perceive the advantages brought by CMMI in the project achievement and especially in the pragmatic vision embodied by IdeoProject software. By keeping on investing in CMMI, SQLI will succeed to keep its lead and its image of pioneer in software quality in France.

CMMI deployment should also help to improve the margins as the teams will master CMMI level 3. The contribution toward the margin will be in two parts:

- A better mastering of package projects (average 50% of the turnover), which lead to a regular improvement of package projects ad the deployment of CMMI model goes along. The improvement processes allow to reduce the excess rates of days/man for package projects
- New accompaniment offered by our expert consultants in the computer project management. These offers are centered on the feedback brought by 4 years of deployment, on CMMI pragmatic solution with IdeoProject, and the customers' vision of CMMI throughout SQLI projects.

Solutions and manifestation of skills

Thanks to CMMI, SQLI has been able to optimise its technology capitalization. By capitalizing on its best achievements, SQLI has developed a new method that consists in associating software components covering a big part of customers needs, and advisory services given by consultants who perfectly know the customer job. This economic approach brings a margin improvement for SQLI, as a part of the price is for a using right of existing developments.

The "solution" approach also helps to become differentiated on the market and to show SQLI know-how in specific fields, especially in the health sector or in project mastering improvement services, that are two leading solutions in SQLI "solutions" program:

- The « health » solutions allow to catch up the health sector's delay in computerization. SQLI solutions make it possible to organize and secure patient-related information shared by all the health sector operators. SQLI solutions consist in an identity and patient comparison server (IdeoPass), an access portal to Patient SI for health professionals (IdeoPortal), a shared patient medical file for all operators (IdeoDMP) and specialized files (chemotherapy, perinatality..). These solutions are all available in internet technology and have many references in France (ARH Franche Comté, ARH Languedoc-Roussillon…)
- Industrialization solutions of « Ideoprojects » programs allow our customers to accelerate the improving cycle of projects processes and to offer a set of tools to projects teams (implementation and work). IdeoProject is the result of a 4 years experience and has been used by all SQLI partners. It is an operating and pragmatic solution of software quality, that bring a consolidated view on the whole of the projects, on the progress of projects, the quality of delivered services, the respect of commitments and internal procedures, the management of risks and achievements in progress, a common system of reference of information and documents sharing, a capitalization solution...

SQLI has a wide catalogue of solutions such as:

- **IdeoCMR** is a solution of traceability and management of risks of exposure to chemical and biological products. According to a recent law (decree n. 2001-97 of 1st February 2001), the firms whose activity requires the use of chemical or biological products will have to follow and register their employees' exposures to these products.
- **IdeoReport** is a solution of web reporting that makes easier the diffusion of instrument panels in the firm. This tool also allows an advanced integration of office tools.

- **Borneo** is a solution of development industrialization that makes easier the use of Java, enables to accelerate development times and to make applications more reliable and easier to maintain. Borneo relies on open source standards in order to offer a range of components compatible with SOA and able to automatically generate code. Borneo has already been installed by many customers such as Gehis, Lactalis…

French offshore center

The Offshore sector represents a real opportunity for reducing computer development costs and enables companies to respond to their new budgetary control constraints. SQLI offers customers some very competitive solutions, carried out in Morocco, while guaranteeing total qualitative control of the developments.

SQLI has its own development centre in Morocco, collaborating in close synergy with all agencies. Like other agencies, our centre observes the CMM-I quality approach and all methods and processes common to the company. The center obtained early 2006 its CMMI level 3 certification.

In Paris, Lyon or Rabat, it is the same company, the same culture, the same demands and the same commitment to results. The benefits of proximity are undeniable:

- Perfect cohesion in project management, without any break in the performance chain
- Identical culture and working methods: CMM-I
- Integrated and involved teams
- High-level engineers specialising in their own field of activity
- A common language and no time difference

7 ORGANIZATION CHARTS

7.1 FUNCTIONAL ORGANIZATION CHART

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

The group is organised into operational departments (agencies) that can include several sites. These agencies are physically close to their customers and work on a basis of strong synergy among themselves. Each operating agency markets all group services.

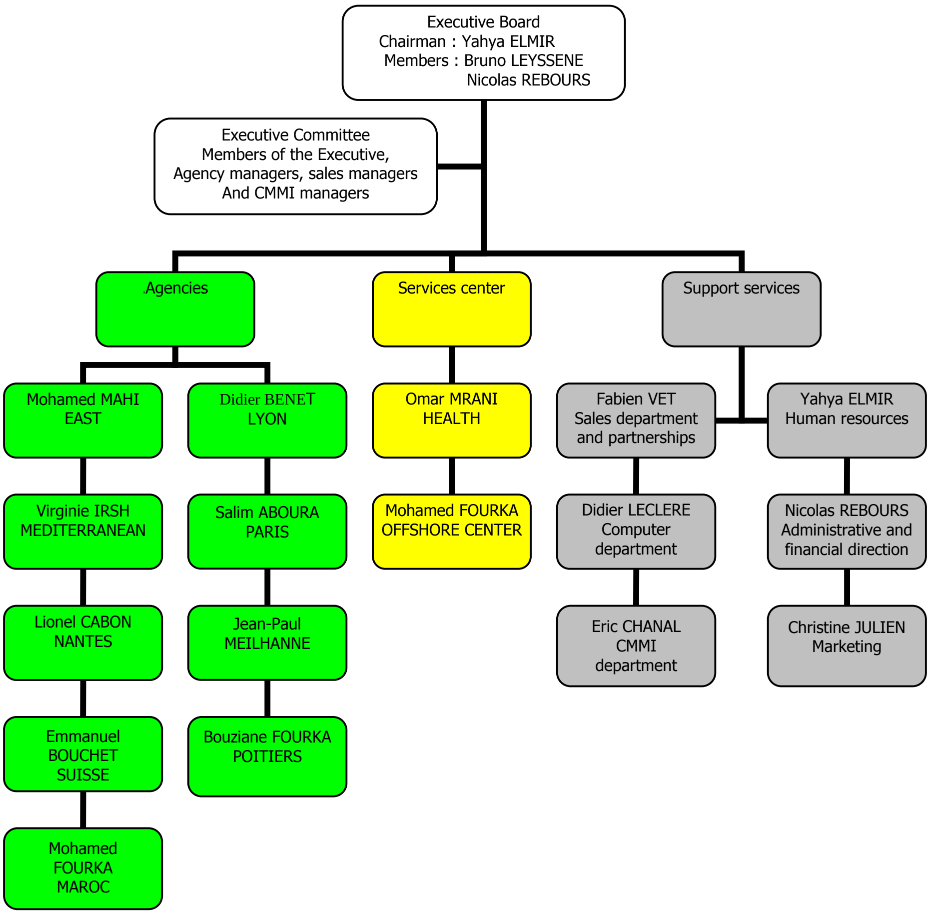
SQLI also has two services centres whose task is providing an offering at group level. The Rabat service centre offers its development services in offshore mode to all group agencies. The Dijon service centre handles all of the group's health solutions and projects.

The transverse support services (administration, data process, human resources, marketing) provide support for the operational agencies.

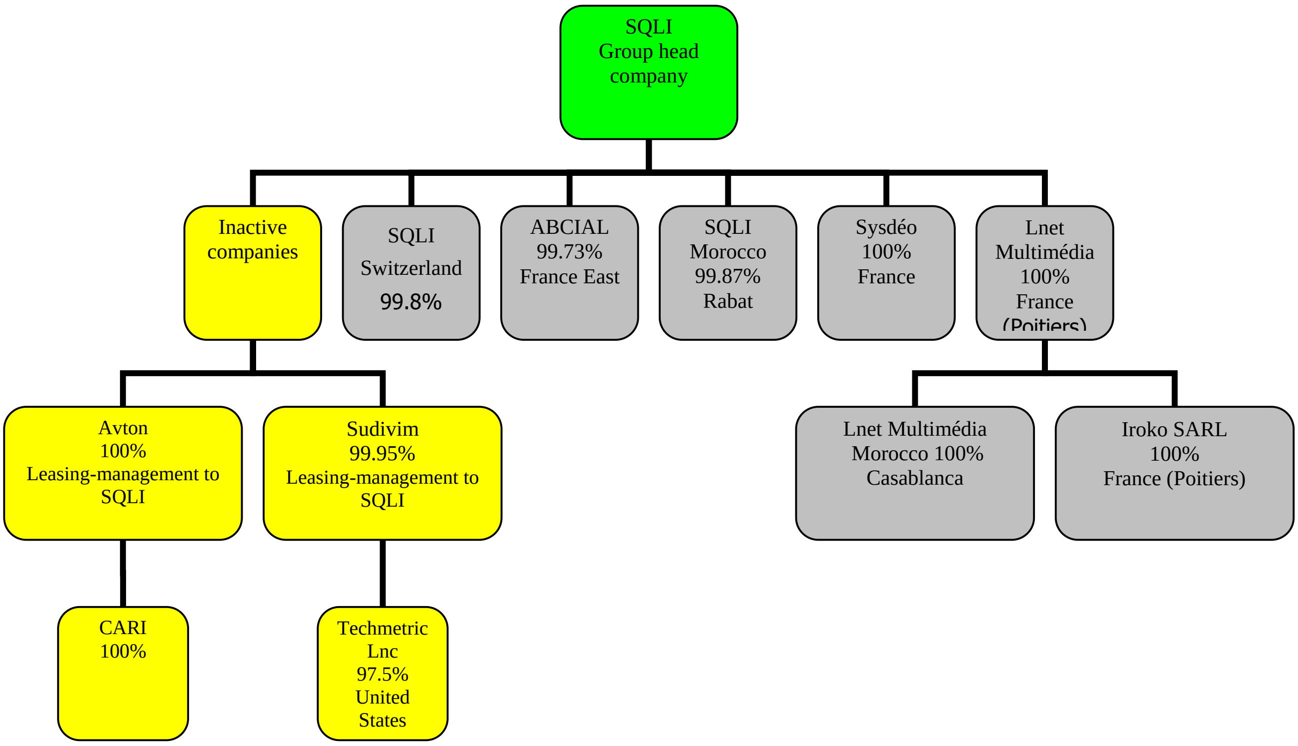
A perfected piloting tool makes it possible to share information and monitor execution of the operating processes. This internal web application (called APP) ensures, in particular, monitoring of the following elements:

- personnel management (incoming, outgoing, holidays…)
- keeping tabs on time spent
- production follow-up
- management control
- monthly reporting
- company hardware management

Functional organization chart



7.2 FINANCIAL ORGANIZATION CHART



The percentage 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 companies Sudisim, Cari and Technmetrix inc do not have any salaried staff and very limited commercial activity.

The company Lnet Multimédia SARL joined the group in March 2005 following homologation of the continuation plan submitted by the co-managers and supported by SQLI and by the Commercial Court of Nantes. Following that takeover, SQLI became the sole shareholder of Lnet SARL by acquisition of the partners' shares for one symbolic euro. In addition to the subsidiary called LNET Multimédia Maroc SARL, 100% held, the company Lnet SARL holds the entire capital of the company IROKO.NET SARL and 50% of GIE Confort de lecture. The latter two entities have a very low level of activity and will have no salaried staff as of 1st July 2005.

Aston and Sysdeo have entered the group on 1st November 2005 by acquisition and share input. SQLI Inc holds 100% of both companies' capital. The management of Aston activity has been entrusted to SQLI within the framework of a management lease contract that took effect on 1st January 2006.

The parent 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 parent company is responsible for the cash 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 provided by a central computer management system which is identical for all subsidiaries.

The details concerning these intragroup conventions are presented in chapter 19.1. The subsidiaries' contribution to turnover and to earnings is indicated in the appendix to the consolidated financial statements (chapter 20.3.1, section 6.1).

8 REAL ESTATE OWNERSHIP, FACTORIES AND EQUIPMENT

8.1.1 PREMISES ASSIGNED TO OPERATIONS

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

The following table presents main existing leases whose location is illustrated by the group agencies' map.

Location	Surface area (m2)	Annual rent Tax free
ST DENIS	4031	788 176
LYON	1284	220 636
TOULOUSE	857	108 521
BORDEAUX	264	36 214
MONTPELLIER	359	37 695
AIX EN PROVENCE	297	37 136
STRASBOURG	453	59 395
DIJON	450	51744
NANTES	460	52 467
BELFORT	94	9 836
LAUSANNE	356	47 922
GENEVE	334	78 833
POITIERS	336	35 006
CASABLANCA	198	17 105
RABAT	170	19 287

Leases of Sysdeo in Boulogne and Aston in Lyon are still in force, without any effective tenure. The corresponding rent prices that remain to be paid have been integrated in 2005 charges.
Owners of the different sites have no direct or indirect link with corporate officers or the main shareholders of the group's companies.

8.1.2 ENVIRONMENT ISSUE

SQLI is a service firm and, consequently, does not have any industrial facilities likely to damage the environment.

9 ANALYSIS OF FINANCIAL SITUATION AND EARNINGS

9.1 ANALYSIS OF FINANCIAL SITUATION AND EARNINGS IN 2003, 2004 AND 2005

9.1.1 COMPARATIVE RECORDS BETWEEN 31/12/2005 AND 31/12/2004

9.1.1.1 Analysis of accounts and consolidated results (IFRS standard)

Assets

As of 31 December 2005, the company’s net assets amounted to 18,749 thousands euro compared with 1.696 thousands euro for the previous financial year, i.e. an increase of 17,053 thousands euro, of which 14,904 due to goodwill and 1,330 thousands euro brought by tangible fixed assets of firms entered in the group.

Current assets reached 45,281 thousands euro compared with 22,085 thousands euro on 31 December 2004, i.e. a 23,196 thousands euro increase due to:

- An increase of 16.008 thousands euro in the customer heading explained by :
  - A decreasing use of factoring financing (3,800 thousands euro)
  - The integration of the firms entered in the composition of consolidation in 2005 and whose customer loans amounted to 7,100 thousands euro at the end of December 2005.
- A 16% organic growth

Liabilities

As of 31 December 2005, shareholders equity amounted to 23,517 thousands euro compared with 6,763 thousands euros as of 31 December 2004. The variation is mostly due to capital increases of 362 thousands euro registered in 2005 and to premiums on issue and consolidation that amounted to a total of 13,976 thousands euro.

Non-marketable liabilities amounted to 5,182 thousands euro compared with 829 thousands euro for the previous financial year. Most of the increase came from medium-term loans used to finance the acquisition of Aston and the recapitalization of Lnet Multimédia.

Marketable liabilities have increased from 19,142 thousands euro to 35,331 thousands euro compared with a 16,189 thousands euro in 2004.

- Increase of 2,099 thousands euro for loans within one year (part within one year of medium-term loans related to the financing of the acquisition of Aston and the recapitalization of Lnet Multimédia, and short term loans of firms integrated in the group composition in 2005).
- 1,063 thousands euro increase of short-term provisions related to integration measures set for the purchased firms.
- 5,892 thousands euro increase of suppliers debts due to the purchased firms’ integration and the activity growth.
- 10,088 thousands euro increase of other debts (mainly due to price supplements that remain to be paid in cash and in kind for the acquisitions of Aston and Sysdéo securities for 3,038 thousands euro and also due to integrated firms ‘other debts that amounted to 6,579 thousands euro at 31 December 2005).

Presentation and analysis of earnings

During the financial year ended 31 December 2005, the revenue amounted to 59.344 thousands euro compared with 45.776 thousands euro for the previous year, i.e. an increase of 29,6%.

Current net income for 2005 is a profit of 2,153 thousands euro compared with a profit of 1,782 thousands euro last year.

Operating income for 2005 is a profit of 1,465 thousands euro compared with a profit of 1,827 thousands euro last year.

Staff expenses amounted to 42,856 thousands euro compared with 33,652 thousands euro for the previous financial year, i.e. an increase of 27,3%.

Mean number of employees amounts to 1,000 compared with 609 for the previous financial year, i.e. an increase of 64%.

The cost of net financial debt amounts to 48 thousands euro compared with 27 thousands euro in 2004.

After taking into account :

- Other financial revenues and expenses amounting to 62 thousands euro compared with 34 thousands euro for the previous financial year,
- A revenue on corporation tax of 1,146 thousands euro compared with a charge on corporation tax of 166 thousands euro for the previous financial year,

The financial year ended 31 December 2005 resulted in a net profit of 2,501 thousands euro compared with a profit of 1,600 thousands euro for the previous year.

9.1.1.2 Analysis of accounts and company's incomes

Presentation and analysis of balance sheet

Assets

As of 31 December 2005, the company's net assets amounted to 15.458.278 euro compared with 1.360.135 euro for the previous financial year, i.e. a multiplication by 11, most of the increase coming from the heading for other investments following the acquisition of Aston and Sysdéo securities.

Current assets reached 34.536.846 euro compared with 21.138.435 euro on 31 December 2004, a 63% increase mainly due to:

- An increase of 8.970.236 euro in the customer heading due to:
  - a stopping of factoring financing (3,8M€)
  - an increase in customers loans (0,6M€)
  - an organic growth of 16%
- An increase of the heading for other receivables of 1,570,088 euro
- An increase in the funds of 2,668,674 euro
-

Liabilities

As of 31 December 2005, shareholders equity amounted to 19.121.122 euro compared with 4.459.863 euro as of 31 December 2004. The variation results from the capital increase put through in 2005 in an amount of 362.531 euro, and from premiums of share and consolidation of 13.677.222 euro.

Provisions for risks and costs amounted to 118.882 euro compared with 137.513 euro for the previous financial year.

The debts on their part come to 30,315,322 euro compared with 17.476.101 euro on 31 December 2004, i.e. a 73% increase. The main headings explaining this variation are:

- 4,747,226 euro increase of borrowed capital towards credit institutions due to the establishment of medium-term loans made to finance the acquisition of Aston and the recapitalization of Lnet Multimédia.
- Increase of the group's financial debts for an amount of 1,703,645 euro for the cash pool management of revenues.
- Increase of suppliers debts and of social and fiscal debts for an amount of 2,936,702 euro due to the activity growth.
- Increase of other debts for an amount of 3,038,545 euro related to price supplements remaining to be paid on cash and in kind for the acquisition of Aston and Sysdeo securities.

Presentation and analysis of earnings

During the financial year ended 31 December 2005, revenue amounted to 44,381,903 euro compared with 38,268,057 euro for the previous year, i.e. an increase of 16%. Operating income as a whole stands at 46,362,462 euro compared with 40,656827 euro.

The operating charges for the financial year reached a total of 45,570,557 euro compared with 39,237,548 euro for the previous financial year.

The operating profit for the financial year comes to 791,905 euro compared with a profit of 1,419,279 euro for the previous financial year.

The amount of wages and salaries comes to 21,068,143 euro compared with 18,353,900 euro for the previous financial year, i.e. a variation of 14,8%.

The amount of social charges comes to 10,676,876 euro compared with 9,263,629 euro for the previous financial year, i.e. a variation of 15,3%.

The average numbers employed amounts to 530 compared with 518 for the previous financial year, i.e. a variation of 2,3%.

Financial income for 2005 is a loss of 143,723 euro compared with a loss of 57,255 euro for 2004.

Current net income before taxes is a profit of 648,182 euro compared with 1,362,024 euro for the previous financial year.

After taking into account:

- the extraordinary loss of 299,931 euro compared with 238,810 euro for the previous financial year,

- the corporation tax coming (295,420) euro compared with (295,420) euro for the previous financial year, The financial year ending on 31 December 2005 resulted in a profit of 643,672 euros compared with one of 1,402,766 euros for the previous financial year.

9.1.2 COMPARATIVE RECORDS BETWEEN 31/12/2004 31/12/2003 (2003 AND 2004 ACCOUNTS ACCORDING TO FRENCH STANDARDS)

9.1.2.1 Analysis of accounts and consolidated results

Assets

As of 31 December 2004, the company's net fixed assets amounted to 1,376 thousand euros compared to 1,066 thousand euros for the previous financial year, i.e. a decrease of 29%.

Current assets came to 22,417 thousand euros compared with 19,548 thousand euros on 31 December 2003, up 14.7%. The increase of 64% in the heading for other receivables constitutes the essential factor explaining this increase and is connected with the rise of available factoring reserves.

The 7.6% improvement in the cash position to 7,427 results from:

- the improvement of cash flow, making it possible to finance the increased need for operating capital connected with the progress of activity as well as the investments for the financial year
- the capital increase by exercise of BCE.

Liabilities

As of 31 December 2004, shareholders equity amounted to 6,775 thousand euros compared to 4,338 thousand euros as of 31 December 2003. The change is mainly due to the 2004 profit of 1,947 thousand euros and to the capital increase carried out by exercise of business creator equity warrants amounting to 21 thousand euros paired with a net premium on shares of 406 thousand euros.

The 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.

Provisions for contingencies and charges come to 438 thousands euros compared with 558 thousand euros in the previous financial year.

Debts are up by 5.6% to 16,153 thousand euros compared with 15,290 thousand euros in 2003.

Presentation and analysis of earnings

During the financial year ended 31 December 2004, revenue amounted to 45,776 thousand euros compared to 41,421 thousand euros for the previous year, i.e. an increase of 10.5% . Operating income as a whole stands at 47,103 thousand euros compared with 43,756 thousands euros, namely an increase of 7.6%.

Operating charges for the financial year reached a total of 44,899 thousand euros as against 42,365 thousand euros in the previous financial year.

The operating profit for the financial year is 2,204 thousand euros compared with a profit of 1,391 thousand euros for the previous financial year.

The 2004 financial net income is a loss of 114 thousand euros as against a loss of 207 thousand euros for the previous financial year.

The current net income of integrated companies is a profit of 2.090 thousand euros as against a profit of 1,184 thousand euros for the previous financial year.

After taking into account:

- The extraordinary loss of 367 thousand euros compared with 291 thousand euros for the previous financial year,
- Corporation tax of (246) thousand euros compared with (136) thousand euros for the previous financial year,
- The transfer to depreciation of consolidated goodwill of 22 thousand euros, identical with the one for the previous financial year.

The financial year ending on 31 December 2004 resulted in a net profit after minorities of 1,947 thousand euros as against a profit of 1,007 thousand euros in the previous financial year.

9.1.2.2 Presentation and analysis of the company's accounts

Presentation and Analysis of the Balance Sheet

Assets

As of 31 December 2004, the company's net assets amounted to 1,360,135 euros compared with 1,258,511 euros for the previous financial year, i.e. an increase of 8.1%, the bulk of the rise coming from the loans heading.

Current assets reached 21,138,435 euros compared with 18,564,999 on 31 December 2003, a 14% increase mainly due to the increase in the heading for other receivables. This rise results from the higher reserves available from the factor that the company decided not to use.

Liabilities

As of 31 December 2004, shareholders equity amounted to 4,459,863 euros compared to 2,630,418 euros as of 31 December 2003. The variation results from the 2004 profit of 1,402,766 euros and from the capital increase put through in 2004 in an amount of 20,945 Euros, by issue of 418,897 new shares of 0.05 Euro par value each, with a premium on shares of 405,735.

Provisions for risks and costs amounted to 137,513 euros compared to 234,334 euros for the previous financial year.

The debts on their part come to 17,476,101 euros compared with 16,517,749 euros on 31 December 2003, a 6% increase.

Presentation and analysis of earnings

During the financial year ended 31 December 2004, the turnover amounted to 38,268,057 euros compared to 35,545,702 euros for the previous year, i.e. an increase of 7.6%. Operating income as a whole stands at 40,656,827 euros compared with 38,694,092 euros.

The operating charges for the financial year reached a total of 39,237,548 euros compared with 38,089,386 euros for the previous financial year..

The operating profit for the financial year comes to 1,419,279 euros compared with a profit of 604,705 euros for the previous financial year.

Financial net income for 2004 is a loss of 57,255 euros compared with a profit of 95,950 euros for 2003.

Current net income before taxes is a profit of 1,362,024 euros compared with 700,655 euros for the previous financial year.

After taking into account:

- the extraordinary loss of 238,810 euros compared with 338,168 euros for the previous financial year,
- the corporation tax coming (279,552) euros compared with (177,743) euros for the previous financial year,

The financial year ending on 31 December 2004 resulted in a profit of 1,402,766 euros compared with one of 540,231 euros for the previous financial year.

9.2 CONSOLIDATED OPERATING RESULT (AND CONSOLIDATED OPERATING RESULT BEFORE APPLICATION OF IFRS)

9.2.1 INTERNAL FACTORS THAT CONSIDERABLY AFFECT THE OPERATING RESULT

2003 marked the return to a profitable result (operating profit was 1,391 thousands euros) after two years of major operating losses. This recovery was due to the planning of a new structure in 2002 coupled with the launching of a new industrialization strategy for services. The return of an organic growth exceeding 10% in 2004 contributed to an increase of the operating result (2,204 thousands of euros according to French standard).
2005 marked the achievement of three external growth operations. 2005 operating result (according to IFRS standard) amounts to 1.465 thousands euros compared with 1.827 for the previous financial year. This decrease is due to non-marketable restructuring costs of 688 thousands euros related to the acquisition of Sysdeo and Aston that affected the operating profit.

9.2.2 SIGNIFICANT CHANGES IN THE FINANCIAL STATEMENT

The consequences of the IFRS use in 2005 are described in the appendix of consolidated accounts in chapter 20.3.1 section 4.2.

The integration in the composition of consolidation of companies Aston Sysdéo and Lnet Multimédia in 2005 brought a significant change in many headings in assets and liabilities. The consequences of these entries are described in section 20.3.1, footnote 5 of the consolidated appendix.

Several financial transactions have led to major changes of the group's financial position: in October 2005 an increase of capital in cash amounting to 9.1 million euro was registered in order to finance the external growth program.

A 4.5 million euro medium-term loan was granted by a four banks pool in 2005 in order to finance the acquisition of Aston.

The group cuts from 3.8 million euro its use of factoring financing between December 2004 and December 2005.

9.2.3 MAJOR EXTERNAL FACTORS THAT CONSIDERABLY AFFECT THE ISSUER'S OPERATIONS

During last years SQLI group noticed how much its operating profitability depended on the following factors:

- The evolution of the computer services market can considerably affect the group profitability. When the market is growing, the group turnover tends to grow at equal or higher rate, which is likely to bring up a better absorption of fixed costs and an improving profitability. In 1999-2000, high demand led to a strong rise in prices.
- In time of stagnation or decrease of the market, the group can register an under-activity that damages its profitability. When this situation is thought to last, cost-cutting measures can be taken and lead to significant restructuring charges.
- In close relation with the computer services market, the computer scientist labour market can also considerably affect the operating profitability: increase of medium wages and/or turnover are the common consequences of a market where the services offer does not allow to absorb the demand.
- As most of the company's costs consist in staff expenditure, profitability can be affected by any changes in laws or agreements related to wages, social or fiscal charges, or work time.

10 FUNDS AND CAPITAL

10.1 SHAREHOLDER'S EQUITY

The evolution of shareholder's equity between 1st January 2004 and 31 December 2005 is described in the consolidated accounts, chapter 20.3.1, section IV.

Major last three years' events are:
2003: (before changeover to the IFRS standards): consolidated shareholders equity that were almost non-existent at the end of 2002 have been rebuilt in 2003 thanks to the profitability recovery (1 million euro net consolidated result) and to the capital increase of 3.1 million euro in cash.

2004 : consolidated shareholders equity increased of 2.5 million euro (1.6 million for net consolidated result, and 0.8 million related to the attribution or exercise of employee warrants).

2005 : net consolidated financial position increased of 16.7 million euros, mostly due to following transactions:

- Capital increase in cash in October 2005 that led to an increase of shareholder's equity of 8.6 million euros clear of tax
- Payment of 3 million euros for contributions brought by Aston acquisition.
- Payment of 1.5 million euros for contributions brought by Sysdéo acquisition.
- Attribution and exercise of employee warrants and subscription to capital increase reserved for holders of employee warrants accounting for a shareholder's equity increase of 1.2 million euros
- 2.5 million euros net consolidated result for the financial year

Net consolidated financial position amounts to 23.5 million euros at the end of December 2005.

10.2 SOURCE AND TOTAL AMOUNT OF CASH FLOWS DURING 2003, 2004, 2005

The evolution of the group consolidated cash flow in compliance with IFRS standards between 1st January 2004 and 31 December 2005 is described in the consolidated accounts, chapter 20.3.1, section V.
2003 cash flow before changeover to the IFRS standards are exposed in 2004 reference document on page 79.

The following statements explain the main sources and amounts of registered cash flow :

2003 (before changeover to the IFRS standards): revenues increased from 6.4 million euros mainly thanks to the improvement of working capital requirement of 3.6 million euros related to a better customer heading management and a capital increase of 2.9 million euros made in December 2003.

2004 (IFRS) : Revenues increased from 0.5 million euros due to following cash flow :

- 0.5 million euros net flows generated by the activity (the group regained a financing capacity of 2.3 million euros (taxes and debt cost non included) but the working capital requirement decreased from 1.7 million euros due to the reduction of factoring financing and the 10% activity increase.
- 0.5 million euros net flows related to investment transactions
- O.5 million euros net flows related to financing transactions mainly due to a 0.4 million euros capital increase

2005 : Net revenues increased from 2.4 million euros due to following cash flow :

- Net cash flow generated by the group's activity is negative from 4.3 million euros mainly because of the 2.6 million euros self-financing capacity and of the high decrease of working capital requirement that amounted to 6.7 million euros. This high variation of the working capital requirement comes from a high business growth (17%) but mainly from a 4.8 million euros reduction of factoring financing (3.8 millions for a constant perimeter and 1 million for Aston's activity). As of 31 December 2005, the group hardly uses factoring to finance its customer heading.
- Cash flows for investment transactions amount to 11.9 million euros and are mainly due to external growth operations from Aston and Sysdéo paid in cash and in kind for an amount of 11.2 million euros in 2005. This flow does not include price supplements of 2.3 million euros related to these operations, that will be paid in 2006.
- Cash flow related to financing transactions for an amount of 18.6 million euros is mainly due to a capital growth made in 2005 for an amount of 14 million euros (cf. explanation of shareholder's equity variation above), and to medium-term loans subscribed in 2005 towards a 4 banks pool for an amount of 4.75 million euros (0.25 million in March 2005 and 4.5 million in October 2005); these financings are mainly dedicated to SQLI external growth program.

10.3 LOAN CONDITIONS AND FINANCING STRUCTURE

The conditions of the 4.5 million euros loan subscribed in 2005 for the acquisition of Aston can be described as follows:
Duration: 48 months
Rate: variable, indexed on the three-month Euribor + 2.2%

The net amount of the group's short and medium term financial debts is 4.3 million euros at the end of December 2005, i.e. a negative gearing of 18.4%. The group has a debt carrying capacity that could be partly used in financing the external growth strategy.

The group has also totally rebuilt the debt carrying capacity of its customer heading thanks to factoring financing, and could thus have a supplementary financing amounting up to 85% of the amount owned by the customers.

10.4 POSSIBLE RESTRICTIONS ON THE USE OF CAPITAL

The 4.5 million medium-term loan contains a clause that can be anticipated if the following ratios are not reached :

- Bet financial debts/ gross operating surplus of the economy < 1 for all the credit term (on a consolidated basis)
- Free cash-flow/ debt servicing > 1
- CIF> 2 M€
- Medium and long-term debt/ own funds and quasi own funds < 1

The following transactions, if made without the creditors' agreement, could also entail the anticipated collectibility of the loan:

- Investment higher than 1M€ a year
- External growth transactions amounting to more than 0.5 M€ a year. By way of an exception, the external growth operations that have been financed for at least 40% with the capital increase in cash or in kind, and whose price paid in cash for the part exceeding the amount of the capital increase in cash is lower or equal to 3.5 M€ do not need the creditors' agreement.

10.5 EXPECTED SOURCES OF FUNDING NEEDED TO MEET THE COMMITMENTS

On the basis of its net revenues of 4.3 million euros at the end of December 2005, of its factoring capacity totally rebuilt, that allows to raise up to 85% of the amount owed by the customers (i.e. a financing higher than 10 million euros), the group can meet its financial commitments (that are the repayment of its short and medium-term financial obligations amounting to 6.6 million euros, and the payment of the part in kind of supplement prices remaining to be paid in 2006 for the acquisition of Aston and Sysdéo, i.e. an amount of 1.9 million euros).

Having experienced a negative gearing at the end of December 2005, the group thinks to have a additional debt carrying capacity that could, if needed, be used to finance the external growth strategy.

At last the group settled ambitious objectives in order to improve its profitability for 2006-2008 (improvement of the operating margin with the purpose to reach 10% in 2008). If these objectives were met, the group self-financing capacity should also increase and contribute to the proceeding of the external growth strategy financing.

In that case, the group’s direction reckons that the current funds sufficient to meet with the group’s development objectives in the near future.

11 RESEARCH AND DEVELOPMENT, PATENTS, LICENCES

11.1 TRADEMARKS, DOMAIN NAMES, COPYRIGHTS, INTELLECTUAL PROPERTY

The group's leading trademarks (SQLI, Techmetrix, Interligo) enjoy protection in Europe and in the United States.

All legal forms of protection of the trademarks, domain names and the copyright have been carried out to the benefit of SQLI or its subsidiaries.

SQLI and its subsidiaries benefit from the copyright protection, enforced by the law of 3 July 1985, on all their software solutions and training aids. Major works have been deposited with a bailiff or with specialized depositories.

11.2 ACTIVITY RELATED TO RESEARCH AND DEVELOPMENT

SQLI carried on in 2005 with its research and development program launched in 2003. Last year’s was based on the following main subjects:
-CMMI project: a theoretical approach to modelling developments of the computer systems and software
-CMMI People project: an characterised by original architecture for centralisation and decentralisation of information for multi-site use
-APP project: software with an original architecture for the centralization and decentralization 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.
- Knowledge management capitalisation software.
-Research on the software factory (collaborative development platforms centered on a common universal set).
-Computer solutions for traceability of exposures to chemical and bacteriological products.
-Computer solutions in open-source mode for the decision-making.

The companies ABCIAL, LNET MULTIMEDIA,SYSDEO also launched research programmes.

In order to finance these projects, the group recorded a R&D tax credit of 1500 thousand euros. For prudential reasons, an equivalent non-deductible provision has been endowed with this asset whose consistency has not yet been totally acquired.

12 INFORMATION ABOUT THE TRENDS

12.1 TRENDS THAT AFFECTED THE ISSUER'S ACTIVITY SINCE LAST YEAR-END

SQLI had a good start in 2006 with a turnover of 22.5 M€ that increased of 78%, 17% of it for the organic growth in 2006 first three months. This performance confirms the group's change of dimension and its positioning in growth sectors. It confirms also the good integration of the companies purchased in 2005, which are already experiencing commercial synergies.

This good start fits the turnover objectives of average 90 M€ for 2006. SQLI also settled ambitious objectives in terms of profitability improvement: the company expects an operating margin of 6% in 2006.

12.2 ELEMENTS THAT MAY AFFECT THE ISSUER'S PERSPECTIVES

The market of computer services has remained buoyant during 2006 first term, and should remain so on medium-term according to many analysts specialized in this sector. However the market growth remains dependent on business cycles and geopolitical events.

13 PROFIT FORECAST AND ESTIMATION

13.1 FORECAST HYPOTHESIS

The group direction regularly gives its objectives in terms of turnover and operating margin, that are not considered as predictions.

13.2 REPORT BY THE STATUTORY AUDITORS ON THE CONFORMITY OF THE ACCOUTING METHODS USED BY THE COMPAGNY

Statutory auditors do not have to establish reports on the objectives given by the group since these objectives are not predictions or estimations of the turnover or the results.

14 ADMINISTRATIVE, MANAGERIAL AND SUPERVISORY ORGANS

14.1 GENERAL INFORMATION ABOUT THE MANAGERS AND THE DIRECTORS

14.1.1 COMPOSITION OF THE SUPERVISORY BOARD

Mandate	Incumbent	Beginning of the mandate	End of the mandate
Chairman	Jean Rouveyrol	26 June 2002	Meeting ruling on accounts of financial year ended 31 December 2007
Deputy chairman	Roland Fitoussi	Ditto	Ditto
Member	FD5 represented by Monsieur de Beublain	Ditto	Ditto
Member	Dominique Chambas	Ditto	Ditto
Member	Bernard Jacon	10 June 2004	Meeting ruling on accounts of financial year ended 31 December 2009
Member	Marc Bucaille	Ditto	Ditto
Member	Patrick Lacarrière	16 June 2006	Meeting ruling on accounts of financial year ended 31 December 2011

The supervisory board met 5 times in 2005. The rate of attendance to the meetings was 92%.

Other mandates and functions of the supervisory board members are exposed in the following table:

Name of the executive officer	Mandates or functions	Société in which the mandate of function is exercised	Headquarters of the company
Jean Rouveyrol	Chairman of the Supervisory Board	SQLI	268, avenue du Président Wilson 93210 La Plaine Saint-Denis
	Work contract (special assistant on sustainable development)	SQLI	Idem
	Chairman of the Board of Directors	Abcial	268, avenue du Président Wilson 93210 La Plaine Saint-Denis
	Executive director	Sudisim	Bruyère 2000, Bât 1 650, rue Becquerel 34000 Montpellier
	President	TechMetrix US	6 new England Executive Park Suite 400 Boston USA
	Manager	Cari	268, avenue du Président Wilson 93210 La Plaine Saint-Denis
	Chairman of the Supervisory Board	Adeuza	28 rue du Marché Commun Nantes

Roland Fitoussi	Deputy chairman of the Supervisory Board	SQLI	268, avenue du Président Wilson 93210 La Plaine Saint-Denis
	Chairman of the Supervisory Board	Solving International	144, avenue des Champs-Elysées 75008 Paris
	Chairman	Solving International North America	
	Executive director	Bohlin & Strömberg	
	Executive director	Solving Iberica	
	Executive director	Solving Spa	
Hervé de Beublain	Permanent representative of FD5 in the supervisory board	SQLI	268, avenue du Président Wilson 93210 La Plaine Saint-Denis
	Permanent representative of FD5, Chairman	FDI Investissements	RCS Paris 421165267
	Permanent representative of FD5, manager	FDA Finance	RCS Paris 419696034
	Permanent representative of FD5 in the Board of Directors	Newsports	RCS Nanterre 424 905 172
Dominique Chambas	Executive director	Semac	18, rue Raymond Lefevre 94823 Ivry sur Seine
	Chief Executive Officer	Sodimap	18, rue Raymond Lefevre 94823 Ivry sur Seine
	Manager	Synergie Consulting	19, rue Auguste Chabrières 75015 Paris
Bernard Jacon	Manager	LVCT	31 bis allée du lac Inférieur 78 110 Le Vésinet
Marc Bucaille	Executive director	Integrated Network Solutions	1 avenue Athena Ottignies Louvain la Neuve Belgique
Patrick Lacarrière	Chief Executive Officer	Sysdéo	268, avenue du Président Wilson 93210 La Plaine Saint-Denis

14.1.2 COMPOSITION OF THE EXECUTIVE BOARD

During 26 June 2002 meeting, the Supervisory Board appointed the following persons as members of SQLI's Executive Board:

Mandate	Incumbent	Beginning of the mandate	End of the mandate
Chairman	Yahya El Mir	26 june 2002	26 June 2008
Member	Bruno Leyssene	Ditto	Ditto

The following table exposes the list of the mandates held and functions exercised in any company by each of the members of the SQLI Executive Board, during the past financial year.

Names of executive officers	Mandates or functions	Company in which the mandate or function is exercised	Headquarters of the company
Yahya El Mir	Executive Board Chairman	SQLI	268, avenue du Président Wilson 93210 La Plaine Saint-Denis
	Chief Executive Officer	Sudisim	Bruyère 2000, Bâtiment 1 650, rue Becquerel 34000 Montpellier
	Manager	Abcial	268, avenue du Président Wilson 93210 La Plaine Saint-

			Denis
	Manager	SQLI SL	Espagne
	Chairman of the Board of Directors	SQLI Suisse SA	Chemin de la Rueyre 116, 118 CH 1020 Renens Suisse
	Chairman of the Board of Directors	SQLI MAROC SA	Rabat Maroc
	Chairman of the Board of Directors	ASTON	268, avenue du Président Wilson 93210 La Plaine Saint-Denis
	Executive director	SYSDEO	98, route de La Reine - 92100 Boulogne-Billancourt
	General manager	SYSDEO	Idem
Bruno Leyssene	Executive board member	SQLI	La Plaine Saint Denis
	Executive director	Abcial	268, avenue du Président Wilson 93200 La Plaine Saint-Denis
	Executive director	SQLI MAROC SA	Rabat Maroc
Nicolas Rebours	Executive board member	SQLI SA	La Plaine Saint Denis
	Executive director	SQLI MAROC SA	Rabat Maroc
	Treasurer and Secretary	TechMetrix US	6 new England Executive Park Suite 400 Boston USA
	Executive director	ASTON	268, avenue du Président Wilson 93210 La Plaine Saint-Denis
	Executive director	SYSDEO	98, route de La Reine - 92100 Boulogne-Billancourt
	Work contract (administrative chief and financial officer)	SQLI SA	268, avenue du Président Wilson 93210 La Plaine Saint-Denis

14.2 CONFLICTS OF INTEREST IN THE ADMINISTRATIVE AND MANAGERIAL ORGANS

To the knowledge of the company’s management, there are no conflicts of interest between the group’s firms and the members of the supervisory and executive boards. The statutory auditors’ special report in chapter 16.2.1 exposes all the direct or indirect agreements made or in progress between the executive officers and the company.

15 COMPENSATIONS AND BENEFITS

15.1 COMPENSATION AND BENEFITS IN KIND OF EXECUTIVE OFFICERS DURING LAST FINANCIAL YEAR

The following table indicates the total remuneration and benefits of all kinds paid to each executive officer during the financial year, included the capital shares, debt certificates or certificates giving access to the capital or the debt certificates of both SQLI and the companies mentioned in articles L. 228-13 and L. 228-93.

This table also shows the amount of compensations and benefits of all kinds received by each of the said executive officers 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.

COMPENSATIONS OF EXECUTIVE OFFICERS

Name of executive officers	Mandates or functions	Amount of total compensation paid by SQLI (€)	Total amount of benefits of all kind paid by SQLI (€)	Amount of total compensation and benefits of all kind paid by companies controlled by SQLI (€)
Members of the Supervisory Board				
Jean Rouveyrol	Chairman of the Supervisory Board			
	Earnings of special assistant on sustainable development	10.302	1.327	
Roland Fitoussis	Deputy Chairman of the Supervisory Board	4.000*		
FD5	Supervisory Board member	6.000*		
Dominique Chambas	Supervisory Board member	4000*		
Bernard Jacon	Supervisory Board member	2.000*		
Marc Bucaille	Supervisory Board member	4.000*		
*attendance certificates for 2004				
Members of the Executive Board				
Yahya El Mir	Chairman of the Executive Board	157.486	7.415	
Bruno Leyssene	Executive Board member	123.449	6.755	
Nicolas Rebours	Executive Board member			
	Work contract Administrative and financial chief	131.166	2.799	

BCE GRANTED TO THE EXECUTIVE BOARD MEMBERS

Allocation 2005 for the BCE scheme of 29 September 2004	**Number**		**Deadline**	**Price**
	BCE without performance condition	**BCE with performance condition**		
Yahya El Mir		100.000	28 September 2009	1,2755€
Bruno Leyssene		50.000	28 September 2009	1,2755€
Nicolas Rebours		50.000	28 September 2009	1,2755€

We remind you that, at the Supervisory Board express request, the extraordinary general meeting of 16 December 2005 allowed the Executive Board members to exercise their BCE conditionally for 2005 and to modify the exercise conditions set for 2005, of the BCE given to employees who are not members of the Executive Board.

Presentation of the fixed, variables and unusual elements the compensations and benefits are made of, and the criteria or circumstances taken into account to calculate these elements:

Members of the Executive Board				
		Compensation given by SQLI	Fixed part	Variable part
Yahya El Mir	Chairman of the Executive Board	157.486	123.840	33.646
Bruno Leyssene	Member of the Executive Board	123.449	99.116	24.333
Nicolas Rebours	Member of the Executive Board			
	Work contract Administrative and financial Chief	131.166	111.515	19.651

The variable part is related to the variable compensation balance granted if 2004 objectives are reached, and whose terms that were defined by the Supervisory Board are exposed hereafter:

Period	Stage 1	Stage 2
Result 1st term 2004	If result higher than 2% of consolidated turnover	If result higher than 3% of consolidated turnover
Variable amount allocated to each member	1,5% of net result	20.000€ Yahya el Mir 10.000€ Bruno Leyssene 5.000€ Nicolas Rebours
Result 2nd term 2004	If net result higher than 2.8% of consolidated turnover	If net result higher than 5% of consolidated turnover
Variable amount allocated to each member	1,5% of Net result	20.000€ Yahya el Mir 10.000€ Bruno Leyssene 5.000€ Nicolas Rebours

No variable compensation has been paid or remains to be paid to the Executive Board for 2005 since the objectives set by the Supervisory Board have not been met.

15.2 FUNDS PAID OR RECORDED BY SQLI THAT WERE ALLOCATED TO THE EXECUTIVE OFFICERS FOR PENSIONS AND OTHER BENEFITS

SQLI did not pay or record any fund related to pensions or other benefits for the executive officers.

The statutory auditors' special report on regulated agreements exposed in chapter 16.2.&1 mentions:

- The conditions of compensation of Monsieur Yahya El Mir and of Monsieur Bruno LEYSSENE in case of revocation of their mandate of Executive Board member.
- The terms of the insurance contract « Garantie Sociale du Chef d'entreprise » that has been subscribed so that they can benefit from the same treatment of the ASSEDIC since their work contract was suspended when they were appointed member of the Executive Board.

16 ORGANIZATION OF EXECUTIVE AND SUPERVISORY ORGANS

16.1 THE COMPANY'S MANAGEMENT

16.2 CONTRACTS BETWEEN THE OFFICERS AND THE COMPANY

16.2.1 AUDITORS' SPECIAL REPORT ON CONTRACTUAL AGREEMENTS DURING 2005

CONSTANTIN ASSOCIES
26, rue de Marignan
75008 - PARIS

FIDUCIAIRE DE LA TOUR
28, rue Ginoux
75015 - PARIS

SQLI

Statutory auditors' special report on contractual agreements at the end of financial year, 31 December 2005

Chairman, Ladies and Gentlemen,

Being the statutory auditors appointed by your company, we present thereafter our report about authorized agreements.

Agreements authorized during the financial year

In application of article L225-88 of the French Commercial law 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 – Agreement with the company LVTC on the provision of services

1st Convention

Nature and purpose :

Occasional advisory assignments on the following subjects:

- Communication of SQLI,
- Training of SQLI's marketing people,
- Industrialisation of SQLI's activity,
- Improvement of average daily exchange rate,
- Services in health sector,
- Tierce maintenance applicative.

Procedures:

Authorization given by the Supervisory Board on 16 March 2005

The compensation of the service provider for each of the assignments requested by the company will be calculated according to the time of work of the service provider, on the basis of 1,500 Euros free of taxes per day. A pro rata will be applicated in case of shorter assignments on the basis of 750 Euros free of taxes per half-day's work. Any change in this compensation should be submitted to a preauthorization of the Supervisory Board, to the beneficiary and to the rider of the service contract.

Each assignment will be personally executed by Monsieur Bernard JACON.

The contract is concluded from 31 March 2005 and for a period of one year, with tacit renewal.

2691 euros (taxes included) have been paid for 2005.

Member in charge:

Monsieur Bernard JACON

2nd convention

Nature and purpose:

Contract by which the principal gives to the representative an assignment of assistance with the intention of purchasing an offeree company, especially through the potential targets and the first contact with the potential sellers, by assistance to the principal in conducting the negotiations with the potential seller(s) of the potential offeree company(ies).

Procedures:

The assignment given to the representative is not an exclusive mandate. The principal reserves the possibility to find himself the potential targets, or appeal to other middlemen in this purpose.

The compensation of the representative will exclusively be a proportional compensation given by the principal every time he will gain control of a selected potential target within the mandate.

Compensation :

Purchasing price of the selected potential target's control	Rate of remuneration of the representative (taxes not included)
Section less than 1 million euros	5%
Section equal to or higher than 1 millions euros and less than 2 M €	4%
Section higher than 2 M € and strictly lower than 5 M €	3%
Section higher than or equal to 5 M € and strictly less than 10 M €	2%
Section higher than or equal to 10 M €	1%

Basis of calculation :
The representative's proportional compensation will be calculated on the basis of the value of the selected potential target that has been chosen for the acquisition by the principal. Whatever the procedures of the transaction, the representative's compensation will be paid in cash.

The representative's compensation will be due after the date of acquisition by the principal. However, in case of payment of a price supplement or earn-out, the compensation due for this part will be paid only in case of effective payment of this supplement by the principal. The representative's compensation for this price supplement will be calculated as if it had been paid with the major compensation, so that the compensation would not be modified by this deferred payment.

The representative's compensation won't be reduced if the guarantees of assets and liabilities of the selected potential target that has been purchased are called later.

The mandate will be personally executed by Monsieur Bernard JACON.

The mandate is concluded from 31 March 2005 for a period of one year. The contract can be ended in advance at any time, on both parties' initiative, with the condition that this termination do not be made untimely or in the only purpose to shirk its obligations at the end of the contract.

There will not be any compensation in case of termination of the contract.

The total amount in 2005 is 440,008.47 Euros (taxes included).

Member in charge:

Monsieur Bernard JACON

II – Agreement with the firm MLB on the provision of services

Nature and purpose:

Contract by which the principal gives to the representative an assignment of assistance with the intention of purchasing an offeree company, especially through the potential targets and the first contact with the potential sellers, by assistance to the principal in conducting the negotiations with the potential seller(s) of the potential offeree company(ies).

Procedures:

The assignment given to the representative is not an exclusive mandate. The principal reserves the possibility to find himself the potential targets, or appeal to other middlemen in this purpose.

The compensation of the representative will exclusively be a proportional compensation given by the principal every time he will gain control of a selected potential target within the mandate.

Compensation :

Purchasing price of the selected potential target's control	Rate of remuneration of the representative (taxes not included)
Section less than 1 million euros	5%
Section equal to or higher than 1 millions euros and less than 2 M €	4%
Section higher than 2 M € and strictly lower than 5 M €	3%
Section higher than or equal to 5 M € and strictly less than 10 M €	2%
Section higher than or equal to 10 M €	1%

Basis of calculation :
The representative's proportional compensation will be calculated on the basis of the value of the selected potential target that has been chosen for the acquisition by the principal. Whatever the procedures of the transaction, the representative's compensation will be paid in cash.

The representative's compensation will be due after the date of acquisition by the principal. However, in case of payment of a price supplement or earn-out, the compensation due for this part will be paid only in case of effective payment of this supplement by the principal. The representative's compensation for this price supplement will be calculated as if it had been paid with the major compensation, so that the compensation would not be modified by this deferred payment.

The representative's compensation won't be reduced if the guarantees of assets and liabilities of the selected potential target that has been purchased are called later.

The mandate is concluded from 31 March 2005 for a period of one year. The contract can be ended in advance at any time, on both parties' initiative, with the condition that this termination do not be made untimely or in the only purpose to shirk its obligations at the end of the contract.

There will not be any compensation in case of termination of the contract.

There has not been any assignment in 2005.

Member in charge :

Monsieur Marc BUCAILLE

Agreements approved during previous financial years which are ongoing

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. Subscription of an insurance contract of the Social Guarantee type for the business leader by your company

<u>Nature and purpose</u>
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.

<u>Procedures</u>
Payment of a bonus of 6,467 Euros per year to Mr Yahya EL MIR and 5,706 Euros per year to Mr Bruno LEYSSENE.

2. Additional compensation

<u>Nature and purpose</u>
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 – Allocation of BCE to the members of the Executive Board

<u>Nature and purpose</u>

Allocation of BCE to members of the Executive Board.

<u>Procedures</u>

1. Authorization by the Supervisory Board on 28 September 2004 of allocation of:

<u>600,000 BCE conditional on the earnings for 2004, 2005 and 2006, with a performance condition attributable over a period of three years, broken down as follows:</u>

- 300,000 warrants to Mr Yahya EL MIR, Executive Board Chairman
- 150 000 warrants to Mr Bruno LEYSSENE, Executive Board Member
- 150 000 warrants to Mr Nicolas REBOURS, Executive Board Member

Given the exceptional operations of external growth and reinforcement of the company’s own funds made by the Executive Board during 2005, a special session of the General Meeting on 16 December 2005 decided to allow the Executive Board members to exercise the entire 2005 section of the BCE submitted to conditions they have been granted.

The exercise price of the warrants is 1.2755 Euros.

For 2005, the following were allocated:
- 100 000 warrants to Mr Yahya EL MIR, Executive Board Chairman
- 50 000 warrants to Mr Bruno LEYSSENE, Executive Board Member
- 50 000 warrants to Mr Nicolas REBOURS, Executive Board Member

2. Authorization by the Supervisory Board on 24 September 2003 of allocation of:

- 50,000 warrants to Mr Yahya EL MIR, Executive Board Chairman. These warrants can be exercised by third at the anniversary date of the attribution.
- 70,000 warrants to Mr Bruno LEYSSENE, member of the Executive Board. These warrants can be exercised by third at the anniversary date of the attribution.

The exercise price of the warrants is 0.46 Euros.

For 2004, the following were allocated:

16 667 warrants to Mr Yahya EL MIR, EXecutive Board Chairman,
23 333 warrants to Mr Bruno LEYSSENE, Executive Board Member

II – Compte courant de Monsieur LEFEBVRE

Nature and purpose
The interest rate payable on the current account is 4.25% per year. This rate is tax deductible for the financial year ended 31 December 2005.

Procedures
On 31 December 2005, the current account was settled. The interests paid by your company in 2005 amounted to 88,71 Euros.

Furthermore, we would like to inform you that your Supervisory Board that met on 1st December 2005 decided to downgrade the following agreements coming under the article L 225-86 of the Commercial Code, in agreements coming under the article L 225-87 of the same code, therefore considered as common agreements:

- LIST OF AGREEMENTS

- Brand licence contract
- Technology licence contract
- Intra-group treasury contract
- SQLI's guarantee for company FACTOBAIL
- Transfer price agreement
- Contract of the invoicing of central services to subsidiaries
- SUDISIM leasing-management contract
- ABCIAL leasing-management contract
- Guarantee for SQLI Morocco

Paris, 6 April 2006

The Statutory Auditors

CONSTANTIN ASSOCIES	FIDUCIAIRE DE LA TOUR
J.M. BASTIER	J.P. PAUMARD

16.3 AUDIT AND COMPENSATION COMMITTEES

The Supervisory Board meeting held on 29 June 2004 ratified creation of a compensation committee, responsible for monitoring the compensation paid to members of the executive board.

The said compensation committee consists of Bernard Jacon, Hervé de Beublain, permanent representative of FD5, and Jean Rouveyrol.

Any modification of the compensation of the members of the executive board, and particularly the annual determination of their proportional compensation, as well as any allocation of business creator equity warrants to the members of the executive board will have to be considered by the compensation committee. That committee may either make its own proposals to the supervisory board, concerning these various aspects of compensation of the members of the executive board, or provide the supervisory board with an opinion concerning the proposals made on that subject by the executive board itself.

The compensation committee gave its recommendations to the Supervisory Board during 2005, for :

- The setting of fixed and variable compensations along with the associated objectives of the Executive Board members for 2005;
- The assignment of BCE with performance conditions related to 2005, that had been decided in 2004

These recommendations have been followed by the Supervisory Board.

The Supervisory Board did not create an audit committee since all the members actively participate in the supervisory assignment they are in charge of.

16.4 CORPORATE GOUVERNANCE

The Supervisory Board, in the 29 June 2004 meeting, adopted internal rules and regulations concerning the transactions in SQLI shares carried out by the members of the Company's managerial organs.

No measure regarding particular rating of the Supervisory Board Members was taken.

Except Mr Patrick Lacarrière appointed by the Supervisory Board on 16 June 2006, all of the officers were appointed prior to publication of the Viennot II report, and hence the appointment of the independent members could not be carried out in accordance with its recommendations, particularly with respect to prior information for the meeting.

The following members, not holding, directly or indirectly, more than 3% of the shares constituting the share capital or any employment contract with one of the companies of the group, may be considered as independent: Mr Dominique Chambas, Mr Bernard Jacon, Mr Marc Bucaille, Mr Patrick Lacarrière.

Hence the number of independent members stands at 4 out of 7.

You are reminded that pursuant to the articles of association, each board member must hold at least one 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 gave only in March 2006 the procedures requested for such transactions.
The company published therefore the biannual statements requested by the previous regulation on the Financial Markets Authority's website for the Executive Officers' transactions made in 2005.

These statements are exposed hereafter :

Statement of SQLI's Executive Officers about the transactions involving the company's securities during the second half of 2005				
	Semester's gross flow on capital securities and securities giving right to capital		Open position on the semester's last day	
	Purchases (subscriptions included)	Sells	Position on purchasing	Position on selling
Number of Executive Officers implicated (1)	3	4		
Number of securities	110 949	313 350	Call purchase : Put sold : Forward purchases:	Call purchase : Put sold : Forward purchases:
Weighted average price	0,77	2,6		

Statement of SQLI's Executive Officers about the transactions involving the company's securities during the first half of 2005				
	Semester's gross flow on capital securities and securities giving right to capital		Open position on the semester's last day	
	Purchases (subscriptions included)	Sells	Position on purchasing	Position on selling
Number of Executive Officers implicated (1)	2	5		
Number of securities	74.912	894.530	Call purchase : Put sold : Forward purchases:	Call purchase : Put sold : Forward purchases:
Weighted average price	0,99€	0,87€		

(1) General and anonymous information

(2) In the number of securities sold is included a donation of 500,000 SQLI shares made by an Executive Officer in aid of the foundation SQLI under the aegis of la Fondation de France.

16.5 JOINT REPORT BY THE SUPERVISORY BOARD CHAIRMAN ABOUT THE CONDITIONS OF PREPARATION AND ORGANIZATION OF THE BOARD'S WORK AND THE INTERNAL CONTROL PROCEDURES IMPLEMENTED 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 2005.

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.

16.5.1 CONDITIONS OF PREPARATION AND ORGANIZATION 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 advisory member (3 of 6) pursuant to the definition offered in the Bouton report of 23 September 2002 [1].

You will also find a chapter in the SQLI 2005 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.

The Supervisory Board meeting held on 29 June 2004 ratified creation of a compensation committee, which will be responsible for monitoring the compensation paid to members of the executive board.

[1] 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 said compensation committee consists of Bernard Jacon, Hervé de Beublain and Jean Rouveyrol.

Any modification of the compensation of the members of the executive board, and particularly the annual determination of their proportional compensation, as well as any allocation of business creator equity warrants to the members of the executive board will have to be considered by the compensation committee. That committee may either make its own proposals to the supervisory board, concerning these various aspects of compensation of the members of the executive board, or provide the supervisory board with an opinion concerning the proposals made on that subject by the executive board itself.

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 semi-annual financial statements, the semi-annual 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 semi-annual 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;

- Meeting twice a year 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 (the acquisition of companies Aston and Sysdéo, the group’s savings plan, the allocation of BCE were for instance the object of advance consultation of the Supervisory Board by the Executive Board before the projects in question were actually launched).

16.5.2 INTERNAL PROCEDURES SET BY THE COMPANY

16.5.2.1 Objectives of SQLI’s 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.

16.5.2.2 Presentation of the internal control organisation set

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.

This 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:

1) the powers held by the Executive Board and the delegations it has granted;
2) the company's administrative organisation, particularly as regards development and handling of financial and accounting information;

3) internal control

(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 Manager [2]

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 € 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 € 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 in charge of:

Seeing to management of the staff for which he is responsible, with due respect for the law, rules and regulations in effect,

[2] 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).

Adopting any disciplinary sanction or other necessary measure concerning the Company's employees,

Representing the Company in connection with redundancy or dismissal proceedings concerning the employees (preliminary interview and signature of the dismissal or redundancy notice)

Representing the Company in conflicts concerning the employees in the "juridiction des prud'hommes" (Industrial Tribunal).

Signing 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:

Signing the correspondence and any documents falling within the framework of the delegation

(2) Administrative organization, especially concerning 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
- 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 12 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:
  - Staff management (work contracts, hiring, departures, holidays…)
    - Monitoring time spent
    - Management control
    - Monthly reporting
    - Computer hardware management

(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.

Change over to IFRS:

Reconciliation with the accounts in compliance with French standards.

The consolidated accounts as of 31 December 2005 have been made in compliance with the International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB) and in equal compliance with the IFRS published by the International Financial Reporting Interpretations Committee (IFRIC).

In order to meet the IFRS 1 standard, « First Time Adoption of International Financial Reporting Standards », that requests a retrospective application of IFRS standards, 2004 accounts presented comparatively have been reprocessed.

2004 accounts in compliance with both French standards and IFRS standards have been precisely reconciled in the dodger considered by the Financial Markets Authority on 4 October 2005 (page 84 and followings)

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

Almost all the turnover is transferred to a factoring 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 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:

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.

Personnel payroll cycle :

Hiring is 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 but can carry out covering operations.

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 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 Supervisory Board Chairman,
Jean Rouveyrol

17 EMPLOYEES

17.1 NUMBER AND DISTRIBUTION OF EMPLOYEES

As of 31 May 2006, the total number of staff (trainees included) amounted to 1,156 employees, distributed in the following way:

- 1047 productive employees
- 31 employees in the headquarters services (Executive Board, computering, commercial services, marketing, human resources, CMM-i, accounting).
- 78 non directly productive employees within the agencies (managers, commercials, assistants)

17.2 PARTICIPATION OF EXECUTIVE OFFICERS IN STOCK OPTION

As of 26 June 2006 the number of shares and BCE of SQLI granted to executive officers are presented in the following table:

Executive officer	Post	Number of SQLI's shares held
Jean Rouveyrol	Supervisory Board chairman	2.398.847
Roland Fitoussi	Supervisory Board member	1
FD5	Supervisory Board member	1.043.637
Bernard Jacon	Supervisory Board member	54.800
Marc Bucaille	Supervisory Board member	10.000
Dominique Chambas	Supervisory Board member	1
Patrick Lacarrière	Supervisory Board member	381.509
Yayha El Mir	Executive Board chairman	147.250
Bruno leyssene	Executive Board member	255.730
Nicolas Rebours	Executive Board member	6.250

	Scheme of BCE for July 2003 Exercise price 0,46		
	Number of BCE granted	Part of BCE whose exercise conditions are fulfilled (time or performance)	Number of BCE remaining to exercise
Yayha El Mir	50.000	33.333	20.000
Bruno leyssene	70.000	46.666	48.000
Nicolas Rebours	70.000	70.000	30.000

	Scheme of BCE for September 2004 Exercise price 1,2755		
	Number of BCE granted	Part of BCE whose exercise conditions are fufiled (time or performance)	Number of BCE remaining to exercise
Yayha El Mir	400.000	300.000	400.000
Bruno leyssene	180.000	130.000	180.000
Nicolas Rebours	180.000	130.000	180.000

17.3 PARTICIPATION OF EMPLOYEES IN THE COMPANY'S CAPITAL

The equity participation of employees in the company's capital mainly consists in investments made during the following operations:

- Opening of the subscription to capital increase to the public during the company's IPO in July 2000
- Exercise of subscription rights during the capital increases in December 2003 and October 2005
- Exercise of BCE
- Exchange of securities for the purchased companies' employees within the external growth operations of Aston and Sysdéo made in 2005
- In May 2006, 189,168 new shares have been subscribed by the employees within the setting of a new group savings scheme

At 27 June 2006, the group's employees and the executive officers (physical and moral persons) personally owned the following shares of capital and voting rights:

	% of capital	% of voting rights
Executive officers	15,61%	25,40%
Employees	2,75%	2,47%

18 MAIN SHAREHOLDERS

18.1 BREAKDOWN OF CAPITAL AND VOTING RIGHTS

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 at the time of the company's IPO on15 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 juin 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

Capital increase of 29 December 2003

The executive board decided on a capital increase that was carried out on 29 December 2003, using delegations granted by the shareholders' meetings held on 30 June 2003 and on 10 June 2004. The said capital increase, without elimination of the preferential subscription right, bore on 3,795,452 shares, SOCADIF and FCP Boscary Montblanc subscribed, respectively, to 1,250,000 shares and 315,000 new shares.

Breakdown of the capital following the capital increase of 29 December 2003 (according to TPI on 15 March 2004)

Shareholders	Number of shares	% capital	Number of voting rights	% voting rights
Jean Rouveyrol	4 020 627	21,20%	8 041 254	30,80%
Alain Lefebvre	1 804 718	9,50%	3 609 436	13,80%
Bruno Leyssene	303 420	1,60%	606 840	2,30%
Yahya El Mir	206 301	1,10%	412 602	1,60%
Innovacom 3	506 034	2,70%	1 012 068	3,90%
FD5	1 363 637	7,20%	1 363 637	5,20%
Société SETHI	909 091	4,80%	909 091	3,50%
Other registered	329 494	1,70%	657 330	2,50%
Total registered	**9 443 322**	**49,80%**	**16 612 258**	**63,50%**
Public	9 533 940	50,20%	9 533 940	36,50%
Including SOCADIF	1 250 000	6,60%	1 250 000	4,80%
Including Michel de la Tullaye	517 177	2,70%	517 177	2,00%
Including Dassault Développement	513 024	2,70%	513 024	2,00%
Including FCP Boscary Montblanc	315 000	1,70%	315 000	1,20%
TOTAL	**18 977 262**	**100,00%**	**26 146 198**	**100,00%**

Capital increase of 31 October 2005

The executive board decided on a capital increase that was carried out on 31 October 2005, using delegations granted by the shareholders' meetings. The capital increase bore on 4,025,382 new shares without elimination of the preferential subscription right.

Capital increase due to external growth operations in 2005

In the framework of Aston acquisition, the Executive Board decided during the 7 November 2005 meeting to carry out a capital increase of 77,414.90 euros by issuing 1,548,298 new shares of 0.05 euro, each of them as a compensation of Aston' shares contribution. On 7 april 2006, the Executive Board decided to issue 434,953 shares as a compensation of the contribution of the price supplement related to Aston acquisition.

In the framework of Sysdéo acquisition, the extraordinary meeting of 16 December 2005 decided to pay Sysdéo shares contribution with 703,824 new shares each of them 0.05 euro, and recorded a capital increase of 35,191.20 euros. On 5 June 2006, the Executive Board recorded the subscription of 127,983 new shares by BSA exercise for the price supplement of contributions.

As of 27 June 2006, the company's capital and voting rights can be paid as follows (according to the registered shareholders position on 27 June 2006 and identifiable bear security on 31 May 2006):

Shareholders on 27 June 2006	Number of shares	% of capital	Number of voting rights	% voting rights
Jean Rouveyrol	2 398 847	8,7%	4 797 694	15,0%
FD5*	1 043 637	3,8%	2 087 274	6,5%
SETHI*	359 091	1,3%	718 182	2,2%
Yahya El Mir	147 250	0,5%	294 500	0,9%
Bruno Leyssene	254 302	0,9%	503 394	1,6%
Fondation de France	220 000	0,8%	220 000	0,7%
Famille Alain Chaboche	1 938 971	7,1%	1 938 971	6,1%
Famille Patrick Lacarrière	381 509	1,4%	381 509	1,2%
Employee share ownership (PEG)	189 168	0,7%	189 168	0,6%
Other registered shareholders	1 152 960	4,2%	1 432 995	4,5%
Including Employees	*566 180*	*2,8%*	*601 557*	*2,5%*
Total registered	**8 085 735**	**29,4%**	**12 563 687**	**39,3%**
SQLI	12 781	0,0%	12 781	0,0%
Public	19 397 306	70,5%	19 397 306	60,7%
Including Alain Lefebvre	*1 472 217*	*5,4%*	*1 472 217*	*4,6%*
Includinf SOCADIF	*1 500 000*	*5,5%*	*1 500 000*	*4,7%*
Including Michel de la Tullaye	*150 000*	*0,5%*	*150 000*	*0,5%*
TOTAL	**27 495 822**	**100,0%**	**31 973 774**	**100,0%**

18.2 MAIN SHAREHOLDERS' VOTING RIGHTS

The main shareholders' voting rights and their evolution since the company's IPO in 2000 have been exposed on section 18.1

In general meetings, the voting right related to capital shares or bonus shares is proportional to their quota of the capital. Each share owned gives right to one vote.

Double voting right

Exceptionally, a voting right, accounting for twice the others that were granted according to their capital quote, can be granted:

- To all the totally paid-in shares which will be proved to have been owned by the same shareholder for at least three years
- To the registered shares given to a shareholder, in case of capital increase through reserves incorporation, profit or issue premium, for the old shares he benefits from.

This double voting right was registered in statutes by the combined general meeting of 21 March 2000.

The double voting right expires for any share that was subject to a conversion to the holder or a transfer, except the transfers due to inheritance or family donation. The double voting right can be withdrawn by a decision of an extraordinary general meeting and after ratification by the special meeting of beneficiary shareholders.

18.3 INTERNAL MANAGEMENT

There is no shareholder having all by himself the majority of votes for the ordinary or extraordinary general meetings' decisions.

18.4 AGREEMENTS THAT MAY BRING A CHANGE IN THE COMPANY'S MANAGEMENT

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.

18.5 STATE OF THE SHARE PLEDGE

There are no pledges, either on the shares or on the assets of SQLI or of its subsidiaries, with the exception of:

- The goodwill of Sudisim subsidiary, pledged to the tax authorities as a guarantee in connection with current legal proceedings in the administrative court, bearing on an amount of 223 K€. The corresponding risk was covered by a provision set aside in the accounts on 31 December 2005.
- The pledge of financial instruments accounts on all Aston's shares held by SQLI that benefits to the bank in guarantee of the 4.5 million euros middle-term loan granted to SQLI.

19 OPERATIONS WITH RELATED FIRMS

19.1 CURRENT INTRAGROUP AGREEMENTS

The following current agreements have been concluded between SQLI Inc, and SQLI's subsidiaries

Trade mark and technology licensing contracts

Company concerned:	SQLI SUISSE

Agreements on current accounts

Companies concerned:	SUDISIM ABCIAL SQLI SUISSE TECHMETRIX US CARI LNET MULTIMEDIA LNET MULTIMEDIA MAROC IROKO ASTON SYSDEO

Agreements on price transfers

Companies concerned:	SUDISIM ABCIAL SQLI SUISSE TECHMETRIX US LNET MULTIMEDIA LNET MULTIMEDIA MAROC IROKO ASTON SYSDEO

Companies of invoicing of central services

Companies concerned:	SUDISIM ABCIAL SQLI SUISSE TECHMETRIX US LNET MULTIMEDIA MAROC LNET MULTIMEDIA IROKO ASTON SYSDEO

Contract of business leasing-management

Companies concerned :	SUDISIM ABCIAL ASTON

Contract of real-estate sublease

Company concerned:	SYSDEO

Agreement on fiscal integration

Companies concerned :	SUDISIM ABCIAL LNET MULTIMEDIA ASTON SYSDEO

20 FINANCIAL INFORMATION ABOUT THE ISSUER'S NET WORTH FINANCIAL SITUATION AND RESULTS

20.1 HISTORICAL FINANCIAL STATEMENT

SQLI's results over the last 5 financial years

End date Duration of financial year (months)	31/12/2005 12	31/12/2004 12	31/12/2003 12	31/12/2002 12	31/12/2001 12
CAPITAL AT THE END OF THE YEAR					
Share capital	1 332 339	969 808	948 863	3 795 452	3 272 725
Number of shares					
- equity shares	26 646 783	19 396 159	18 977 262	15 181 810	13 090 900
- preferred shares					
Maximum number of shares to create					
- by bond conversion					
- by subscription right	2 563 719	3 741 280	2 904 088	2 649 294	1 949 294
OPERATIONS AND EARNINGS					
Turnover (taxes not included)	44 381 903	38 268 057	35 545 702	37 405 517	36 481 668
Result before tax, participation, Transfers to depreciation and provisions	993 564	954 905	-1 793 754	-4 145 902	-1 185 667
Tax on profits	-295 420	-279 552	-177 743	-4 757	-239 884
Employees' participation					
Transfers to depreciation and provisions	645 312	-168 309	-2 156 242	7 604 117	4 689 363
Net Result	643 672	1 402 766	540 231	-11 745 262	-5 635 146
Distributed Result					
EARNING PER SHARE					
Result after taxes, participation, Before transfers to depreciation and provisions	0,05	0,06	-0,09	-0,27	-0,07
Result after taxes, participation Transfers to depreciation and provisions	0,02	0,07	0,03	-0,77	-0,43
Dividend granted					
STAFF					
Average number of employees	530	518	506	589	546
Wage bill	21 068 143	18 353 900	19 020 109	21 856 727	19 497 360
Amounts of social benefits (social insurance, social services...)	10 676 876	9 263 629	8 686 903	10 154 021	8 948 604

20.2 FINANCIAL INFORMATION PRO FORMA

Consolidated accounts as of 31 December 2005, exposed in chapter 20.3.1, section II, contain a 2005 proforma including the acquisitions made during the current financial year.

20.3 FINANCIAL STATEMENT

20.3.1 CONSOLIDATED ACCOUNTS AT 31 DECEMBER 2005

CONSOLIDATED ACCOUNTS
31 December 2005

I- <u>IFRS-COMPLIANT BALANCE SHEET CONSOLIDATED</u>
(in thousands of euros)

ASSETS (net worth)	Notes	Net 31.12.05	Net 31.12.04
Consolidated goodwill	5.1	15 000	96
Intangible fixed assets	5.2	942	35
Tangible fixed assets	5.2	924	726
Long-term investments	5.2	1 058	499
Other non-current assets	5.3	825	340
TOTAL NON-CURRENT ASSETS		**18 749**	**1 696**
Customer receivables and related accounts	5.4	25 243	9 235
Other receivables and regularisation accounts	5.4	9 415	5 415
Cash and cash equivalent	5.5	10 623	7 435
TOTAL CURRENT ASSETS		**45 281**	**22 085**
OVERALL TOTAL		**64 030**	**23 781**

LIABILITIES	Notes	Net 31.12.05	Net 31.12.04
Capital	5.6	1 332	970
Premium		17 501	3 525
Reserves and consolidated profit/losses *(i)*		4 603	2 106
Other reserves		81	162
SHAREHOLDERS EQUITY BELONGING TO THE GROUP		**23 517**	**6 763**
Minority interests		0	0
CONSOLIDATED SHAREHOLDERS EQUITY		**23 517**	**6 763**
Loans (more than one year)	5.8	4 102	516
Long-term provisions	5.9	876	313
Other non-current liabilities	5.10	204	0
TOTAL NON-CURRENT LIABILITIES		**5 182**	**829**
Loans (less than one year)	5.8	2 189	90
Short-term provisions	5.9	1 188	125
Suppliers and related accounts	5.11	8 376	2 484
Other debts and regularisation accounts	5.11	23 578	13 490
TOTAL CURRENT LIABILITIES		**35 331**	**16 189**
OVERALL TOTAL		**64 030**	**23 781**
(i) Including the period's result		*2 501*	*1 600*

II- IFRS-COMPLIANT CONSOLIDATED RESULT STATEMENTS

(in thousands of euros)

	Notes	Net 31.12.05	Net 31.12.05 Pro forma	Net 31.12.04
Turnover	6.1	**59 344**	**81 422**	**45 776**
Other earnings		119	681	135
Used purchases		(689)	(2 791)	(229)
Staff costs	6.2	(42 856)	(59 730)	(33 652)
External costs	6.3	(11 737)	(12 925)	(9 165)
Taxes		(1 567)	(2 177)	(1 125)
Net depreciation, depletion and amortization		(405)	(2 176)	(9)
Other operating costs and incomes		(56)	(831)	51
CURRENT OPERATING RESULT	6.6	**2 153**	**1 473**	**1 782**
Other non recurring costs and incomes	3	(688)	(621)	45
OPERATING RESULT		**1 465**	**852**	**1 827**
Cash and cash equivalents incomes	6.4	72	162	28
Cost of gross financial debt	6.4	(120)	(318)	(55)
COST OF NET FINANCIAL DEBT	6.4	**(48)**	**(156)**	**(27)**
Other financial costs and incomes	6.4	(62)	(54)	(34)
Taxes	6.5	1 146	1 144	(166)
NET RESULT	6.7	**2 501**	**1 786**	**1 600**
Group's share		**2 501**	**1 786**	**1 600**
Minority interests		**0**	**0**	**0**

III- NET RESULT PER SHARE

(in euro per share)

	Notes	Net 31.12.05	Pro forma	Net 31.12.04
Net result per share :				
Average number of outstanding shares	3.20	20,878,036	20,878,036	19,034,115
In euros per share		0.12	0.08	0.08
Net diluted result per share:				
Average number of outstanding shares and BCE	3.20	24,051,746	24,051,746	21,785,429
In euros per share		0.10	0.07	0.07

IV– VARIATION OF CONSOLIDATED SHAREHOLDER'S EQUITY IN COMPLIANCE WITH IFRS STANDARDS

(in thousands of euros)

	Capital	Premium	Reserves	Financial year result	Conversion rate adjustment	Group not included	TOTAL
Position at 01/01/04	**949**	**2 771**	**(461)**	**954**	**112**	**0**	**4 325**
Assignment of the result N-1			954	(954)			0
Capital increase, especially through exercise of BCE	21	406					427
Liability guarantee on ABICIAL acquisition			33				33
Cancellation of own shares			(20)				(20)
Others					50		50
Assignment of BCE		348					348
Financial year income				1 600			1 600
Position at 31/12/04	**970**	**3 525**	**506**	**1 600**	**162**	**0**	**6 763**
Assignment of the result N-1			1 600	(1 600)			0
Capital increase at 31/10/05	201	8 396					8 597
Capital increase in payment of ASTON's contributions	77	2 964					3 041
Capital increase in payment of SYSDEO's contributions	35	1 490					1 525
Capital increase through exercise of BCE and reserved to BCE owners	49	827					876
Cancellation of own shares			(1)				(1)
Others			(3)		(81)		(84)
Assignment of BCE		299					299
Financial year result				2 501			2 501
Position at 31/12/05	**1 332**	**17 501**	**2 102**	**2 501**	**81**	**0**	**23 517**

V- TABLE OF CONSOLIDATED CASH FLOWS IN COMPLIANCE WITH IFRS STANDARDS

(in thousands of euros)

	31.12.05	31.12.04
NET CONSOLIDATED RESULT	**2,501**	**1,600**
+/- Net depreciations, depletions and amortizations (excluding those related to outstanding assets)	886	196
+/- Latent profit and losses related to fair value variations	-	(1)
+/- Calculated costs and incomes related to stock-options and similar	299	348
+/- transfer capital gain and losses	2	(43)
SELF-FINANCING CAPACITY AFTER COST OF FINANCIAL DEBT AND TAXES	**3,688**	**2,100**
+ Cost of net financial debt	48	27
+/- Cost of taxes (deferred taxes included)	(1,146)	166
SELF-FINANCING CAPACITY BEFORE COST OF FINANCIAL DEBT AND TAXES	**2,590**	**2,293**
- taxes paid	(138)	(129)
+/- Variation of WCR related to the company's activity (including debt related to the staff benefits)	(6,703)	(1,669)
NET CASH FLOW GENERATED BY ACTIVITY	**(4,251)**	**495**
- Acquisition of fixed assets	(812)	(726)
+ Disposal of fixed assets	158	268
+/- Effects of the perimeter variations (1)	(11,202)	-
NET CASH FLOW ASSIGNED TO INVESTMENT	**(11,856)**	**(458)**
+ Capital increase	14,039	427
+ Issue of borrowings	4,840	180
- Repayment of borrowings	(277)	(92)
- Net financial interests paid	(48)	(27)
NET CASH FLOW ASSIGNED TO FINANCING	**18,554**	**488**
+/- Effect of the variations of currency rates	(1)	2
VARIATION OF NET CASH POSITION	**2,446**	**527**

(1) The effect of perimeter variations matches with the price paid at 31 December 2005 for the acquisition of the securities of LNET, ASTON et SYSDEO integrated for the current year and corrected by the cash position when they entered the group's perimeter.

As of 31 December 2005, SQLI consolidated accounts were carried out in concordance with the principles and procedures defined by the IFRS (International Financial Reporting Standards) standards as they were adopted by the European Union (regulation 16/06/2002 of the European Council of 19 July 2002).

The accounts consists in (in thousands of euros):

- The balance sheet and the result accounts,
- The table of variation of shareholder's equity
- The table of cash flows
- The appendix

They are presented in comparison with consolidated accounts at 31 December 2004 that were also established in compliance with IFRS standards and with result accounts proforma at 31 December 2005.

VI- APPENDIX TO THE CONSOLIDATED ACCOUNTS AT 31 DECEMBER 2005

1- Major events during the period

SQLI is a services company which operates in the sector of advices and integration of e-business architectures. Its main development focuses are: an offering of sectorial solutions, a quality program with CMM-I, and the competitiveness of its developments thanks to the offshore subsidiary in Rabat.

The group is established in France, Switzerland and Morocco.

2005 was marked by the acquisition of 100% of the capital of three companies : LNET Multimédia in March 2005 and the companies ASTON and SYSDEO in October 2005.

These acquisitions have allowed to strengthen the group's geographical establishment, its technology density and its referencing in the major customers:

LNET consists of three companies, LNET Multimédia, IROKO.net and LNET Multimédia Maroc; There are 30 employees who work in Nantes, Poitiers and Casablanca. Through this purchase, SQLI gains two establishments in Morocco that should help the company to become a major operator towards the main local ordering customers.

ASTON has 270 employees in Paris, Lyon, Toulouse : the company allows SQLI to increase its market shares in Paris, and in other French regions, and brings its acknowledged assessment on applications using internet technologies.

The integration of SYSDEO's 80 partners completes the group's assessment in advisory, training and accompaniment sectors in JAVA and XML e-business technologies.

This external growth strategy came along with the group's activity organic growth (+16.8% on the financial year) and benefited from new financings: a 4.5 ME middle-term loan towards a bank pool and the exercise of 9,1 ME during the capital increase at 31 October 2005.

The costs due to the companies merger amounted to 0.7 ME and appear in the result accounts, section "other incomes and costs non recurrent".

In a favourable market environment, SQLI's goal is to keep on increasing the growth in 2006 thanks to a complete and integrated offer to the major accounts, in France, Switzerland and Morocco.

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

There has been no event since the financial year end likely to modify the accounts presented hereafter.

3- Accounting procedures and criteria

In application of European regulation 1606/2002 dated 19 July 2002 on international standards, SQLI's consolidated accounts published at the end of the financial year on 31 December 2005 have been made in compliance with IFRS standards (International Financial Reporting Standards), as approved by the European Union at the establishment date of these financial standards.

The accounting international standards consists in the IFRS, IAS (International Financial Reporting Standards) and their interpretations (SIC and IFRIC). The group implemented all the standards and interpretations in force within the European Union at 31 December 2005.

The group decided to implement IAS 32 and IAS 39 standards on financial instruments in advance that is to say at 1st January 2004.

The accounting procedures and criteria are exposed hereafter. In some cases, IFRS standards give the possibility to implement either the reference treatment or an other treatment allowed. We expose hereafter the group's main options:

The group did not choose to implement in advance the standards, amendments and interpretations hereafter:

- IFRS 7 (provisions for financial instruments) at 1st January 2007,
- IAS 19 revised (staff benefits) at 1st January 2006,
- IAS 39 for some compulsory application changes at 1st January 2006.

In application of IFRS 1 standard « first use of IFRS », the group made the following choices:

- The group decided not to reprocess the mergers previous to 1st January 2004, according to the measures planned by IFRS 3 standard;
- The group decided not to transfer to the section « other reserves » the conversion rates adjustments related to the conversion of foreigner subsidiaries at 01/01/2004 ;
- The group did not proceed to any revaluation of tangible assets by their nature.

The effect of the transition to IFRS 2 was presented on page 10 of the appendix on consolidated accounts ended 31 December 2004. The footnote 5.7 of the current document exposes the numbered effects.

Furthermore, a certain number of consolidations has been made without any consequence neither on shareholder's equity nor on the group's net result:

In the balance sheet:

- The guarantee funds paid for factoring agreements are classified in "Other non current assets";
- The deadlines for long-term loans and the advance given under conditions to the COFACE for the group's establishment in the USA are classified in "Borrowings" (long-term shares). The short-term deadlines for both financial debts and bank loans and overdrafts appear in the section "Borrowings" (short-term shares);
- Provisions for risks and costs are broken down between current and non current assets: the provisions for pension funds and the provisions for fiscal and labour that are actionable are classified in the section "long-term provisions";
- The debts negotiated within the continuation scheme of LNET company, whose payment range on 10 years, are classified in "Other non current liabilities"

In the result accounts :

- The « other incomes **»** consist in the costs reinvoiced to the customers, the compensations paid during the answers to tender offers, the grants expected from the European Community for the e Government QUALEG project.
- The costs transfers as well as various repayments (taking over of professional trainings, insurance), are counted in deductions in the costs accounts concerned;
- The releases of provisions, if the risk or the charge happen, are counted in reduction of the charge recorded;
- The surplus values of non current assets disposition are classified in "Other operating incomes and costs"
- The exchange rate differences on operating transactions have been reclassified in the current operating result.

The financial position has been set according to the rule of the historical cost, except for some elements such as financial assets and liabilities that were fairly evaluated.

3.1. Valuations and judgments

In order to establish the financial position in compliance with IFRS standards, the group has to carry out valuations and make hypotheses that affect the accounting value of some elements of the assets and liabilities, incomes and costs, as well as the data given in some footnotes of the appendix.

The company's management continuously assesses these valuations and estimations on the basis of its past experience and of other sensible factors that make the core of these valuations. The future results are likely to noticeably differ in function of different hypotheses or conditions.

3.2. Consolidation principles

The mother company exercises 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.

The result accounts consolidate the accounts of the companies acquired during the financial year from the date that they were acquired.

The company securities that are not consolidated but still meet the criteria mentioned above, are registered in "equity securities". It is the case of companies which, whether individually or globally, are not important enough on any of the consolidated accounts aggregates.

3.3. Consolidation of subsidiaries

The companies mergers are counted according to the acquisition procedure. With this method, the gained assets and taken liabilities as well as possible assumed liabilities, are fairly counted at the purchasing date.

3.3.1. Identified assets and liabilities

At the time of the first consolidation of an entity, the revaluation of assets and liabilities whose net accounting worth noticeably differs from their true worth is made.

The differences in value (goodwill) are put onto the balance sheet on the appropriate lines and must follow their own accounting rules. The Group has one year following the acquisition to finalise the valuations.

3.3.2. 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 residual part non affected is registered in the section "goodwill" in the balance sheet's assets.

3.4. Changes in the consolidation scope

LNET MULTIMEDIA Inc and its subsidiaries, LNET MULTIMEDIA MAROC Inc and IROKO.NET Inc, have entered the consolidated perimeter of SQLI on 1st March 2005. ASTON and SYSDEO have integrated the perimeter on 1st November 2005.

3.5. Consolidated companies

Name	Headquarters	% controlled	% owned	Consolidation procedures
SQLI SA	La Plaine Saint Denis (93)		Consolidating company	
SUDISIM SA	Montpellier (34)	100 %	99,95 %	IG
SQLI SUISSE SA	Lausanne (Suisse)	100 %	99,80 %	IG
TECHMETRIX INC	Boston (Etats-Unis)	100 %	97,50 %	IG
ABCIAL SA	La Plaine Saint Denis (93)	100 %	99,63 %	IG
CARI SARL	La Plaine Saint Denis (93)	100 %	100 %	IG
SQLI MAROC SA	Rabat (Maroc)	100 %	99,87 %	IG
LNET MULTIMEDIA SARL	Saint Herblain (44)	100 %	100 %	IG
LNET MAROC SARL	Casablanca (Maroc)	100 %	100 %	IG
IROKO.NET SARL	Jaunay Clan (86)	100 %	100 %	IG
ASTON SA	Vélizy Villacoublay (78)	100 %	100 %	IG
SYSDEO SA	Boulogne Billancourt (92)	100 %	100 %	IG

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

LNET company is member of the grouping of economic interests “Confort de Lecture” , with equal shares with the association Handicap Zéro. Given the merger of LNET and SQLI, the grouping of economic interests is not active anylonger in 2005, and is not consolidated in the group’s accounts.

3.6. Conversion procedures for foreign currencies

3.6.1. Foreign currencies transactions

Foreign currencies transactions are converted in euro in application of the average exchange rate of the transaction date. The monetary assets and liabilities denominated in foreign currencies at the closing date are converted to the current rate. The conversion adjustments are counted in incomes or costs. The non-monetary assets and liabilities denominated in foreign currencies and counted at historical cost, are converted to the exchange rate of the transaction date.

3.6.2 Financial state of foreign entities

All the assets and liabilities of consolidated entities that are not denominated in euro, are converted to the closing rate.
Incomes and costs are converted to the average exchange rate of the ended financial year. The exchange differences resulting from this treatment and those resulting from the conversion of the subsidiaries’ shareholder’s equity at the beginning of the financial year in function of the closing rates are included in the section “Conversion rate adjustments” in “Other reserves” of consolidated shareholder’s equity. The exchange rate differences coming from the conversion of net investments in subsidiaries and foreign associated companies are counted in the shareholder’s equity.

3.7. Information on the sector

SQLI group operates as a system integrator in three countries: France, Switzerland and Morocco. The group has defined two areas in order to present its activity in geographical areas: “in France” and “Abroad”.

The presentation of its activity per sector is not relevant for the group.

3.8. Intangible fixed assets

The intangible fixed assets are mainly made of software entered at their acquisition cost.

The intangible fixed assets are depreciated on the utilization period expected by the group. This period is decided case-by-case according to the nature and the characteristics of the elements included in this section. The software are thus depreciated on a straight-line basis over periods from 1 to 3 years.

In compliance with IAS 38 standard, the development expenses have been registered in the costs section because they do not match the six criteria given by the standard. At last, the brands have been cancelled since they were not recognized as intangible fixed assets anymore.

3.9. Tangible fixed assets

The tangible fixed assets are entered in the accounting at their acquisition cost. The borrowing costs are not incorporated in the fixed assets.

Depreciations are calculated on a straight-line basis according to the acquisition cost of the assets, in function of the utilization periods, generally established as follows:

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.

Regulation CRC 04-06 on registration and accounting of assets and Regulation CRC 02-10 on depreciation and amortization of assets that were entered from 1st January 2005, had not much impact on the financial year accounts.

3.9.1 Leasing contracts

The goods that are under lease contract are registered as fixed assets purchased on credit. The fixed asset is depreciated over the duration of its economic life for the group. The debt is amortized over the duration of the leasing contract.

Leased assets have been capitalised at 762 KE and concern IT equipment. They were depreciated to an extent of 458 KE on 31 December 2005.

Only significant items have been restated.

3.9.2 Rental contracts

Rental contracts on fixed assets for which the group bears almost all the benefits and risks inherent in the ownership, are considered as leasing financing contracts and are thus subject to a restatement. The qualification of a contract is defined by the IAS 17 standard.

The assets purchased in leasing financing are entered in the balance sheet as fixed assets at the lowest of their fair value and of the present value of minimal payments for the lease, minus the amortizations accumulated and the losses of value. These assets are depreciated on the basis of their expected utilization period (the compensation of restated contracts is registered in the section financial debts of liabilities).

Ordinary rents are registered in liabilities not appearing in the balance-sheet

The goods taken on lease by SQLI are ordinary leasing contracts for computer equipment, concluded for a 3 years period at the most. These contracts do not give to the group the main benefits and risks related to the assets ownership according to IAS 17 standard.

3.10. In practice, the equipment is changed every two years ; no penalty was paid for these renewals made in advance. **Depreciation of fixed assets**

Goodwill and intangible fixed assets for unspecified utilization period are subject to a test for loss of value, in compliance with the measures of IAS 36 standard, at least once a year or more often if there are indications of loss of value.

Therefore, tests for depreciation have been made at 31 December 2005 on the following elements: Goodwill KEENVISION, LNET, ASTON and SYSDEO. These tests implement the procedures of “Discounted Cash Flows”, that allow to increase the value of an activity or a branch of activity thanks to the cash flows generated.

At the conclusion of these tests, there has been no provision for depreciation to record.

The other fixed assets mainly related to computer and office equipment are not subject to a test for value because of their nature and their amortization period.

3.11. Fixed assets

This section consists in non consolidated equity securities, deposits and guarantees paid and loans. They are registered at their acquisition cost (purchasing price plus acquisitions charges) or at their intake value.

When the inventory value at the closing date is lower than the accounted value, a provision for depreciation is made for the amount of the difference. The securities inventory value is counted on the basis of criteria such as the quota of the net position, the evolution of the turnover and the long-term profitability.

The 20-year loans constituting the company's participation in the construction effort are entered at their present value in the balance sheet.

The company concluded a liquidity contract pursuant to the AFEI charter in order to promote the liquidity of transactions and the regularity of trading in its securities. The transactions carried out in its behalf by the securities dealer that signed the contract are entered in the account under long-term investments. The internally held shares under that contract are deducted from the consolidated shareholders' equity.

10 048 self-owned shares have been cancelled at 31 December 2005

3.12. 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 2004 are carried into the Income Statement.

The receivables and debts in foreign currencies at the end of the financial year are not significant.

3.13. Long-term contracts

Revenue on fixed price projects is accounted for according to the progress method. Services being provided are valued at the sale price. If the amount of the services provided is greater than the amount of the services invoiced for, the difference appears in the line called "Trade notes and accounts receivable" in terms of invoicing to be established. Otherwise, it is entered in the accounting under prepaid income on the line called "Other debts and adjustment accounts".

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

3.14. Financial instruments

Financial assets owned in the purpose of making transactions are evaluated at their market value at closing date. The difference of fair value coming from this revaluation is entered in the result accounts of the current period, in section “Cash Incomes and equivalent” in compliance with IAS 32 standard.

3.15. Derivative instruments

3.15.1. Exposure to exchange risk

The group is generally weakly exposed to the exchange rate on current commercial operations. These operations are made in countries where the risk of currency fluctuations is low. Therefore, there has not been any exchange coverage contracted for commercial operations.

3.15.2. Exposure to rate risk

The group's financial result is affected by the interest rate change. Indeed, part of the debt has a variable rate. The group's result accounts can be affected by a fluctuation of interest rates in the Euro area.

3.15.3. Common principles related to coverage financial instruments

The instruments used are limited to the following products : forward purchases and sells of currencies, currency swaps, purchases of currency options for the exchange risk coverage; interest rates swaps, future rate agreements, purchase of Capes and "tunnels" for the exchange rate coverage.

These instruments :
- are used only for coverage ends,
- are used only with French banks or foreign prime names,
- do not have any illiquidity risk in case of possible reversal.

The use of these financial instruments, the choice of compensations and more broadly, the management of the exposure to the exchange risk, are subject to specific states of reporting for the companies' management and administrative boards

Coverage rules for rate risks

The company contracted an exchange rate hedge in order to get protected from variable rates fluctuation during the repayment of its 4.5 ME borrowing. The company opted for a collar, i.e. the combination of a cap and a floor. The cap must protect the company from the rate variation through the setting of a cap interest rate; on the contrary, the floor set a floor interest rate.

Accounting procedures

The accounting rule for rate hedging operations is the accounting of the variation of the hedging instrument's fair value and the variation of the element that is symmetrically covered in the result accounts.

3.16. Provisions

In compliance with the IAS 37 standard "Provisions, possible liabilities and assets", the provisions consist in the liabilities matching the following criteria:

- the amount or the deadline have not been precisely set;

- the economic impact is negative for the group, since these liabilities represent an obligation of the group towards a third party, and are likely to create a capital outflow in aid of this third party, without any compensation expected from the third party.

The non current provisions are not related to the normal operating cycle of the firms. They mainly include:

- The staff benefits : provisions for end-of-career indemnities granted to employees on their retirement day. The evaluation of the obligations towards the end-of-carrier indemnities are in compliance with IAS 19.

Regarding the defined benefit scheme about post-work benefits and costs of services are estimated according to the projected credit units method.

This method is based on the compensations paid to the employees at the probable date of their retirement, taking into account the age pyramid, the staff trippage, and the survival rate set according to official tables per age group. The amounts are raised according to the inflation and promotion hypotheses, and updated in order to take into account the date at which the compensations will actually be paid.
The provisions are updated if the time factor is significant.

- The provisions aimed at covering the conflicts, possible unexpected events of the group's activity in more than one year.

Current provisions are related to the normal operating cycle of the group's activity. They mainly include:

- Provisions for losses on with end-of-contract terminations: they concern operations in progress, and are assessed case-by-case without compensation.

- The provisions aimed at covering the conflicts, possible unexpected events of the group's activity in less than one year.

3.17. Stock Options et subscription warrants

The payments based on shares related to stock option plans granted to employees. The group implements the IFRS 2 standard for share subscription options granted after 7 November 2002 and whose rights have not yet been purchased at 1st January 2005, in compliance with transitional provisions.

The valuation model chosen is the Black-Scholes formula. The staggering of this benefit on the options downtime is accounted in "staff costs".

3.18. Other non recurrent incomes and costs

Included in the current operating result, they represent the operating incomes and costs considered as non recurrent compared with the company's current operation.

3.19. Taxation on profit

Taxation on the result consists in the payable charge of each consolidated fiscal entity, minus the differed taxations. These taxations are calculated on all the temporary differences coming from the difference between the fiscal basis and the consolidated basis of assets and liabilities, according to a balance sheet approach with application of the variable report and in function of a reliable payment schedule. The taxation rate and the fiscal rules used are those of fiscal texts in force that will be implemented during the outcome of the operations concerned.

Deferred taxes on deficit are accounted when they can be shortly got back.

Deferred taxes, assets and liabilities, are balanced at the level of each fiscal entity and are accounted for their net amount in the assets or in the liabilities. In France, the companies SQLI, ABCIAL and SUDISIM are fiscally integrated according to article 223 A of the General Tax Code. They represent in this way a single fiscal entity.

The group does not account any deferred tax neither on temporary differences since they are not significant, nor on French restatements given the fiscal position in deficit.

At 31 December 2005, SQLI accounted a deferred tax in the assets of 1,315 KE on fiscal deficits, that the groups expects to get back in 2006 on the basis of result estimations of the integrated fiscal group.

The group does not have any deferred tax in the assets on deficits, expected to be got back after 2006 since their recovering is judged uncertain: the corresponding debt would amount to 3,663 KE.

3.20. Profit per share

Profit per share is calculated by divided the profit by the average number of shares in circulation during the course of the financial year.

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.

3.21. Result accounts and proforma result accounts

As required by IAS 1 standard « Presentation of financial position », the group has classified the result accounts by nature.
The recommendation of the CNC 2004-R-02 of 27 October 2004 was implemented for the presentation of the result accounts.

Proforma result accounts have been presented in comparison with the incomes and costs accounts of 2005. They include the accounts of the companies that were integrated during the financial year as if they had been integrated at 1st January.

In 2005, the proforma result presents the 12 months of activity of companies ASTON and SYSDEO instead of presenting only 2 months in the consolidated result. LNET's results have not been retreated (10 months of activity) since the group has closed its accounts on 30 September and there were no intermediary accounting situation established at 31 December 2004.

4- Reconciliation with the French standards

The consolidated accounts on 31 December 2005 have been prepared in compliance with the "International Financial Reporting Standards" (IFRS) adopted by the International Accounting Standards Board (IASB)

In order to meet with IFRS 1 standard, « First Time Adoption of International Financial Reporting Standards », that requires a retrospective application of IFRS standards, 2004 accounts presented in comparison, have been restated.

2004 annual accounts in compliance with both French and IFRS standards have been minutely reconcilied in the prospectus of the Financial Market Authority on 4 October 2005 (page 84 and followings). As a reminder, the main options and changes brought by the application of the IAS/IFRS standard are mentioned hereafter:

4.1. Main options used for the first application of the IAS/IFRS standard

According to the procedures of IFRS 1 standard, SQLI group adopted the following choices regarding the retrospective restatement of assets and liabilities in compliance with IFRS standards:

- companies merger : the group decided not to retreat the mergers previous to 1st January 2004 according to the measures of IFRS 3 standard.

- Conversion rate adjustment : the group decided not to transfer in « other reserves » the conversion rate adjustments related to the conversion of the foreign accountssubsidiaries' accounts at 1st January 2004

- Evaluation of some intangible or tangible assets at their fair value: the group did not proceed to any revaluation at the fair value of these assets because of their nature.

4.2. Main changes brought by the application of IAS/IFRS standards

Bringing together of shareholder's equity at 1st January 2004
(in thousands of euros)

BALANCE SHEET AT 01/01/04	French standards	Impact of the changeover to IFRS				IFRS
		IFRS 2	IAS 38	IAS 32	Others*	
Goodwill	118					118
Intangible fixed assets	49		(20)			29
Tangible fixed assets	500					500
Long-term investments	399					399
Other non current assets	-				485	485
Total non current assets	**1 066**	**-**	**(20)**	**-**	**485**	**1 531**
Customer receivables and related accounts	9 152					9 152
Other receivables and adjustment accounts	3 493				(485)	3 008
Cash and cash equivalent	6 903			7		6 910
Total current assets	**19 548**	**-**	**-**	**7**	**(485)**	**19 070**
TOTAL ASSETS	**20 614**	**-**	**(20)**	**7**	**-**	**20 601**
Capital	949					949
Premiums	2 731	40				2 771
Result	1 007	(40)	(20)	7		954
Reserves	(461)					(461)
Others	112					112
Minority interests	-					-
Total shareholder's equity	**4 338**	**-**	**(20)**	**7**	**-**	**4 325**
Other own funds	428				(428)	-
Loans (more than one year)	-				437	437
Long term provisions	558				(231)	327
Other non current liabilities	-				-	-
Total non current liabilities	**986**	**-**	**-**	**-**	**(222)**	**764**
Loans and financial debts	93				(93)	-
Loans (share of more than a year)	-				84	84
Short term provisions	-				231	231
Debts suppliers et receivables accounts	1 784				-	1 784
Other debts and regularization accounts	13 413				-	13 413
Total current liabilities	**15 290**	**-**	**-**	**-**	**222**	**15 512**
TOTAL LIABILITIES	**20 614**	**-**	**(20)**	**7**	**0**	**20 601**

* Breakdown of assets and liabilities in « current » and « non current ».

Intangible fixed assets

- Some intangible fixed assets such as the brands are not recognized as fixed assets by IAS 38 standard, what explains the reduction of the section of 20KE

- The goodwill are not amortized in compliance with IAS 38 standard, but are subject to an annual test for depreciation according to IAS 36, as from the financial years after 1st March 2004.
- Development costs, accounted in operating charges in compliance with French standards, have not been activated in compliance with IAS 38 because they do not match the criteria mentioned.

Tangible fixed assets

- SQLI reckons there is no need to make a revaluation on tangible fixed assets mainly made by computer equipment, organization, premises installation and office equipment.
- Existing lease contracts are computer equipment contracts concluded for periods of average 3 years. These contracts do not transfer to SQLI group the main part of risks and benefits related to

asset's owning according to the definition of IAS 17. In practice, the equipment is changed every two years. Moreover, there has not been any penalty paid for these anticipated renewals.

Stock-options
Stock-option schemes and subscription warrants included in the IFRS 2 standard scope have increased their value. The unit value of warrants has been calculated according to the Black-Scholes model with hypotheses made by SQLI company (shares volatility, interest rate, hypothesis to reach objectives).

Other assets
-Transferable investment securities have been revaluated to their fair value in compliance with IAS 32 standard. The impact is an increase of transferable investment securities of 7 KEUR.
-Guarantee funds paid to the factoring company have been reclassified in other non current assets.

Long-term provisions
The application of evaluation rules defined by IAS 19 standard leads to reclassify the provision for end-of-career indemnities in long-term provisions.

Long-term financial liabilities
Long-term loans, debts spaces out on 10 years and the COFACE conditioned advance are classified in "non current liabilities". Payments over less than one year of financial debts and bank lending are classified in "current loans".

Short-term provisions
Are included the provisions for losses on termination, the provisions for losses of IFA paid, and more broadly the other provisions for short-term risks and operating costs.
Bringing together of shareholder's equity at 31 December 2004
(in thousands of euros)

BALANCE AS OF THE 31/12/04	French industrial norms	Impact of the transition to IFRS				IFRS
		IFRS 2	IAS 38	IAS 32	Other*	
Consolidated goodwill	96					96
Intangible fixed assets	55		(20)			35
Tangible fixed assets	726					726
Long-term investments	499					499
Non-current assets	0				340	340
Total of non-current assets	**1,376**	**0**	**(20)**	**0**	**340**	**1,696**
Customer receivables and related accounts	9,235					9,235
Other receivables and regularisation accounts	5,755				(340)	5,415
Cash position and equivalents of cash position	7,427			8		7,435
Total of current assets	**22,417**	**0**	**0**	**8**	**(340)**	**22,085**
TOTAL OF ASSETS	**23,793**	**0**	**(20)**	**8**	**0**	**23,781**
Capital	970					970
Premium	3,137	388				3,525
Reserves and consolidated profits/losses	2,506	(388)	(20)	8		2,106
Others	162					162
Minority interests	0					0
Total of the shareholders equity	**6,775**	**0**	**(20)**	**8**		**6,763**
Other own funds	427				(427)	0
Loans (share of more-than-a-year)	0				516	516
Long term provisions	438				(125)	313
Other non-current liabilities	0					0
Total of non-current liabilities	**865**	**0**	**0**	**0**	**(36)**	**829**
Loans and financial debts	179				(179)	0
Loans (less-than-a-year share)	0				90	90
Short-term provisions	0				125	125
Supplier debts and related accounts	2,484					2,484
Other debts and regularisation accounts	13,490					13,490
Total of current liabilities	**16,153**	**0**	**0**	**0**	**36**	**16,189**
TOTAL OF LIABILITIES	**23,793**	**0**	**(20)**	**8**	**0**	**23,781**

*Breakdown of assets and liabilities in “current” and “non-current”.

The restatements transacted are similar to those described on 1 January 2004.

Impact of the adoption of the IFRS standards on the income statements on 31 December 2004
(in thousands of euros)

Headings in the French reference document	French reference document	Impact of the IFRS	IFRS	Headings in the IFRS reference document
Turnover	45 776	-	45 776	Turnover
Other earnings	451	(316)	135	Other earnings
Consumed purchases	(229)	-	(229)	Consumed purchases
Staff costs	(33,416)	(236)	(33,652)	Staff costs
Purchases and external costs	(9,228)	63	(9,165)	Purchases and external costs
Taxes	(1,210)	85	(1,125)	Taxes
Variation of amts / provisions	876	(885)	(9)	Variation of amts / provisions
Other operating charges and costs	(816)	867	51	Other operating charges and costs
			1,782	**2.3 CURRENT EARNINGS**
		45	45	Other one-off earnings and costs
Operating costs	**2,204**	**(377)**	**1,827**	**Earnings from operations**
Financial profit/loss	**(114)**	87	**(27)**	***Cost of the net financial debt***
		(34)	(34)	Other earnings and financial costs
Running profit from integrated companies	**2,090**			
Exceptional profit/loss	**(367)**	367		
Tax on profits	246	(412)	(166)	Tax cost
Net earnings of the integrated companies	**1 969**			
Allocation for depreciation and goodwill	(22)	22		
Minority interests	0	-	0	Minority interests
Net earnings (group's share)	**1 947**	**(347)**	**1 600**	**Net earnings (group's share)**

Taking into account the practice and the nature of the activity, the presentation of the income statement by nature of earnings and costs, considered as better than the presentation by function, has been maintained.

Current operating income
The transfers of costs as well as the various repayments (taking over of the professional training, insurance…) are entered in the accounting after deduction in the concerned accounts. The take over of the provisions, which are connected to the occurrence of the risk or the cost, are decreasing from the accounted cost.

Details concerning the reclassification of the other earnings :

Mark down of the "Revenues"	**-316**
Benefits in kind paid to the staff (transfer of costs)	89
Social bodies from previous financial year	2
Mark down of the "Staff costs"	**91**
Insurance repayment	28
Mark down of the "External costs"	**28**
Repayment of the training by FAFIEC/ Apprenticeship	65
Repayment by OPCAREG – internship and CIF	20
Mark down of the "Taxes"	**85**
Various regularisation on previous financial year	112
Mark down of the "Other earnings and operating costs"	**112**

Details concerning the reclassification of the transfers and write-backs from provisions:

Mark down of the "Variation of amts/provisions"	-885
Take over of provisions on industrial tribunal disputes	21
Mark down of the "Staff costs"	21
Take over of provisions on empty premises' rent	87
Mark down of the "External costs"	87
Take over of provisions related to losses on write off	755
Mark down of "Other earnings and operating costs"	755
Neutralization of the impact of the 2004 research tax credit covered by a provision of 100%	
Exceptional DAP/RAP in FF standards	412
Tax cost	-412
Reclassification of transfers to depreciation of the consolidated goodwill	
DAP/RAP	-22
DAP of consolidated goodwill	22

The staff costs integrate the cost resulting from the application of the IFRS 2 standard for an amount of 348 K€.

Other revenues
The heading for "other revenues" is composed of costs invoiced to clients and subsidies to be received within the framework of projects.

Other earnings and costs from operations
They consist of gains on sale of non-current assets.

Financial profit/loss
The financial profit/loss is split up into the cost of the net financial debt, which is particularly made up of factoring financing commissions, and of other earnings and financial costs, which are composed of the difference in rate of exchange on the financial elements and the discounting of the long-term receivables and debts.

Income taxes
The 2004 research tax credit activated for 412 K€ and covered by a provision of 100% has been neutralised to the income statement.

Synthesis of the effects of the changeover to the IAS/IFRS standards on the shareholders equity and the 2004 income
(in thousands of euros)

	Shareholders equity on 31 December 2003	2004 income	Shareholders equity on 31 December 2004
Intangible fixed assets (brands)	(20)	0	(20)
Stocks options	-	(348)	-
Re-evaluation of the VMP	7	1	8
Total	**(13)**	**(347)**	**(12)**

5- Information notes concerning the consolidated balance sheet

5.1. Consolidated goodwill

Details concerning the consolidated goodwill on 31 December 2005
(in thousands of euros)

	On 31 December 2004	Change in scope of consolidation (acquisition)	Change in scope of consolidation (disposals)	On 31 December 2005
KEENVISION (web agency)	96	-	-	96
LNET	-	494	-	494
ASTON	-	10,037	-	10,037
SYSDEO	-	4,373	-	4,373
TOTAL	**96**	**14,904**	**-**	**15,000**

After its judicial settlement, in October 2004 the LNET Multimédia Company merged with SQLI group. LNET, which was supported by SQLI, proposed to carry out a continuation plan which was approved by the Commercial Court of Nantes on 16 March 2005. Within the framework of that plan, SQLI acquired LNET whole shares for 6€ and re-capitalized the company up to 200 KE.

LNET and its subsidiaries held in 100% by SQLI are consolidated on 1st March 2005. The consolidated goodwill represents the difference between on the one hand, the acquisition price of the securities of SARL LNET Multimédia, LNET Maroc and IROKO.net and on the other hand, their net position closed out on 28 February, 2005 and restated to reflect the IAS/IFRS standards.

The draft treaty relating to the acquisition of 100% of ASTON company's shares was signed on July 29 2005: 50% of the securities, namely 774,149 securities, were acquired in cash for the price of 3,994€ per share. The remaining 50% were conveyed in kind and remunerated in SQLI securities according to the swap ratio of 2 SQLI shares for 1 ASTON share. The disposals in cash and the contribution in kind took place between 29 July 2005 and 7 September 2005.

The definitive price, namely 8,942 KE, includes a price complement of 2,339 KE calculated according to ASTON's 2005 income and which still has to be paid on 31 December 2005. The acquisition costs are incorporated in the share acquisition costs for 282 KE.

ASTON is consolidated as from1st November, 2005.

The draft treaty relating to the acquisition of 100% of the SYSDEO company's shares was signed on 9 November 2005: 60% of the securities, namely 60,502 securities, were acquired in cash for the price of 39,27€ a share ; 40% were conveyed in kind and remunerated in SQLI securities according to the swap ratio of 17,45 SQLI shares for 1 SYSDEO conveyed share.

The definitive price, namely 4 915 KE, includes a price complement of 720 KE calculated according to SYSDEO's 2005 income and which still has to be paid on 31 December 2005. The acquisition costs are incorporated in the share acquisition costs for 235 KE.

SYSDEO is consolidated on 1st November 2005.

5.2. Fixed assets

Table showing variations of fixed assets during the financial year
(in thousands of euros)

CATEGORIES	31. 12. 04	Acquisitions	Transfers	Change in scope of consolidation (acquisition)	31. 12. 05
Goodwill	-	-	-	917	917
Other intangible fixed assets	594	28	(29)	413	1,006
Other tangible fixed assets	2,584	342	(957)	1,557	3,526
Other long-term securities	33	-	-	80	113
Other long-term investments	586	335	(45)	441	1,317
OVERALL TOTAL	**3,797**	**705**	**(1,031)**	**3,408**	**6,879**

The goodwill of 917 KE is broken down as following:

In 2001, SYSDEO acquired the goodwill of Nagora Technologies company, which is composed of a training activity, distribution of products such as WebSphère and Weblogic, and services of consultancy and technical assistance for the set up of its products. This goodwill is entered in the accounting at the acquisition cost (324 KE) and is behind the creation of SYSDEO company.

In September 2004, SYSDEO exclusively took over Objectiva Finances SAS, a company which exercises the same activity as its own. The Extraordinary General Meeting of 25 November 2004 decided the universal transfer of property of Objectiva Finances SAS to SYSDEO, and that will be effective on 1 January 2005. This transaction gave off a “mali de fusion” (sort of charge, negative premium on merger) amounting to 593KE (“mali technique”) written up in intangible element in SYSDEO’s accounts on 1st January 2005.

Details concerning the securities and the long-term investments
(in thousands of euros)

CATEGORIES	On 31.12. 04	Increase	Decrease	Change in scope of consolidation (acquisition)	On 31.12. 05
Non-consolidated SQLI SL securities	31	-	-	-	31
Other non-consolidated securities	2	-	-	80	82
Other long-term securities	**33**	**-**	**-**	**80**	**113**
Deposits and sureties paid	283	194	(35)	225	667
Construction effort loans	253	128	-	216	597
Expatriate loans	30	-	(11)	-	19
Liquidity contract	20	14	-	-	34
Other long-term investments	**586**	**336**	**(46)**	**441**	**1317**
TOTAL	**619**	**336**	**(46)**	**512**	**1,430**

Depreciation and provisions of the non-current assets
(in thousands of euros)

CATEGORIES	On 31.12. 04	Depreciation allowances	Write-backs of disposals	Change in scope of consolidation (acquisition)	On 31.12. 05
Intangible fixed assets	559	40	(29)	411	981
Tangible fixed assets	1,858	342	(853)	1,255	2,602
Total of depreciation	**2,417**	**382**	**(882)**	**1,666**	**3,583**

CATEGORIES	On 31.12. 04	Funding	Recoveries	Change in scope of consolidation (acquisition)	On 31.12.05
Non-consolidated long-term securities	31	-	-	79	110
Construction effort loans	89	80	-	93	262
Total of provisions	**120**	**80**	**-**	**172**	**372**

Following the fair value tests, the consolidated goodwill and the goodwill were not the subject of any provision on 31 December 2005.

5.3. Other non-current assets

They are composed of guarantee funds paid in the framework of a factoring agreement signed by SQLI (413 KE), ASTON (374 KE) and ABCIAL (38 KE).

5.4. Customer receivables and other receivables

Detail concerning the receivables on 31 December 2005
(in thousands of euros)

		Provisions for depreciation of the receivables				
	Gross value on 31. 12. 05	31. 12. 04	Allocation	Recovery	Change in scope of consolidation (acquisition)	Net value on 31. 12. 05
Customer receivables	18,891	(122)	(72)	27	(161)	18,563
Production in progress	6,680	(28)	-	28	-	6,680
Customers and related accounts	**25,571**	**(150)**	**(72)**	**55**	**(161)**	**25,243**
Including impact linked to the change in scope of consolidation (acquisition)						
ASTON	4,589	-	-	-	(104)	4,485
SYSDEO	2,172	-	-	-	(5)	2,167
LNET Group	480	-	(2)	22	(52)	448
Impact of change in scope of consolidation (acquisition)	**7,241**	**-**	**(2)**	**22**	**(161)**	**7,100**

	Gross value	Provisions for depreciation of the receivables	Net value on

		31. 12. 04	Allocation	Recovery	Change in scope of consolidation (acquisition)	
Paid advances and down payments	543					543
Staff	25					25
Social bodies	27					27
Government (VAT, research tax credit…)	2,824	(733)	(798)	10	(34)	1,269
Differed tax assets	1315					1,315
SQLI SL current account	28	(28)				-
Shareholders : payment receivable after the exercise of BCE	74					74
Reserves in factoring companies	4,806					4,806
QUALEG subsidy	178		(60)			118
Receivables on disposal of fixed assets	148					148
Costs set out in advance	1,075					1,075
Other	25		(10)			15
Other receivables	**11,068**	**(761)**	**(868)**	**10**	**(34)**	**9,415**

In 2005 the group initiated a research and development programme which responds to the eligibility criteria for the research tax credit. The group also noticed the receivable that corresponds to the assets of its balance sheet in an amount of 1,500 KE at the conclusion of the expenditures made in 2005 . For prudential reasons, an equivalent non-deductible provision was set aside on that asset, of which the substance has not been definitively earned.

Moreover, a 55KE- provision is made on the 1995 and 1996 research tax credits of SUDISIM Company, which are the subject of a litigation since 2001.

The group assigned its claims within the framework of the factoring agreement. However, it makes ever less use of financing of assigned claims and therefore, the company can use this agreement to sell receivables as needed.

5.5. Cash flow and cash flow equivalents

Detail on 31 December 2005
(in thousands of euros)

	31. 12. 05	31. 12. 04
Liquid assets	2,147	1,759
SICAV and monetary FCP	8,461	5,661
Guaranteed FCP	15	15
OVERALL TOTAL	**10,623**	**7,435**

The perimeter variations have a little impact on the variations of balances between the financial year opening and the financial year closing.

5.6. Capital

SQLI Company's share capital is composed of 26,646,783 shares with a par value of 0.05€ each. It is paid up in full.

During the financial year, 7,250,624 new shares were created:

-4,025,382 shares were floated at the time of the capital increase of 31 October 2005. An issue premium amounting to 8,856 KE, on which expenses of 460 KE were charged, was entered in the accounting;

-1,548,298 shares were floated to remunerate the contribution of ASTON securities. A goodwill on consolidation amounting to 3,019 KE, on which expenses of 55 KE were charged, was entered in the accounting;

-703,824 shares were floated to remunerate the contribution of SYSDEO securities. A goodwill on consolidation amounting to 1,549 KE, on which expenses of 59 KE were charged, was entered in the accounting;

-229,995 shares were floated in the framework of the capital increases reserved for BCE holders;

-743,125 shares were created after the exercise of business creator equity warrants issued by the plans 1, 4, and 6 which are represented among the following plans set up by the company:

Share subscription options allocated on 31 December 2005			
	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 17,631 lapsed, making 19.925 not lapsed, adjusted to 21.964 on 31 October 2005	22.955 at the outset of which 1721,350 lapsed, making 1,605 not lapsed, adjusted to 1,769 on 31 October 2005	317.650 at the outset of which 17119,703 lapsed, making 197.947 not lapsed, adjusted to 218,104 on 31 October 2005
Including: number of shares that can be subscribed to by the executive officers of the company	0	0	0
Start of the right to exercise the stock options granted	5 July2005	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 then to 4,538 € on 31 October 2005	8.08185 € originally adjusted to 7.556 € on 29 December 2003 then to 7,335 € on 31 October 2005	2,3885 € originally adjusted to 2,233 € on 29 December 2003 then to 2,1678 € on 31 October 2005
Methods of exercising share subscription options	The exercise right applies by annual tranches (2000, 2001 and 2002)	None	None
Share subscription options taken up from 2000 financial year : No option was taken up on 31 December 2005			
Share subscription options cancelled from 2000 financial year:			
Total number of share subscription offers cancelled (2)	17,631 out of 37,556 options originally attributed (making 19,415 options cancelled out of 41,379 options adjusted)	21,350 out of 22,950 options originally attributed (making 23,523 options cancelled out of 25,292 options adjusted)	119,703 on 317,650 options originally attributed (making 131,879 options cancelled out of 349,983 options adjusted)
Share subscriptions options still to be allocated on 31 December 2005 : 11,912			

(1) The stock options were adjusted with respect to the exercise price and to the number of options, in order to take account of the effects of the capital increases without elimination of the preferential subscription right carried out on 29 December 2003 and on 31 0ctober 2005.

(2) These are options that have been allocated but with respect to which it is known that they cannot be used.

Business creator equity warrants issued on 31 December 2005			
	Plan no.1	**Plan no.2**	**Plan no.3**
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 [3]	1,197,000	362,221	1,000,000
Including: number of shares that can be subscribed to by the executive 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
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 €	5 €	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	285,083	362,221	73,333
Number of warrants exercised	911,717	0	221,453
Number of warrants still to be exercised	0	0	660,214

Plans n°1 and 2 expired in 2005. Plan n°3 submitted to the General Meeting held on 26 June 2002 was not the object of any allocation on 30 June 2003 and, hence lapsed on that date.

3 The beneficiaries of the business creator equity warrants 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 per exercise of the subscription rights.

The beneficiaries of the business creator equity warrants allocated prior to the capital increase put through on 31 October 2005 will be entitled to subscribe to a new share at a price of 2,25 € for five shares created per exercise of subscription rights.

Business creator equity warrants issued on 31 December 2005		
	Plan n°5	**Plan n°6**
Date of the meeting	30 June 2003	10 June 2004
Date of the meeting of the Board of Directors or of the Executive Board	29 March 2004	Supervisory board meeting of 29 September 2004 Executive board meeting of 29 September 2004
Total number of BSC warrants authorised [4]	45,000 (balance of plan n°4)	1,660,000
Including: number of shares able to be subscribed to by the corporate officers of the company	0	760,000
Number of subscription warrants allocated	45,000	1,639,000
Starting point for exercising warrants	29 March 2005	29 Sept 2004 for 160,000 22 March 2005 for 395,671 29 Sept 2005 for 97,336
Expiry date of warrants subscription options	29 March 2009	28 September 2009
Price of BSC warrants exercised	1,2190 €	1,2755 €
Methods of exercising warrants	The right to exercise is acquired by annual tranches of 15,000 (2005, 2006 and 2007)	160,000 warrants as of allocation 292,000 warrants by annual tranches of 1/3 (2005 to 2007) 1,187,000 warrants by annual tranche of one third conditional on reaching objectives relating to consolidated operating profit for financial years 2004 to 2006**.** The conditions relating to the 2004 and 2005 financial years were fulfilled.
Total number of warrants cancelled	0	10,000
Number of warrants exercised	10,000	2,332
Number of warrants still to be exercised	35,000	1,626,668

5.7. Stock options and subscription warrants

The plans falling within the field of application of the IFRS 2 standard are plans n°4, 5 and 6, under which, respectively, 955 000, 45 000 and 1 639 000 business creator equity warrants were allocated.
The plans which attributed options or warrants before 7 November 2002 were not valued.

The unit value of the warrants was calculated at the time of their allocation by using the Black and Scholes model on the basis of the following assumptions: the volatility of the share adopted is respectively 82,47 % (Plan4 and 5) and 47,67 % (Plan 6) and the risk-free interest rate used is equal to 4 %.
A 25% fall was applied to the values obtained to take account of the real behaviour of the recipients, who historically exercise their options well before their expiration date.

4 The beneficiaries of the business creator equity warrants allocated prior to the capital increase put through on 31 October 2005 will be entitled to subscribe to a new share at a price of 2,25 € for five shares created by exercise of the subscription rights.

The total charge for SQLI is spread out over a period from 25 July 2003 to 28 September 2007, and that was corrected by the probabilities of the employees' presence on the dates of successive final allocations under each of the three plans as well as the probabilities of reaching objectives that determine some allocations.

The evaluation of this charge was reviewed on 31 December 2005 according to instruments effectively attributed this day: the charge is estimated at 842 KE, including 40 KE chargeable to financial year 2003 and 348 KE to financial year 2004 and 299 KE to financial year 2005.

The evaluation of the 2005 charge takes into account the decision taken by the Extraordinary General Meeting of SQLI Shareholders of 16 December 2005, to exercise, in view of the exceptional operations of external growth and strengthening of shareholders' equity, the conditions of allocation bound to the results and were attached to BCE's 2005 tranche of the plan 6.

5.8. Loans

Financial debt on 31 December 2005
(in thousands of euros)

	31.12.05	31.12.04
COFACE advances with conditions	427	427
Loans with credit companies (term in more than a year)	3,539	-
Restatements of the leasing contracts (term in more than a year)	136	89
NON- CURRENT LIABILITIES	**4,102**	**516**
Loans with credit companies (term in less than a year)	1,173	9
Restatements of the contracts of lease (term in less than a year)	165	63
Current bank loans	705	10
Broken-period interests	53	8
Employee profit-sharing	93	-
CURRENT LIABILITIES	**2,189**	**90**
OVERALL TOTAL	**6,291**	**606**

Loans and financial debts have nearly exclusively been taken out within the Euro area.

In order to finance the acquisition of ASTON securities, in September 2005 SQLI subscribed, with a syndicate of four banks, for a loan amounting to 4,5 ME for a period of 48 months. This loan is granted at a variable interest rate on the the 3-month EURIBOR basis.

To cover itself against the interest rate risk, SQLI opted for a collar for the amount and the duration of the loan. The just value of this derivative financial instrument was estimated at 2 KE: considering its non significant impact, it was entered in the accounting on 31 December 2005.

The loans connected to the restatements of the leasing contracts exclusively concern SQLI (161 KE) and ASTON (140 KE) companies.

The current bank loans are a source of financing for SYSDEO Company which uses it to an extent of 682 KE on 31 December 2005.

ASTON Company booked a debt towards its employees for the share of gross company profits of the 1997, 1998 and 1999 financial year.

5.9. Provisions

Table of provision variations during the financial year
(in thousands of euros)

CATEGORIES	31.12.04	Increases	Write-backs Provision used	Write-backs Provision not used	Change in scope of consolidation (acquisition)	31.12.05
Fiscal dispute	223	-	-	-	63	286
Empty premises	-	-	-	-	246	246
Indemnities for retirement	90	61	-	(53)	92	190
Industrial tribunal disputes	-	-	-	-	101	101
Restructuring	-	53	-	-	-	53
Long-term provisions	**313**	**114**	**-**	**(53)**	**502**	**876**
Empty premises	-	-	(117)	-	419	302
Taxes	46	11	-	(4)	119	172
Losses upon completion	79	66	-	(123)	68	90
Disputes with suppliers	-	-	-	-	42	42
Other	-	-	(37)	-	58	21
Restructuring	-	608	(47)	-	-	561
Short-term provisions	**125**	**685**	**(201)**	**(127)**	**706**	**1 188**

A provision for taxes amounting to 223 KE was set aside following the taxation legal proceedings filed by SUDISIM company in 1993 (47 KE) and in 2002 (questioning of a research tax credit amounting to 176 KE). ASTON company disputes an adjustment of VAT to an extent of 63 KE.

In the short term, the security was covered by a provision amounting to 172 KE:

- IFA receivables, the loss of which is predictable according to the loss carryovers of the fiscal group;
- according to the group’s policy, the 2003 and 2004 research tax credits of SYSDEO company are the subject of a provision on a prudential basis.

SQLI and ABCIAL companies are now subjected to an inland revenue inspection from the 2002 to the 2004 financial years: currently, no predictable future charge following these controls is to be noticed.

ASTON and SYSDEO companies are tenants of premises that they do not use and for which they have made provisions for the rents still to be paid until the end of the lease: these rents amount to 302 KE for 2006 and to 246 KE from 2007 to 2009.

SQLI initiated restructuring costs following the integration of LNET, ASTON and SYSDEO: they represent the costs of redundancies (0,4 ME) and that of the cancellation of the lease of Boulogne Billancourt, which is SYSDEO company ‘s headquarters (0,2 ME).

The calculation assumptions of the provisions for retirement indemnities are the following ones:

- the retirement age is set at 65 years;
- the annual salary revaluation rate is decreasing according to the age: from 5 % (from 20 to 30 years old), to 3,3 % (from 31 to 40 years old), 2,75 % (from 41 to 50 years old), 1,5 % (from 51 to 60 years old) then constant;
- the discounting rate used is 3,3 %;
- the turnover rates grated by age are those noticed over the last 12 months on SQLI;
- the group's commitment to its employees is increased in 46,5 % by the social charges.

The assumptions of revaluation of salaries and turnover were reviewed on 31 December 2005 relative to the current situation, that is to say the structure of retirements and total payroll changes in the group. The impact of assumption changes is not significant and was entered in the accounting of the profits.

5.10. Other non-current liabilities

In March 2005 the Commercial court of Nantes validated the continuation plan of LNET company. The SARL benefits, besides the discounts granted by its creditors, from a spacing out of its debts; it will have to pay it by annual terms from March 2006 to March 2015.

After a discounting rate of 3 % rate, the liabilities amount to 204 KE.

5.11. Supplier debts and other debts

Type of debts on 31 December 2005
(in thousands of euros)

	31.12.05	Including change in scope of consolidation (acquisition)	31.12.04
Supplier debts	5,286	1,876	2,347
Debts on the acquisitions of fixed assets	31	-	137
Debts on the acquisitions of securities	3,059	-	-
Supplier debts and related accounts	**8,376**	**1,876**	**2,484**
Paid advances and accruals	445	325	96
Staff and social bodies	11,363	3,246	7,001
Government	6,986	2,374	3,839
Deferred tax liabilities	33	5	-
Other debts	48	47	8
Pre-paid earnings	4,703	781	2,546
Other payables and regularisation accounts	**23,578**	**6,778**	**13,490**

The debts made with acquisitions of securities make up the price complements to be paid by SQLI in connection with the acquisitions of ASTON (2 339 KE) and SYSDEO (720 KE) shares.

Prepaid income are booked if the amount of the charged services is higher than the amount of the services produced and valued on the basis of process.

6- Information notes concerning the consolidated income statement

6.1. Revenues

Breakdown of revenues by geographical zone
(in thousands of euros)

	31.12.05	31.12.04
SQLI	43,431	36,947
ABCIAL	2,221	2,067
CARI	-	(6)
ASTON	3,309	-
SYSDEO	1,528	-
LNET France	539	-
IROKO	30	-
Total France	**51,058**	**39,008**
SQLI SUISSE	7,675	6,768
SQLI MAROC	27	-
LNET MAROC	584	-
Total abroad	**8,286**	**6,768**
OVERALL TOTAL	**59,344**	**45,776**

Breakdown of revenues by activity
(in thousands of euros)

	31.12.05	31.12.04
Engineering	46,626	38,955
Web design	3,065	3,021
Consulting	6,838	2,563
Training	2,417	1,099
Equipment sold	398	138
OVERALL TOTAL	**59,344**	**45,776**

6.2. Staff costs

In thousands of euros	31.12.05	31.12.04
Salaries and allowances	29,239	22,847
Social costs	13,318	10,457
Allocation of BCE	299	348
OVERALL TOTAL	**42,856**	**33,652**
Average staff (excluding trainees)	**1,000**	**609**
Management	939	589
Non-management	61	20

Management remuneration
(in thousands of euros)

CATEGORIES	Total managers	Bodies		
		Administration	Management	Supervisors

Remunerations allocated	441		441	

6.3. External costs

In thousands of euros	31.12.05	31.12.04
General sub-contract work	4,614	2,909
Rents and rental charges	2,984	2,667
Repairs and maintenance	295	200
Insurance bonuses	196	150
Other documentation	152	128
External staff	129	75
Fees	827	784
Advertisement, public relations	119	111
Transports of goods	55	37
Travelling, assignments and receptions	1,655	1,528
Post charges and telecommunications	610	509
Banking services	89	46
Other external services	12	21
OVERALL TOTAL	**11,737**	**9,165**

6.4. Cost of the net financial debt

In thousands of euros	31.12.05	31.12.04
Revenues from loans and receivables	19	8
Net earnings from VMP sales	53	20
Earnings from cash flow and cash flow equivalents	**72**	**28**
Interest costs	(75)	(6)
Factoring financing commission	(45)	(49)
Gross financial debt cost	**(120)**	**(55)**
NET FINANCIAL DEBT COST	**(48)**	**(27)**

The exchange differences on financial elements, as well as the result of the debt discounting, are presented on the line " the Other financial products and costs":

In thousands of euros	31.12.05	31.12.04
Difference in rate of exchange	18	(9)
Discounting of long-term loans	(80)	(25)
Other financial earnings and costs	**(62)**	**(34)**

6.5. Tax cost

Breakdown between deferred taxes and taxes to be paid in the income statement
(in thousands of euros)

CATEGORIES	31.12.05	31.12.04
Differed taxes	1,284	-
Taxes to be paid	(138)	(166)
OVERALL TOTAL	**1,146**	**(166)**

Reconciliation of total tax cost and theoretical tax cost
(in thousands of euros)

CATEGORIES	31.12.05
Profit before tax	1,355
Theoretical Tax (33,84%)	**(458)**
Impact of the non-accounting for tax credits on loss carryovers	69
Impact of consolidation reprocessing without tax implications	87
Allocation effect of previous losses	122
Effect of non-deductible costs	(549)
Effect of non-taxable earnings	586
Impact of different corporate tax rates	32
Non-refundable DTAs	(27)
Differed tax liabilities	(31)
Differed tax assets	1,315
Effective tax cost	**1,146**

6.6. Contribution of the consolidated company to current operating profits

(in thousands of euros)

CONSOLIDATED COMPANIES	31.12.05	31.12.04
SQLI	622	1,010
SUDISIM	68	55
ABCIAL	(91)	136
CARI	(1)	51
LNET	135	-
IROKO	4	-
ASTON	526	-
SYSDEO	233	-
Total France	**1,496**	**1,252**
SQLI SUISSE	486	561
TECHMETRIX US	55	(40)
SQLI MAROC	85	9
LNET MAROC	31	-
Total Abroad	**657**	**530**
OVERALL TOTAL	**2,153**	**1,782**

6.7. Contribution of consolidated companies to net operating profits

(in thousands of euros)

CONSOLIDATED COMPANIES	31.12.05	31.12.04
SQLI	1,775	956
SUDISIM	53	42
ABCIAL	(104)	116
CARI	(7)	43
LNET	124	-
IROKO	4	-
ASTON	76	-
SYSDEO	(28)	-
Total France	**1,893**	**1,157**
SQLI SUISSE	448	477
TECHMETRIX US	55	(40)
SQLI MAROC	79	6
LNET MAROC	26	-
Total Abroad	**608**	**443**
OVERALL TOTAL	**2,501**	**1,600**

7- Other information

7.1. Sectorial data

Sectorial analysis by geographical area
(in thousands of euros)

	FRANCE	ABROAD	TOTAL
INCOME STATEMENT			
Total revenues	51,741	8,744	60,485
Interzonal revenues	(683)	(458)	(1,141)
Revenues from external customers	**51,058**	**8,286**	**59,344**
Net allocations to depreciation	(303)	(62)	(365)
Net allocations to provisions	61	(101)	(40)
Current operating profits	**1,496**	**657**	**2,153**
Other non-recurring earnings and costs	(688)	-	(688)
Operating profits	**808**	**657**	**1,465**
Net financial debt cost	(58)	10	(48)
Tax cost	1,298	(152)	1,146
Net earnings	**1,893**	**608**	**2,501**
BALANCE			
ASSETS			
Consolidated goodwill	15,000	-	15,000
Intangible fixed assets	942	-	942
Tangible fixed assets	776	148	924
Long-term investments	961	97	1,058
Other non-current fixed assets	825	-	825
Total of non-current fixed assets	**18,504**	**245**	**18,749**
Customer receivables and related accounts	23,034	2,210	25,244
Other receivables and regularisation accounts	9,262	153	9,415
Cash flow and cash flow equivalents	10,145	477	10,622
Total of current assets	**42,441**	**2,840**	**45,281**
LIABILITIES			
More-than-a-year loans	4,102	-	4 102
Long-term provisions	876	-	876
Other non-current liabilities	204	-	204
Total of non-current liabilities	**5,182**	**-**	**5,182**
Less-than-a-year loans	2,189	-	2,189
Short-term provisions	1,188	-	1,188
Suppliers and related accounts	8,189	187	8,376
Other payables and regularisation accounts	21,408	2,170	23,578
Total of current liabilities	**32,974**	**2 ,357**	**35,331**
TABLE OF CASH FLOW			
Self-financing capacity	3,000	688	3,688
Net acquisitions of fixed tangible and intangible assets	(724)	(88)	(812)

7.2. Off balance sheet commitments

Commitments given (in thousands of euros)

Company making the commitment	Beneficiary	Nature of the commitment	Amount	Expiry date
I. Members of the Board of Directors				
SQLI	Y. EL MIR	Allowance in case of cancellation of the mandate of a Board of directors' member	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
II. Disputes				
SUDISIM	General Taxation Department	Pledge of its business to the extent of the amount of the disputed R&D tax credit	176 KE	Indefinite
III. Loan of 4,5 ME for the acquisition of ASTON securities				
SQLI	Syndicate of banks	Pledge of 100% ASTON securities	Capital still to be paid	11/2009

Commitments received
(in thousands of euros)

Company or person giving commitment	Company receiving commitment	Reason for the commitment	Amount	Expiry date
CCF	SQLI	Premises in SAINT DENIS	48 KE	06/2006
Société Générale	SUDISIM	1993 tax field audit	59 KE	Indefinite

Other commitments received
(in thousands of euros)

Nature of the commitments	Total	Amount of the commitments by period		
		– 1 year	1-5 years	+ 5 years
Daily credit line	1,762 KE	1,762 KE	-	-
Overdraft line	420 KE	420 KE	-	-

7.3. Commitments on property leasing agreement

In thousands of euros	Costs noticed in 2005	Commitments remaining on 31.12.15	
		Less than a year	More than a year
Premises	1,451	1,570	2,974
IT equipment	714	671	1,180
Vehicles	450	542	630

7.4. Currency rates

	US Dollar 1 USD =		Swiss Franc 1 CHF =		Moroccan Dirham 1 DH =	
	31.12.05	**31.12.04**	**31.12.05**	**31.12.04**	**31.12.05**	**31.12.04**
Closing rate	0.85 EUR	0.73 EUR	0.64 EUR	0.65 EUR	0.09 EUR	0.09 EUR
Annual average rate	0.80 EUR	0.80 EUR	0.65 EUR	0.65 EUR	0.09 EUR	0.09 EUR

20.3.2 COMPANY ACCOUNTS ON 31 DECEMBER 2005

SQLI

268 Avenue du Président Wilson
Immeuble le Pressensé
93200 LA PLAINE SAINT DENIS

Financial reports on 31 December 2005

BALANCE SHEET : ASSETS

Categories	*Gross Amount*	*Depreciation*	*31/12/2005*	*31/12/2004*
Capital subscribed but not called up				
• ***INTANGIBLE FIXED ASSETS***				
Set up costs				
Research and Development costs				
Grants, patents and similar rights	540,473	519,669	20,804	53,595
Goodwill				
Other intangible fixed assets				
Advances, down payments on intangible fixed assets				
• ***TANGIBLE FIXED ASSETS***				
Land				
Buildings				
Technical installations, equipment, tools	1,224,457	921,397	303,060	351,770
Other tangible fixed assets				
Fixed assets in progress				
• Advances and instalments				
• ***FINANCIAL FIXED ASSETS***				
Holdings by equity method	21,849,444	7,277,950	14,571,494	514,118
Other holdings				
Receivables linked to holdings				
Other assets				
Loans	327,480	138,836	188,644	182,213
Other financial fixed assets	374,276		374,276	258,439
FIXED ASSETS	**24,316,130**	**8,857,852**	**15,458,278**	**1,360 ,135**
• ***INVENTORY AND WORS IN PROGRESS***				
Raw materials, procurement				
Production of goods in progress				
Production of services in progress				
Intermediate and finished products				
Goods				
Advances and down payments paid on orders				
• ***RECEIVABLES***				
Customer receivables and related accounts	17,637,618	587,337	17,050,281	8,080,045
Other receivables	8,182,180	1,132,278	7,049,902	5,479,814
Subscribed capital, called up but not paid				
• ***OTHER***				
Short-term investment securities (including own shares : 20.886)	8,407,345		8,407,345	5,643,322
Cash	1,238,379		1 ,238,379	1,333,729
• ***REGULARISATION ACCOUNTS***				
Pre-paid costs	790,939		790,939	601,525
CURRENT ASSETS	**36,256,461**	**1,719,615**	**34,536,846**	**21,138,435**
Costs to be spread over several financial years				
Bond redemption premium				
Unrealised gains and losses - ASSETS	2,889		2,889	8,344
OVERALL TOTAL	**60,575,480**	**10,577,467**	**49,998,013**	**22,506,913**

BALANCE SHEET : LIABILITIES

Categories	*31/12/2005*	*31/12/2004*
Share or individual capital including paid up : 1,332,339	1,332,339	969,808
Share premiums, issue premiums, goodwill on consolidation	16,814 172	3,136,950
Purchase price discrepancy re-evaluations:		
Legal reserve	91,981	32,777
Regulatory or contractual reserves		
Regulated reserves (including fluctuation reserve provisions)		
Other reserves (including purchase of original works of art)		
Carry- forward	238,959	(1,082,437)
• ***EARNINGS FOR THE FINANCIAL YEAR (profit or loss)***	**643,672**	**1,402,766**
Investment grants		
Mandatory provisions		
SHAREHOLDERS EQUITY	**19,121,122**	**4,459,863**
Earnings from issues of securities in capital		
Advances with conditions	427,380	427,380
OTHER EQUITY	**427,380**	**427,380**
Provisions for risks	118,882	137,513
Provisions for costs		
PROVISIONS FOR RISKS AND COSTS	**118,882**	**137,513**
• ***FINANCIAL DEBTS***		
• Convertible bond loans		
• Other bond loans		
• Loans and debts with credit companies	4,753,383	6,157
• Various loans and financial debts (including participating loans)	4,876,190	3,172,545
• Advances and accruals received on outstanding orders		
• ***OPERATING DEBTS***		
• Supplier debts and related accounts	4,037,957	2,730,980
• Fiscal and social debts	10,861,322	9,231,597
• ***OTHER DEBTS***		
• Debts on fixed assets and related accounts	28,684	137,334
• Other debts	3,133,415	94,868
• ***REGULARISATION ACCOUNTS***		
• Pre-paid earnings	2,624,372	2,102,619
DEBTS	**30,315,322**	**17,476 ,101**
Liability adjustments	15,306	6,056
OVERALL TOTAL	**49,998,013**	**2, 506,913**

Financial year earnings in cents **643,671,63**

Balance sheet total in cents 49,998,012,61

• INCOME STATEMENT (as a list)

Categories	*France*	*Exports*	*31/12/2005*	*31/12/2004*
Sales of goods				
Production of goods sold				
Production of services sold	43,617,186	764,717	44,381,903	38,268,057
NET REVENUE	**43,617,186**	**764,717**	**44,381,903**	**38,268,057**
Stored production				
In-house production				
Operating subsidies			135,191	181,384
Decreases in depreciation / provisions, cost transfers			209,565	910,424
Other earnings			1,635,802	1,296,962
OPERATING INCOME			**46,362,462**	**40,656,827**
Purchase of goods including customs duties				
Variations in inventory de stock (goods)				
Purchase of raw materials and other supplies (and customs duties)				
Inventory variation (raw materials, supplies)				
Other purchases and external costs			12,020,309	9,792,604
Taxes and similar payments			1,379,027	1,105,220
Taxes and similar payments			21,068 ,143	18,353,900
Social costs			10, 676,876	9,263,629
• ***ALLOCATION TO RUNNING COSTS***				
On fixed assets: Allocations to depreciation			177,629	188,756
On fixed assets: Allocations to provisions				
On current assets: Allocations to provisions			140,469	74,471
For risks and costs : Allocations to provisions			66,137	102,233
Other costs			41,966	356,735
OPERATING COSTS			**45,570,557**	**39,237,548**
OPERATING PROFIT/LOSS			**791,905**	**1,419,279**
OPERATIONS IN COMMON				
Profit attributed or losses transferred				
Loss borne or profit transferred				
• ***FINANCIAL EARNINGS***				
Financial allocations			18,856	18,202
Other assets, receivables and capitalised asset earnings				
Other interests and other assimilated products			593	
Decreases in provisions and transfer expenses			9,871	57,263
Positive exchange rate adjustments			413	1,202
Net expenses on the sale of marketable securities			53,392	19,016
FINANCIAL EARNINGS			**83,125**	**95,684**
Financial allocation of depreciation and provisions			77,521	49,149
Interest and similar costs			144,130	97,614
Negative exchange rate adjustments			4,645	6,176
Net charges on disposal of short-term investment securities			552	
FINANCIAL COSTS			**226,848**	**152,939**
FINANCIAL PROFIT/LOSS			**(143,723)**	**(57,255)**
EARNINGS BEFORE TAX			**648,182**	**1,362,024**

• INCOME STATEMENT (cont.)

Categories	***31/12/2005***	***31/12/2004***
Exceptional earnings on management operations Exceptional earnings on capital operation Write-backs from provisions and transfers of charges	90,000	245,342
EXCEPTIONAL EARNINGS	**90,000**	**245,342**
Exceptional costs on management operations Exceptional costs on capital operations Exceptional allocation to depreciation and provisions	111 98,797 291,022	348 200,382 283,422
EXCEPTIONAL COSTS	**389,931**	**484,152**
EXCEPTIONAL PROFIT/LOSS	**(299,931)**	**(238,810)**
Participation of employees in the success of the company's financial results Taxation on profits	 (295,420)	 (279,552)
TOTAL EARNINGS	**46,535,587**	**40,997,853**
TOTAL COSTS	**45,891,915**	**39,595,087**
PROFIT OR LOSS	**643,672**	**1,402,766**

APPENDIX TO THE CORPORATE FINANCIAL STATEMENTS

31 December 2005

We are presenting you the appendix to the balance sheet before distribution for the financial year ending on 31 December 2005 the total of which comes to 49,998,012 €, and to the income statement, presented under a list form, showing a total turnover of 44,381,903 € with a profit of 643,671 €.

The financial year ran for 12 months from 1st January 2005 to 31 December 2005.

• IMPORTANT EVENTS DURING THE FINANCIAL YEAR

• Operations on the capital

On 31December 2005, SQLI share capital, which is paid up in full, amounts to 1,332,339,15 € and consists of 26,646,783 shares with a face value of 0,05 euros.

During the financial year, 7,250,624 new shares were created:

▪ 4,025,382 shares were issued during the capital increase of 31October 2005. An issue premium, connected to this capital increase, was entered in the accounting for an amount of 8,856 K€, on which expenses amounting to 460 K€ were charged;

▪ 1,548,298 shares were issued to remunerate the conveyance of ASTON securities. A goodwill on consolidation, connected to this capital increase, was booked for an amount of 3,019 K€ on which expenses amounting to 55 K€ were charged;

▪ 703,824 shares were issued to remunerate the conveyance of SYSDEO securities. A goodwill on consolidation, connected to this capital increase, was booked for an amount of 1,549 K€ on which expenses amounting to 59 K€ were charged;

▪ 229,995 shares were issued within the framework of capital increases reserved for the holders of BCE;

▪ 743,125 shares were created after the exercise of business creator equity warrants issued by the plans 1, 4 and 6 which appear among the plans set up by the company and described in note 10.

• Acquisitions

SQLI is a services company which intervenes in the field of consulting and integration of the e-business architectures. Its main development focuses are: an offer of sector-based solutions, a total quality approach with the CMM-I procedure and the competitiveness of its developments thanks to its offshore subsidiary in Rabat.

The company is established in France and owns subsidiaries in France, in Switzerland and in Morocco.

The year 2005 was characterized by the acquisition of 100 % of the capital of three companies: LNET Multimédia in March 2005 and ASTON and SYSDEO companies in October 2005.

These acquisitions enable to strengthen the geographical coverage of the company, its technological density and its listing among the major accounts:

- LNET Multimédia Company merged with SQLI company after its judicial settlement in October 2004. Supported by SQLI, LNET proposed a plan for the continuation of activities which was approved by the Commercial Court of Nantes on March 16 2005. Within the framework of this plan, SQLI acquired LNET whole shares for 6 euros and has re-capitalised the company to an extent of 200 K€.

LNET group consists of 3 companies, LNET Multimédia, IROKO.net and LNET Multimédia Maroc (Morocco); it employs 30 employees based in Nantes, Poitiers and Casablanca. By this repurchase, SQLI has two establishments in Morocco which should enable the company to become an important player with the main local principals.

- The draft agreement relating to the acquisition of 100 % of ASTON company's shares was signed on July 29 2005: 50 % of the securities, i.e. 774,149 securities, were acquired in cash for the price of 3,994€ a share; the remaining 50 % were conveyed in kind and remunerated in SQLI securities according to the swap ratio from 2 SQLI shares to 1 ASTON share. The transfers in cash and the contribution in kind took place between July 29 2005 and November 7 2005.

The definitive price, i.e. 8,904 K€, includes a price complement of 2,302 K€ calculated according to ASTON 2005 income and which still has to be paid on December 31, 2005. The acquisition costs are incorporated into the acquisition cost of the securities for 282 K€.

ASTON Company has 270 employees in Paris, Lyon and Toulouse: it enables SQLI to increase its market shares in Paris and in the region and provides its recognized expertise on the applications using internet technologies.

- The draft agreement which announces the acquisition of 100 % of SYSDEO Company's shares was signed on November 9, 2005: 60 % of the securities, namely 60,502 securities, were acquired in cash for the price of 39,27€ a share; 40 % were conveyed in kind and remunerated in SQLI securities according to the swap ratio of 17,45 SQLI shares for 1 SYSDEO share conveyed.

The definitive price, namely 4,915 K€ includes a price complement of 720 K€ calculated according to SYSDEO 2005 income and which still has to be paid on December 31, 2005. The acquisition costs are incorporated into the acquisition cost of the securities for 235 K€.

The integration of SYSDEO's 80 staff workers completes the expertise of the group in the fields of consulting, training and the accompaniment on infrastructures and e-business JAVA and XML technologies.

These acquisitions were financed by a medium-term loan of 4,5 ME made with a syndicate of banks and the raising of 9,1 ME during the capital increase of October 31, 2005.

- **Activity**

This strategy of external growth was accompanied by the organic growth of the activity: SQLI turnover increases in 16 % on the financial year; the group's turnover, on the basis of a constant perimeter, increases in 16,5 %. These figures are explained by a net recovery of the computer sector and by the increase in prices of the sold services on the order of 3 to 4 % in 2005.

In this favourable context, SQLI also benefits from competitive advantages which provide it a good commercial dynamism:

- a complete and integrated bid: consulting, engineering of project, agency web, training and applicative maintenance third party services (TMA);
- a network of agency in province which is an excellent geographical meshwork,
- the application of the CMMI quality approach in project management,
- the progressive increasing strength of the offshore platform;
- the continued “solution” approach, particularly in the health and local authorities sectors.

Nevertheless, in 2005, the activity earnings are in visible decrease by comparison with 2004, the financial year being characterized by important investments made in the agencies and at the level of the transverse functions:

- the premises of the agencies of Paris, Lyon, Toulouse, Montpellier, Dijon and Casablanca were extended to strengthen the accommodation capacity;
- the deployment of level III CMM-I entailed a significant effort from the agencies in term of training and certification
- the strengthening of the management was necessary in some agencies
- the marketing and communication teams were strengthened to increase the visibility of the group
- a transverse sales department was created and is in charge of the national reference listing, publisher partnerships and animation of the group’s sales force.

SQLI should benefit from these investments in 2006.

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

In order to speed up the integration of operating teams, on 1st January 2006 a lease management agreement has been set up between SQLI and ASTON Company

- **Changes in method**

SQLI company applied, for the first time on 1st January 2005, the CRC regulations No 2002-10 relating to the depreciation and the loss in value of assets, and No 2004-06 relating to the definition, the accounting and the valuation of assets.

- **ACCOUNTING METHODS AND RULES**

The individual accounts on December 31, 2005 have been drawn up in euros and presented in accordance with the currently accepted accounting rules and principles.

The general accounting agreements were applied respecting with caution and in accordance with the basic assumptions:

- Continuity of operation,
- Consistent accounting methods from one financial year to another,
- Independence of the financial years.

The changes resulting from the first application of the CRC Regulations N° 2002-10 and N° 2004-06 had no significant impact on the company's accounts.

The base method retained to evaluate the booked elements is the historical 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.
In application of the CRC regulation N° 2004-06, the management chooses not to incorporate the costs of loans into the value of the fixed assets.

According to the rules defined by the CRC regulation N° 2002-10, the fixed assets must be broke down into individualised elements with a different duration of use. We did not identify in our capital assets liable to be the object of a breakdown by component, but we remain mindful on the technical information which would requires to develop the accounting of these capital assets.

The rules of depreciations applied in the company are in accordance with the current practises. The durations of use of our fixed assets are very close to these going value. So, within the framework of the application of the CRC regulation N° 2002-10, our company was not lead to audit its accounting depreciation table.

Thus the depreciation is calculated using the straight-line method in accordance with the expected life cycle of the asset:

- Software 1 to 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

The financial fixed assets are registered in the balance sheet for their historical value. They mainly consist in equity investments of the subsidiaries, loans to employees and deposits and sureties paid out.

At the end of each financial year, the historical value of the equity shares is compared to the going value by taking account of the quota of net assets increased in the unrealised gains and the trend in profits as well as the economic interest that the companies represent for the group. The unfavourable variations are the object of provisions for depreciation of securities.

In application of the CRC regulation N° 2004-06, the management chooses to activate the acquisition costs of the securities.

The company pays its participation in the construction effort in the form of 20-year loans, and enters a provision to reduce the said claim to its present value.

The company concludes a liquidity contract in accordance with the AFEI charter in order to promote the liquidity of transactions and the regularity of its securities payments. The transactions carried out for its own benefit, by the securities dealers maker of the contract, are entered in the accounting under long-term loans and investments.

Within the framework of the said contract, the company holds 10,048 of its own shares with a value of 19,843.30 €, valued to 24,316.16€ on December 31, 2005.

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 which meets the criteria for eligibility for a research tax credit, and it noticed a debt a amounting to 291,022 € relating to the 2005 research expenses. As a precaution, an equivalent non-deductible provision was assigned to this asset, which was not definitively earned.

On 31 December 2005, the receivable entered in the accounting in connection with the research tax credits for 2004 and 2005 amounted to 1,093,442 € in view of the consolidation for taxation purposes (of which CIR ABCIAL amounting to 336,852 €).

The company assigned its claims within the framework of factoring agreements. However, it makes ever less use of financing of assigned claims and therefore the company can use these agreements to sell receivables as needed.

4- Long-term contracts

The 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 recorded as prepaid income.

A provision for losses upon completion is entered when the anticipated project margin is negative. On 31 December 2005, this prevision amounts to 66,137€.

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 valuation of debts and receivables in foreign currencies at this rate is entered in the balance sheet under the heading "unrealised foreign exchange gains and losses". Hidden exchange rate losses, which are not offset, are the object of risk provisions.

On 31 December 2005, the debts, receivables and liquid assets in currencies looked as follows:

	In Dollar (USD)	In Swiss Franc (CHF)	In Moroccan Dirham (DH)	Equivalent value in EURO
Debts	-	1,816,346		1,167,992
Receivables	29,726	-	360,776	58,161
Liquid assets	-	-	-	-

6- Short-term investment securities

The short-term investment securities are booked at the purchase price or at the market price for the latest month, if the latter is lower. For the unlisted securities, 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 and guaranteed FCP funds booked for 8,407,345 € and valued on 31 December 2005 at 8,415,112€.

7- Other shareholders' funds

In 1999 SQLI concluded with COFACE company (Compagnie Française d'Assurance pour le Commerce Extérieur) a contract concerning prospecting insurance for the establishment of its TECHMETRIX US subsidiary in the United States.

Within the framework of that contract, from 2000 to 2002 COFACE granted advances in a total amount of 445,545 €, repayable starting in 2003 and until 2007 at a rate of 25% of the annual receipts of the American subsidiary. Advances not repaid at the end of the said period belong to SQLI.

No repayment has been done during the financial year. Taking into account the conditional nature of the repayments to come and the reduction of the activity in the United States, the advances are represented in the heading “ Other shareholders’ funds”.

8- Provisions for risks and costs

Provisions for risks and costs are accounted for when these risks and costs are clearly identifiable as for their purposes though uncertain and when events occurred or occurring make probable.

9- Staff costs

SQLI took over payment of the part of the supplementary retirement contributions previously borne by the employees.

10- Stocks options and subscription warrants

The General meeting held on 21 March 2000, 6 July 2000, 30 June 2003 and 10 June 2004 authorised the Board of Directors or the Executive Board to grant to a certain number of the group’s employees, in one or several times, a business creator equity warrant on the one hand and share subscription options on the other hand.

The options and warrants allocated are detailed below:

Share subscription options allocated on 31 December 2005			
	Plan n°1	**Plan n°2**	**Plan n°3**
Date of the meeting	21 March 2000	21 March 2000	21 March2000
Date of the meeting of the Board of Directors or of the Executive Board	4 July 2000	27 July 2000	27 July 2001
Total number of BSC warrants authorised [3]	37,556 at the outset of which 17,631 lapsed, making 19,925 not lapsed, adjusted to 21,964 on31 October 2005	22,955 at the outset of which 21,350 lapsed, making 1,605 not lapsed, adjusted to 1,769 on 31 October 2005	317,650 at the outset of which 119,703 lapsed, making 197,947 not lapsed, adjusted to 218,104 on 31 October 2005
Including: 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 July2006
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 then to 4,538 € on 31 October 2005	8.08185 € originally adjusted to 7.556 € on 29 December 2003 then to 7.335 € on 31 October 2005	2.3885 € originally adjusted to 2.233 € on 29 December 2003 then to 2.1678 € on 31 October 2005
Methods of exercising share subscription options	The exercise right applies by annual tranches (2000, 2001 and 2002)	None	None
Share subscription options taken up from 2000 financial year: No option was taken up on 31 December 2005.			
Share subscription options cancelled from 2000 financial year:			
Total number of share subscription offers cancelled [4]	17,631 out of 37,556 options originally allocated (i.e. 19,415 options cancelled out of 41,379 options adjusted)	21.350 out of 22.950 options originally allocated (i.e. 23,523 options cancelled out of 25,292 options adjusted)	119,703 out of 317,650 options originally allocated (i.e. 131,879 options cancelled out of 349,983 options adjusted
Share subscriptions options still to be allocated on 31 December 2005 : 11,912			

3 : 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 increases without elimination of the preferential subscription right carried out on 29 December 2003 and on 31 October 2005.

4 : These are options that have been allocated but with respect to which it is known that they cannot be used.

Business creator equity warrants issued on 31 December 2005			
	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 BSC warrants authorised [1]	1,197,000	362,221	1,000,000
Including: 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
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 €	5 €	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	285,083	362,221	73,333
Number of warrants exercised	911,717	0	221,453
Number of warrants still to be exercised	0	0	660,214

Plans n°1 and n°2 expired in 2005. 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 therefore lapsed on that date.

(1) The beneficiaries of business creator equity warrants 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.

The beneficiaries of business creator equity warrants allocated prior to the capital increase put through on 31 October 2005 will be entitled to subscribe to one new share at a price of 2,25 € for five shares created by exercise of the subscription rights.

Business creator equity warrants issued on 31 December 2005		
	Plan n°5	**Plan n°6**
Date of the meeting	30 June 2003	10 June2004
Date of the meeting of the Board of Directors or of the Executive Board	29 March 2004	Supervisory board meeting on 29 September 2004 Executive Board meeting on 29 septembre 2004
Total number of BSC warrants authorised [1]	45,000 (balance of plan n°4)	1,660,000
<u>Including</u>: number of shares able to be subscribed to by the corporate officers of the company	0	760,000
Number of subscription warrants allocated	45,000	1,639,000
Starting point for exercising warrants	29 March 2005	29 September 2004 for 160,000 22 March 2005 for 395,671 29 September 2005 for 97,336
Expiry date of warrants subscription options	29 March 2009	28 September 2009
Price of BSC warrants exercised	1,2190 €	1,2755 €
Methods of exercising warrants	The exercise right is acquired by annual tranches of 15 000 (2005, 2006 and 2007)	160,000 warrants as of allocation 292,000 warrants by annual tranches of 1/3 (2005 to 2007) 1,187,000 warrants by annual tranches of 1/3 conditional on reaching consolidated operating profit objectives for financial years 2004 to 2006. The conditions relating to the 2004 and 2005 financial years were fulfilled.
Total number of warrants cancelled	0	10,000
Number of warrants exercised	10,000	2,332
Number of warrants still to be exercised	35,000	1,626,668

(1) The beneficiaries of business creator equity warrants 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.

The beneficiaries of business creator equity warrants allocated prior to the capital increase put through on 31 October 2005 will be entitled to subscribe to one new share at a price of 2,25 € for five shares created by exercise of the subscription rights.

11- Taxation integration

On 31 December 2005, 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.

12- Consolidation

SQLI is the parent company of a consolidated group consisting of the subsidiaries SUDISIM, ABCIAL, CARI, IROKO.NET, ASTON, SYSDEO, LNET Multimédia, SQLI Suisse, TECHMETRIX Inc, LNET Multimédia Maroc and SQLI Maroc.

13- 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 uniformly spread out 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.

The calculation assumptions of the provisions for retirement indemnities are as follows:

- the retirement age is set at 65 years old ;
- the annual rate for revaluation of salaries is decreasing according to employees' age: from5% (from 20 to 30 years old), to 3,3% (from 31 to 40 years old), 2,75% (from 41 to 50 years old), 1,5% (from 51 to 60 years old) then constant ;
- the discounting rate used is 3,3%;
- the turnover rates grated by age are those noticed over the last 12 months on SQLI;
- the group's commitment to its employees is increased in 46,5 % by the social charges.

The assumptions of revaluation of salaries and turnover were reviewed on 31 December 2005 relative to the current situation, that is to say the structure of retirement and total payroll changes in the company.

This commitment appears off balance sheet and is entered in the accounting only in SQLI Group's consolidated financial statements.

14- Derivative instruments

- Exposure to exchange rate risk

Globally, SQLI company is weakly exposed to the exchange rate risk with regard to the current commercial transactions. These operations are realized in countries where the risk of monetary change is weak.
Therefore, no coverage of exchange rate was contracted for commercial transactions.

- Exposure to interest rate risk

SQLI financial result is sensitive to the change in interest rates. Indeed, a part of its debts is done at variable interest rate. The group’s income statement can be affected by a fluctuation in the interest rates of the Euro area.

- Common principles relating to hedging financial instruments

The used instruments are limited to the following incomes: forward purchases and sales of foreign currencies, swaps of foreign currencies, purchases of currency options within the framework of the exchange-rate cover; swaps of interest rate, future rate agreements, purchases of cape and tunnels within the framework of the interest-rate hedging.

They have the following characteristics
- they are used only for covering operations,
- they must be dealt only with French or foreign prime name banks,
- they must not present any illiquidity risk in case of possible reversal.

The use of these financial instruments, the choice of the counterparties and, more generally, the management of the exposure to the exchange and the interest-rate risks, are the subject of specific management reports prepared for the managing and supervision bodies of the concerned companies.

- Covering rules as regards the interest-rate risk

The company contracted an exchange rate hedge in order to protect itself from the fluctuation of the variable rate during the duration of repayment amounting to 4,5 M€. The company opted for a collar, that is to say the combination of a cap and a floor. The cap must protect the firm from the rise of the interest rate by fixing a cap interest rate. Conversely, the floor sets a floor interest rate.

- Fair value of the instruments

The accounting rule used by the IFRS standard, within the framework of an interest rate hedging, is the accounting of the fair value change in the interest rate hedging and the one of the element covered in a symmetrical way to the income statement.
On 31 December 2005, the fair value of this financial instrument is estimated at 2 K€.

FIXED ASSETS

Categories	*Beginning of the financial year*	*Revaluation*	*Acquisitions, contributions*
SET-UP AND RESEARCH & DEVELOPMENT COSTS			
OTHER HEADINGS FOR INTANGIBLE FIXED ASSETS	**579,887**		**24,064**
Lands			
Land buildings			
Constructions on others' land			
General installations buildings, fixtures, fittings			
Technical installations, equipment and industrial tools			
General installations, fixtures, fittings	407,089		85,530
Transport equipment	4,437		
Office, IT, and furniture equipment	1,094,533		107,496
Recyclable and various packaging			
Tangible fixed assets in progress			
Advances and instalments			
TANGIBLE FIXED ASSETS	**1, 506,059**		**193,026**
Contributions evaluated against equivalents			
Other contributions	7,792,069		14,057,376
Other assets			
Loans and other financial assets	523,069		206,032
FINANCIAL FIXED ASSETS	**8,315,137**		**14,263,408**
OVERALL TOTAL	**10,401,084**		**14,480,498**

Categories	*Payment*	*Transfer*	*End of the financial year*	*Initial value*
SET UP AND RESEARCH & DEVELOPMENT COSTS		**63,479**	**540,473**	
OTHER HEADINGS FOR INTANGIBLE FIXED ASSETS				
Lands				
Land buildings				
Constructions on others' land				
Buildings, general installations, various fittings		39,529	453,090	
Technical installations, equipment and industrial tools			4,437	
General installations, various fittings		435,099	766,930	
Transport equipment				
Office, IT, and furniture equipment				
Recyclable and various packaging				
Tangible fixed assets in progress				
Advances and instalments				
TANGIBLE FIXED ASSETS		**474,629**	**1,224,457**	
Contributions evaluated against equivalents				
Other contributions			21,849,444	
Other assets				
Loans and other financial assets		27,345	701,756	
FINANCIAL FIXED ASSETS		**27,345**	**22,551,200**	
OVERALL TOTAL		**565,452**	**24,316,130**	

DEPRECIATIONS

Categories	*Beginning of the financial year*	*Depreciation allowances*	*Recoveries*	*End of the financial year*
SET UP AND R&D COSTS				
OTHER INTANGIBLE FIXED ASSETS	**526,293**	**34,690**	**41,313**	**519,669**
Lands				
Land buildings				
Constructions on others 'land				
Buildings, general installations, fittings				
Technical installations, equipment and tools				
General installations, fittings	197,266	51,443	27,301	221,409
Transport equipment	4,437			4,437
Office, IT, and furniture equipment	952,586	91,496	348,531	695,551
Recyclable packaging, other				
TANGIBLE FIXED ASSETS	**1,154,289**	**142,939**	**375,832**	**921,397**
OVERALL TOTAL	**1,680,582**	**177,629**	**417,145**	**1,441,066**

Breakdown of depreciation allowances	*Straight-line*	*Reducing balance*	*Exceptional*	*Tax-based allowances*	*Tax-based recovery*
SET UP AND R&D COSTS					
OTHER HEADINGS FOR INTANGIBLE FIXED ASSETS	**34,690**				
Lands					
Land buildings					
Constructions on others' land					
Constructions, installations					
Technical installations, tools					
General installations, fittings	51,443				
Transport equipment					
Office, IT, and furniture equipment	91,496				
Recyclable packaging,					
TANGIBLE FIXED ASSETS	**142,939**				
OVERALL TOTAL	**177,629**				

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*	*Allowances*	*Recoveries*	*End of the financial year*
Provisions for mining and oil deposits				
Investment provisions				
Provisions for price increases				
Provisions for stock price fluctuations				
Accelerated depreciations				
Foreign ventures before 01/01/92				
Foreign ventures after 01/01/92				
Provisions for installation loans				
Other regulated provisions				
REGULATED PROVISIONS				
Provisions for litigation				
Provisions for guarantees given to customers				
Provisions for future market losses	78,983	66,137	78,983	66,137
Provisions for fines and penalties				
Provisions for foreign exchange losses	8,344	2,889	8,344	2,889
Provisions for pensions, similar commitments				
Provisions for taxes	46,500			46,500
Provisions for renewing fixed assets				
Provisions for large repairs				
Provisions for company costs, tax costs and leave to be paid	3,687	1,197	1,528	3,357
Other provisions for risks and costs				
PROVISIONS FOR RISKS AND COSTS	**137,513**	**70,223**	**88,854**	**118,882**
Provisions on intangible fixed assets				
Provisions on tangible fixed assets				
Provisions on securities treated on an equity basis				
Provisions on long-term securities	7,277,950			7,277,950
Provisions on other financial fixed assets	82,417	56,419		138,836
Provisions on stocks and work in progress				
Provisions on customer accounts	535,545	70,403	18,611	587,337
Other provisions for depreciations	754,175	378,104		1,132,278
PROVISIONS FOR DEPRECIATION	**8,650,087**	**504,926**	**18,611**	**9,136,401**
OVERALL TOTAL	**8,787,600**	**575,149**	**107,465**	**9,255,284**
Set-up contributions and recoveries		206,606	97,594	
Financial contributions and recoveries		77,521	9,871	
Exceptional contributions and recoveries		291,022		
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 losses upon completion	78,983	66,137	78,983		66,137
Provisions for foreign exchange loss	8 ,344	2,889	8,344		2,889
Provision for equity share contingencies	3,687	1,197	1,528		3,356
Provisions for taxes	46,500	0	0		46,500
Total provisions	**137,514**	**70,223**	**88,854**	**0**	**118,883**

RECEIVABLES AND DEBTS

TYPE OF RECEIVABLES	*Gross amount*	*1 year maximum*	*Over 1 year*
Receivables attached to holdings			
Loans	327,480	11,400	316,080
Other financial fixed assets	374,276	104,024	270,252
Doubtful or contentious customers	206,391	206,391	
Other customer receivables	17,431,227	17,431,227	
Receivables relating to securities loaned			
Staff and related accounts	22,287	22,287	
French public welfare system and other social bodies	23,755	23,755	
State, other governmental units : tax on profits	1,139,942	23,250	1,116,692
State, other governmental units: value added tax	486,784	486,784	
State, other governmental units : other taxes, levies, similar payments			
State, other governmental units : sundry receivables			
Group and associates	1,698,592	1,698,592	
Various debtors	4,810,820	4,490,820	320,000
Costs set out in advance	790,939	790 ,939	
OVERALL TOTAL	**27 312,493**	**25,289,469**	**2,023,024**
Amount of loans accorded during the financial year	73,250		
Amount of repayments obtained during the financial year	10,400		
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 initially maximum 1 year	45,050	45,050		
Loans and debts of initially more than a year	4,708,333	1,170,379	3,537,954	
Various loans and financial debts				
Suppliers and related accounts	4,037,957	4,037,957		
Staff and related accounts	3,688,347	3,688,347		
French public welfare system and other social bodies	3,257,912	3,257,912		
Government : tax on profits				
Government : value added tax	3,734,816	3,734,816		
Government : (secured) bonds				
Government :other taxes and similar payments	180,247	180,247		
Debts on fixed assets and related accounts	28,684	28,684		
Group and associates	4,876,190	4,876,190		
Other debts	3,133,415	3,133,415		
Debts relating to borrowed securities				
Prepaid income	2,624,372	2,624,372		
OVERALL TOTAL	**30,315,322**	**26,777,368**	**3,537,954**	
Loans taken out during the financial year	4,750,000			
Loans repaid during the financial year	41,667			
Loans and debts contracted with associates				

• COSTS PAYABLE AND EARNINGS RECEIVABLE

COSTS TO BE PAID

STAFF

Paid leave		1,623,431
Reduction of working time		4,506
Holiday bonuses		78,607
Bonuses		454,375
	Total	**2,160,917**

PUBLIC SERVICE BODIES

Continuous professional training		191,306
Training tax		127,700
Construction investment		10,292
Handicapped Person Contribution		124,465
Social costs on holiday bonuses, Reduction of working time, bonuses		1,007,577
	Total	**1,461,339**

STATE

Property tax		20,000
Organic		67,617
TVTS		20,925
Registration fees on acquisitions		17,373
Trading tax		54,334
	Total	**180,249**

EARNINGS RECEIVABLE

Daily allowances from the French public welfare system		13,184
Social entities		10,082
	Total	**23,266**

• DETAILS CONCERNING PREPAYMENTS AND UNEARNED INCOME

COSTS SET OUT IN ADVANCE

Catalogues and Forms		59,556
Rents		508,670
Equipment		38,344
Technical subcontracting		120,262
Insurance		1,011
Subscription to technical magazine		3,883
Subscription to cellular telephone line		6,502
Maintenances		5,068
"Cv Thèque" subscription		47,642
	Total	**790,939**

- **EARNINGS SET OUT IN ADVANCE**

Service provisions invoiced in advance	2,624,372

ELEMENTS RELATING TO SEVERAL BALANCE SHEET ITEMS

Categories	*Companies involved*	*Contributions*	*Common debts and receivables*
FIXED ASSETS			
Contributions	21,849,844		
CURRENT ASSETS			
Customer receivables and related accounts	2,436,634		
Other receivables	1,662,329		
DEBTS			
Various loans and financial debts	4,881,218		
Suppliers debts and related accounts	966,826		

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 %)	Net income (profit or loss for last complete financial year)
1- Subsidiaries (held at more than 50%)					
SUDISIM	Montpellier (34)	182,939	228,526	99,95 %	53,537
ABCIAL	Saint Denis (93)	37,000	83,782	99,63 %	-103,838
CARI	Saint Denis (93)	7,622	-259,973	100,00 %	-7,136
LNET	Saint Herblain (44)	14,620	-347,868	100,00 %	-350,776
ASTON	Velizy Villacoublay (78)	959,593	-1,888,279	100,00 %	-274,800
SYSDEO	Boulogne Billancourt (92)	201,672	351,548	100,00 %	-383,142
SQLI CH (1)	Lausanne (Suisse)	64,305	2,575,776	99,80 %	445,028
TECHMETRIX US (2)	Lexington (Etats-Unis)	42,384	-485,707	97,50 %	58,257
SQLI MAROC (3)	Rabat (Maroc)	27,410	87,893	99,87 %	79,536
SQLI SL	Madrid (Espagne)	30,500	-58,000	99,84 %	0
2- Affiliates (held between 10% and 50 %)					
NONE		*NONE*			

General information concerning all subsidiaries and affiliates	Subsidiaries		Affiliates	
	French	Foreign	French	Foreign
Book value of securities held				
- gross :	21,680,853	168,592		
- net :	14,480,796	90,698	*NONE*	
Amount of loans and advances granted	1,576,668	80,634		
Amount of guarantees and endorsements given	150,000	0		
Amount of dividends received	0	0		

Using the following exchange rates:

(1) 1 CHF = 0,643045 EUR
(2) 1 USD = 0,847673 EUR
(3) 1 MAD = 0,091368 EUR

VARIATION OF SHAREHOLDERS' EQUITY

Situation at financial year start		***Balance***
Shareholders' equity before distributions on prior earnings		4,459,863
Shareholders' equity after distributions on prior earnings		4,459,863
Variations during financial year	***Decreases***	***Increases***
Capital variations		362,531
Variations of premiums connected with the capital		13,677,222
Variations of reserves		59,204
Other variations		562,302
BALANCE		**14,661,259**
Situation at financial year end		***Balance***
Shareholders' equity before distribution		19,121,122

• 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	1,297,781	1,191,096
Acquisitions of fixed assets			Disposals of fixed assets		
- Intangible fixed assets	24,064	59,714	- Intangible fixed assets		
- Tangible fixed assets	193,026	349,015	- Tangible fixed assets	90,000	243,743
- Long-term investments	14,263,408	154,342	- Long-term investments	27,345	48,422
Charges to spread out over			Increase of shareholders' equity		
Several financial years			- Capital or conveyances	362,531	20,945
Reduction of shareholders' equity			- Other shareholders' equity	13,669,927	371,740
Repayment of financial debts	841,030	96,371	Increase of financial debts	6,560,999	1,022,372
TOTAL APPLICATIONS	**15,321,529**	**659,442**	**TOTAL RESOURCES**	**22,008,583**	**2,898,317**
NET RESOURCE	**6,687,054**	**2,238,875**	**NET APPLICATION**		

Variation of global net operating capital	Needs (B)	Decommitments (D)	Balance N (D-B)	Balance N-1
OPERATING VARIATIONS				
Variations of operating assets				
- Stocks and in progress				
- Advances and down payments paid on orders	1,386		-1 386	-62,725
- Customer receivables, related accounts and other receivables	9,766,390		-9,766,390	145,770
Variations of operating debts				
- Advances and down payments received on orders in progress				
- Supplier debts, related accounts and other debts		3,349,804	3,349,804	137,000
OPERATING TOTALS	**9,767,776**	**3,349,804**		
A NET OPERATING VARIATION			**-6,417,972**	**220,045**
NON-OPERATING VARIATIONS				
Variations of other debtors	3,431,783		-3,431,783	-3,327,153
Variations of other creditors		3,061,815	3,061,815	-13,351
NON-OPERATING TOTALS	**3,431,783**	**3,061,815**		
B NON-OPERATING NET VARIATION			**-369,968**	**-3,340,504**
TOTAL [A+B] NET DECREASE OF OPERATING CAPITAL			**-6,787,940**	**-3,120,458**
CASH POSITION VARIATIONS				
Variations of liquid assets		95,349	95,349	885,027
Variations of current bank loans, balances, credits, bank		5,536	5,536	-3,443
CASH TOTALS	**0**	**100,886**		
C NET VARIATION IN CASH POSITION			**100,886**	**881,584**

GLOBAL NET OPERATING CAPITAL VARIATION [A+B+C] : NET RESOURCE	**-6,687,054**	**-2,238,875**

BREAKDOWN OF TURNOVER IN K€

Categories	*France Turnover*	*Export Turnover*	*Total 31/12/05*	*Total 31/12/04*	*% 05/04*
ENGINEERING	40,804	754	41,558	35,781	16,15 %
TRAINING	1,700	11	1,711	1,588	7,75 %
CONSULTING	976		976	889	9,79 %
MAINTENANCE	137		137		
STUDIES				10	-100,00 %
TOTAL	**43,617**	**765**	**44,382**	**38,268**	**15,98 %**

BREAKDOWN OF TURNOVER BY GEOGRAPHICAL AREA IN K€

CATEGORIES	*TURNOVER*			*TOTAL*
	France	*EEC*	*OUTSIDE EEC*	
MAINTENANCE	137	0	0	137
TRAINING	1,700	11	0	1,711
CONSULTING	976	0	0	976
PROJECTS	40,804	208	547	41,558
TOTAL	**43,617**	**218**	**547**	**44,382**

• OPERATING SUBSIDIES

Nature of the subsidies	*Amounts*
QUALEG project subsidy (1)	73,471
Subsidy for training (FAFIEC, apprenticeship)	61,719
TOTAL	**135,191**

(1) SQLI is to receive a subsidy of 73.471 EUR from the European Community for the services that it provided during the financial year in connection with the QUALEG project.

That project has grouped a certain number of technical partners and territorial authorities since February 2004 and for a period of two years, so as to install a software solution for the quality of service in e-Government.

On 31 December 2005, a provision for depreciation amounting to 60.065 EUR was noticed on the services provided on the QUALEG project.

COST TRANSFERS

Nature of transfers	*Amount*	*Charged to account*
Benefits in kind	110,648	
Insurance indemnities	1,323	
TOTAL	**111,971**	

EXTRAORDINARY CHARGES AND INCOME

Nature of charges	*Amount*	*Charged to account*
Transfers to the 2005 research tax credit provisions Outgoing equipments Various	291,022 98,797 111	
TOTAL	**389,931**	

Nature of income	*Amount*	*Charged to account*
Disposals of equipments	90,000	
TOTAL	**90,000**	

CHARGES AND INCOME CONCERNING PRIOR FINANCIAL YEAR

Nature of charges	*Amount*	*Charged to account*
Rental charges Social entities Insurances Business tax of 2004	11,251 7,512 23,587 13,157	
TOTAL	**55,507**	

Nature of income	*Amount*	*Charged to account*
Social entities Rental charges Insurance Property tax	2,035 22,629 10,676 258	
TOTAL	**35,599**	

LEASING COMMITMENTS

Categories	*Lands*	*Buildings*	*Equipment, tools*	*Other fixed assets*	*Total.*
INITIAL VALUE				**269,695**	**269,695**
DEPRECIATIONS					
Running total for previous financial years				60,911	60,911
TOTAL				**60,911**	**60,911**
NET VALUE				**208,785**	**208,785**
RENTAL RIGHTS PAID					
Running total for previous financial years				30,337	30,337
Financial year in progress				89,877	89,877
TOTAL				**120,214**	**120,214**
RENTAL RIGHTS TO BE PAID					
One year at most				94,687	94,687
At more than one year and less than 5 years				71,858	71,858
TOTAL				**166,545**	**166,645**
Amount accounted for in this financial year				89,877	89,877

SITUATION CONCERNING DEFERRED AND UNREALISED TAXES

Categories	*Amount*
TAX DUE ON : Regulatory provisions: Provisions for higher prices	
TOTAL INCREASES	
TAX PAID IN ADVANCE ON : Temporarily non-deductible costs (to be deducted the following year): Other To be deducted later :	109,341
TOTAL TAX RELIEF	**109,341**
NET DEFERRED TAX POSITION	**(109,341)**

IMPOT DUE ON :		
CREDIT TO BE ACCOUNTED ON :		
Deficit that can be carried over:	10,058,834	
Long-term capital losses	2,004,085	12,062,919
NET LATENT TAX POSITION		**(12,062,919)**

AVERAGE STAFF LEVEL

Manpower	*Paid staff*	*Staff used in the company*
Management	547	
Supervisors, technicians	15	
Trainees	14	
Apprentices	4	
TOTAL	**580**	

OFF BALANCE SHEET COMMITMENTS IN K€

CATEGORIES	*TOTAL*
Commitments given	
Endorsements and sureties Indemnities in case of dismissal in favour of two members of the Executive Board Surety granted to ABCIAL to the benefit of factoring company FACTOBAIL for an indefinite duration	 150 150
Pension commitments	145
Pledge Pledge of 100% of ASTON securities up to the capital still-to-be-paid of the loan contracted for the purchase of these securities	 4,500
TOTAL	**4,945**
Commitments received	
Endorsements and surety CCF guarantee on Saint-Denis premises	 48
Other commitments received Dailly credit line Swingline	 750 350
TOTAL	**1,148**

MANAGEMENT REMUNERATION

Categories	*Total managers*	*Bodies*		
		Administration	*Management*	*Supervisors*
Financial commitments Remunerations allocated	150,000 440,703		 440,703	
Conditions of loans accorded during the financial year :				
Repayments transacted during the financial year :				

20.4 CHECK OF THE ANNUAL HISTORICAL FINANCIAL INFORMATION

20.4.1 STATUTORY AUDITOR'S REPORT

20.4.1.1 STATUTORY AUDITOR'S REPORT ON THE CONSOLIDATED ACCOUNTS

CONSTANTIN ASSOCIES
26, rue de Marignan
75008 – PARIS

FIDUCIAIRE DE LA TOUR
28, rue Ginoux
75015 – PARIS

STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED ACCOUNTS

FINANCIAL YEAR ENDED ON 31 DECEMBER 2005

SQLI

268, avenue du Président Wilson

93200 – LA PLAINE SAINT DENIS

Mr Chairman,
Sir, Madam,

As a result of the mission that was given to us by your General meeting, we carried out the audit of SQLI company's consolidated accounts relating to the financial year ended 31 December 2005 and as attached to this report.

The consolidated 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. For the first time, these accounts have been prepared in accordance with the IFRS reference document as adopted in the European Union. They include on a comparative basis the data relating to the financial year 2004 reprocessed according to the same rules.

1. OPINION ON THE CONSOLIDATED 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 the reasonable certainty about whether the consolidated accounts 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 accounts of the financial year, which have been established according to the IFRS reference document as adopted in the European Union, are in order and give a true picture of the asset base, the financial situation, as well as the result of the group composed of the persons and the entities included in the consolidation.

Without questioning the opinion expressed above, and according to the provisions of the article L. 232-6 of the French Commercial Law, we draw your attention to the change in accounting method which took place during the financial year and results from the application, for the first time in 2005 and for the French companies, of the CRC 2002-10 and 2004-06 regulations, that are respectively related to the depreciation and the loss in profits of assets and in to definition, the accounting and the valuation of assets, according to the modalities explained in the note 3.9 of the appendix.

2. JUSTIFICATION OF THE JUDGMENTS

In application of the provisions of L. 823- of the French Commercial Law relative to justification of our judgements, we bring the following elements to your attention:

<u>Changes in accounting methods</u>
Within the framework of our judgements of the accounting rules and principles followed by your company, we notably checked that the change in accounting method mentioned above is justified and that its effect is correctly calculated and presented.

<u>Goodwill</u>
The notes 3.3.2, 3.4, 3.10 and 5.1 of the appendix explain the consolidation rules and methods relating to the evolution of the consolidation perimeter and to the handling of goodwill on the fiscal year 2005 resulting from operations of external growth.
We made sure of the appropriate nature of the accounting methods used for the changes in the consolidation perimeter (acquisition). Our works also consisted in appreciating the data and the assumptions on which the modalities of application of the depreciation tests on goodwill base themselves.

<u>Long-term contracts</u>
SQLI notices the results on the long-term contracts according to the modalities described in the notes 3.13, 3.16 and 5.9 of the appendix to the consolidated accounts. These results depend on final estimates realized by the chargés d'affaires under the General Management's supervision.

On the basis of the information that has been given to us, our works consisted in appreciating the data and the assumptions on which these contracts' estimates on final profit or loss base themselves, in reviewing the calculations made by the company, in comparing the estimates on final profit or loss of the previous periods with the corresponding works and in examining the approval procedures of these valuations by the General Management.

Provisions for risks, disputes and retirement commitments
Concerning the provisions for risks, disputes and retirement commitments, we examined the procedures that are current in your group and enable their inventory, their evaluation and their accounting translation. We made sure that the possible uncertainties identified on the occasion of the application of these procedures were described in an appropriate way in notes 3.16 and 5.9 of the appendix to the consolidated accounts.

Stocks options
The notes 3.17 and 5.7 of the appendix clarify the modalities of the stocks options evaluation. Our works consisted in examining the used data, in judging the adopted assumptions, in reviewing the made calculations and in checking that the notes of the appendix to the consolidated accounts provide an appropriate information.
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
Moreover, we also carried out the verification of the information provided in the group's management report. We have no remarks to make concerning their accuracy and their concordance with the consolidated accounts.

Paris, April 7th, 2006

The Auditors

CONSTANTIN ASSOCIES FIDUCIAIRE DE LA TOUR

Jean-Marc BASTIER Jean-Pierre PAUMARD

20.4.2 REPORTS ON THE CONSOLIDATED FINANCIAL STATEMENT

CONSTANTIN ASSOCIES
26, rue de Marignan
75008 – PARIS

FIDUCIAIRE DE LA TOUR
28, rue Ginoux
75015 – PARIS

GENERAL REPORT

SQLI

268, avenue du Président Wilson

93200 – LA PLAINE SAINT DENIS

Mr Chairman,
Sir, Madam,

As a result of the mission that was given to us by your general meeting, we present the report relating to the financial year ended 31 December 2005 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.

1. OPINION ON THE ANNUEL 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 business activities results as well as the company's financial situation and its asset base at the end of this financial year.

Without questioning the opinion expressed above, and according to the provisions of the article L. 232-6 of the French Commercial Law, we draw your attention to the change in accounting method which took place during the financial year and results from the application, for the first time in 2005 and for the French companies, of the CRC 2002-10 and 2004-06 regulations, that are respectively related to the depreciation and the loss in profits of assets and to the definition, the accounting and the valuation of assets, according to the modalities explained in the notes of the appendix.

2. JUSTIFICATION OF THE JUDGMENTS

In application of the provisions of the article L. 823-9 of the French Commercial Law relating to justification of our judgements, we bring the following elements to your attention:

Within the framework of our judgements of the accounting rules and principles followed by your company, we also verified that the change in accounting method mentioned above is justified and that its effect is accurately calculated and presented.

The note concerning " Long-term investments " in the appendix explains the valuation rules and methods in connection with holdings and claims attached to the said holdings.

Within the framework of our judgements of the accounting rules and principles followed by your company, we verified the appropriate nature of the accounting methods specified above and the information supplied in the notes of the appendix, and we made sure of their proper application.

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

3. SPECIFIC VERIFICATIONS AND INFORMATION

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

We have no remarks to make concerning the accuracy and the concordance 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 pursuance of the law, we made sure that the various information relating to the affiliates and controlling interests and to the capital holders' identity have been passed on to you in the management report.

Paris, April 7th, 2006

The Auditors

CONSTANTIN ASSOCIES	FIDUCIAIRE DE LA TOUR
Jean-Marc BASTIER	Jean-Pierre PAUMARD

20.4.3 STATUTORY AUDITORS' OTHER CHECKINGS

The following statutory auditors' reports are made available to the shareholders under the legal conditions before their presentations to the meeting held on 16 June 2006:
- Report about the report made by the Chairman of the Supervisory Board about the internal procedures.
- Special report on the issue of shares and various marketable securities with or without elimination of the DPS (resolutions n° 17 and 18).
- Special report on the issue of shares reserved for the employees (resolution n° 22).
- Special report on the free allocation of existing shares or to issue for the benefit of the staff or the executive officers.
- Additional report on the capital increases with or without elimination of the DPS (resolution n° 13).
- Special report on the capital reduction by cancelling the purchased shares (resolution n°16).
- Statutory auditors' attestation about the ten most highly paid persons.

20.4.4 UNCHECKED FINANCIAL INFORMATION

The financial data appearing in the following chapters are not taken from the verified financial reports of the issuer:

6.1.2: data concerning the turnover per client and per agency : source SQLI
6.2.1 et 6.2.4 : data concerning the market and its trends: source Pierre Audouin Conseil and Syntec
8.1.1 : data concerning the rents and the premises: source SQLI
16.4 : operations on securities realized by the representatives in 2005: source SQLI on the basis
17.1 : data concerning the employees: source SQLI
17.2 : data concerning the representatives' stock options: source SQLI
17.3 : data concerning the staff capital: source SQLI
18.1 et 18.2 : data concerning the shareholding structure: source SQLI (registered and TPI)

20.4.5 FEES PAID TO THE AUDITORS AND TO MEMBERS OF THE NETWORKS

The following table shows the auditing and consulting fees paid to SQLI company's statutory Auditors for financial year 2005:

Assignments	**FIDUCIAIRE DE LA TOUR**				**CONSTANTIN ET ASSOCIES**			
	2004	2005	N in %	N-1 in %	2004	2005	N in %	N-1 in %
Auditing								
• Auditing and certification of the annual and consolidated financial statements	51,000€	69,750€	83	100	38,450€	97,250€	80	74
• Accessory assignments (1)		14,200€	17			14,200€	12	
	51,000€	83,950€	100	100	38,450€	111,450€	92	74
Other services								
• Legal, taxation, social (2)					13,653€	9,736€	8	26
TOTAL	**51,000€**	**83,950€**	**100**	**100**	**52,103€**	**121,186€**	**100**	**100**

(1) External contractual auditing assignments.

(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 subsidiaries.

20.5 LAST FINANCIAL INFORMATION DATE

SQLI company published on 15 May 2006 the following communiqué concerning its turnover of the first quarter of 2006 and the project for the acquisition of PROCEA company:

SQLI

Very high growth in the 1st quarter of 2006 + 78 % (of which 17 % of organic growth)

Acquisition of Procea company

In M€	2005	2006	Variation
Turnover 1st quarter	12,6	22,5	+78%

SQLI group realized a very good beginning of the year 2006 with a turnover amounting to 22,5 M€ growing of 78 %, of which 17 % of organic growth. This performance, perfectly in accordance with the group's objectives, confirms the change in dimension of the group and its positioning on the most buoyant market segments. It also confirms the good integration of the companies acquired in 2005, already buoyant of considerable commercial synergies.

2006 prospects of confirmed growth and profitability

This good beginning of financial year reinforces the ambitions of the group which aims at a turnover on the order of 90 M€ in 2006. As expected, right from the first half-year, this growth should be accompanied by a net improvement of margins, SQLI having set its objective of 6 % of operating margin in 2006.

Acquisition of Procea company, strengthening of the expertises in the integration of complex systems of information

Within the framework of its strategy which aims to strongly reinforce its technological density with additional specialised e-business expertises, SQLI group announces that it signed a draft agreement for the acquisition of 100 % of Procea company's capital.

Based in Lyon, Procea developed a strong expertise in the integration of systems of information aiming to optimise the ratio " availability / cost " of complex groups. Procea developed its SAGESS solution and its expertise in the military field (defence, space, navy), where the maintenance in operating condition is a key element.
Recently, Procea duplicates its know-how on the civil market, through its offer named SAMPLE, to propose to companies a solution of integration service-oriented (SOA) for the control of the operating liquid assets.

By leaning on more than 30 members of staff, Procea generated in 2005 a turnover of 2,6 M€ for sales and broke even in terms of profit.

Strong expected commercial synergies
This acquisition also enables SQLI to access customers positioned on new markets with a strong potential (Defence, Energy, Petrochemistry, Space,…) with the ambition to quickly offer them the whole e-business competence of the group.

By joining SQLI, Procea acquires a critical size to strengthen its position on the big markets and to speed up the distribution of its SAMPLE offer in the civil field by leaning on all the commercial strengths and SQLI's existing customers.

An industrial project in common, a close corporate culture
The leaders and the managers will be strongly involved in the success of the common industrial project and will continue to participate actively in the development. Operating synergies will quickly be organized with the grouping of the teams in the SQLI premises in Lyon.

Consolidation expected for July 2006
This acquisition amounting to 1,4 M€ will be financed for half in cash and for half by the exchanges of securities. A price complement amounting to 0,3 M€ could intervene according to the reach of results objectives for 2007.

The definitive outcome of the operation is expected in July. So, Procea would be consolidated over 6 months in 2006 from 1st July 2006 and should have a relutive impact right from 2007 considering the potential of growth linked to the rapprochement

A reinforced 2005- 2008 plan development
With this operation, SQLI pursues its dynamic strategy which aims to combine an organic growth higher than the market's one and a targeted external growth policy that strengthens the technological density of the group in the e-business solutions.

It also perfectly comes within the scope of the 2005-2008 development plan of the group which sets as objective 150 M€ of turnover and 10 % of operating margin in 2008.

SQLI will announce its turnover of the 1st half of 2006 on 1st August 2006 after the market closes.

20.6 INTERMEDIATE FINANCIAL INFORMATION AND OTHER

No intermediate financial information is available when this reference document is presented.

20.7 PAYMENT OF DIVIDENDS POLICY

The company did not pay dividends during the last three financial years. The shareholders meeting held on 16 June 2006 did not decide to pay dividends for the financial year 2005. The group's management does not consider paying dividends for the current financial year.

20.8 JUDICIAL AND ARBITRATION PROCEDURES

There is no current judicial or arbitration procedure.

Only some fiscal or industrial tribunal disputes are the object of proceedings but are not liable to have a significant influence on the company's financial situation.
When the management of the group reckoned the existence of a risk, some provisions were created. The said provisions are described in the chapter about the consolidated appendix.

20.9 SIGNIFICANT CHANGES OF THE FINANCIAL OR COMMERCIAL POSITION

No significant change of the financial or commercial situation occurred since the statement of the 2005 accounts.
On 15 May 2006, the group announced (i.e. chapter 20.5) an acquisition project concerning PROCEA company, which was not completed at the time of the presentation of this reference document.

21 FURTHER INFORMATION

21.1 SHARE CAPITAL

21.1.1 AMOUNT OF THE SHARE CAPITAL

On 31 December 2005 the share capital was set to the amount of one million three hundred thirty two thousand three hundred and thirty nine euros and fifteen cents (1,332,339,15 €) divided into 26,646,783 shares with a par value of 0,05€, in a single class and each of them paid up in full.

As a result of the decisions of the Executive Board hereafter, the capital was increased in 1,374,791.10 euro divided into 27,495,822 shares of 0,05€:

Date of the Executive Board	Purpose	Numbers of shares created	Increase in the share capital	New share capital
7 April 2006	Increase in capital as a supplement to the remuneration to the benefit of the contributors of Aston securities	434,953	21,747.65	1,354,086.8
15 May 2006	Exercise of BCE	57,979	4,846.75	1,358,933.55
15 May 2006	Subscription to capital increases of December 2003 and October 2005 by BCE's holders.	38,956		
5 June 2006	Exercise of BSA issued to remunerate the contribution of SYDEO securities as a remuneration supplement	127,983	6,399.15	1,365,332.7
22 June 2006	Increase in capital reserved to the employees members of the company savings plan	189,168	9,458.40	1,374,791.1

21.1.2 UNREPRESENTATIVE SECURITIES

Their is no securities that not represent the capital.

21.1.3 OWN SHARES DIRECTLY OR INDIRECTLY HOLD BY THE COMPANY

21.1.3.1 OWN SHARE REPURCHASE PROGRAMME

To the shareholders,

According to the provisions of the article L.225-209 of the French Commercial Law, we present you our special report on the operations realized within the framework of the current own share repurchase programme that has been authorised by the combined general meeting, held on 10 June 2005, in its resolution n°14.

In application of the articles 241-1 to 241-6 of the general regulations of the Financial Markets Authority and the European Rule n°2273 / 2003 of 22 December 2003, we also present you the description of the own share repurchase programme subjected to the authorization of the combined general meeting held on 16 June 2006.

I – SPECIAL REPORT MADE BY THE EXECUTIVE BOARD DURING THE COMBINED GENERAL MEETING HELD ON 16 JUNE 2006 ABOUT THE OPERATIONS REALIZED WITHIN THE FRAMEWORK OF THE OWN SHARE REPURCHASE PROGRAMME AUTHORISED BY THE COMBINED GENERAL MEETING HELD ON 10 JUNE 2005

To the shareholders,

According to the provisions of the article L.225-209 of the French Commercial Law, we present you our special report on the operations realized within the framework of the current own share repurchase programme that has been authorised by the combined general meeting, held on 10 June 2005, in its resolution n°14, for a duration that expires during the General Meeting called to rule on the financial statements for the financial year ending on 31 December 2005 and for a maximum duration of 18 months. The meeting first make use of the elements represented in the information note approved by the Financial Market Authority under n°05-425 on 19 May 2005.

1) Table of the synthetic operations realised by SQLI on its own securities from 29 April 2005 to 28 April 2006

Percentage of internally held shares in direct or indirect way: 0,04%
Number of shares cancelled during the last 24 months : None
Number of securities held in portfolio : 11,687
Portfolio gross book value: 33,622€
Portfolio market value on 28 April 2006: 32,372€

	Cumulative gross flows		Positions opened on 28 April 2006			
	Purchases	Sales/Transfers	Buy positions opened		Sell positions opened	
Number of securities	30,565	32,678	Calls purchased	Forward purchase	Puts sold	Forward sales
Average maximum maturity			None	None	None	None
Average transaction price	2,596€	2,626€				
Average exercise price	None	None	None	None	None	None
Amounts	79,357€	85,829€				

2) Table of synthetic declaration about operations realised by SQLI on its own securities from 29 April 2005 to 28 April 2006, detailed according to the objective

a) **Animation of the market or the liquidity of SQLI shares by an Investment Services Provider**

Type of operations	Again on 29 April 2005	Number of shares repurchased from 29 April 2005 to 28 April 2006	Number of sharers sold from 29 April 2005 to 28 April 2006	Number of shares reallocated to other objectives from 29 April 2005 to 28 April 2006	Balance (number of shares held on 28 April 2006)
In number of shares	13,800	30,565	32,678	0	11,687
Global cost prices	23,184	79,357	85,829		33,622
Weighted average prices per share	1,68	2,596	2,626		2,877

b) Purchase for keeping and later delivery for exchange or payment in connection with possible external growth deals

Type of operations	Again on 29 April 2005	Number of shares repurchased from 29 April 2005 to 28 April 2006	Number of sharers sold from 29 April 2005 to 28 April 2006	Number of shares reallocated to other objectives from 29 April 2005 to 28 April 2006	Balance (number of shares held on 28 April 2006)
In number of shares			None		
Global cost prices					
Weighted average prices per share					

c) Allocation to the employees

Type of operations	Again on 29 April 2005	Number of shares repurchased from 29 April 2005 to 28 April 2006	Number of sharers sold from 29 April 2005 to 28 April 2006	Number of shares reallocated to other objectives from 29 April 2005 to 28 April 2006	Balance (number of shares held on 28 April 2006)
In number of shares	0		None		
Global cost prices					
Weighted average prices per share					

d) Cancellation

Type of operations	Again on 29 April 2005	Number of shares repurchased from 29 April 2005 to 28 April 2006	Number of sharers sold from 29 April 2005 to 28 April 2006	Number of shares reallocated to other objectives from 29 April 2005 to 28 April 2006	Balance (number of shares held on 28 April 2006)
In number of shares	0		None		
Global cost prices					
Weighted average prices per share					

II –DESCRIPTION OF THE OWN SHARE REPURCHASE PROGRAMME SUBMITTED TO THE APPROVAL OF THE COMBINED GENERAL MEETING HELD ON 16 JUNE 2006 BY THE EXECUTIVE BOARD

In compliance with the articles 241-1 to 241-6 of the general regulations of the Financial Markets Authority and the European Rule n°2273/2003 of 22 September 2003, this description of the own share repurchase programme aims to describe the objectives and the terms of the share repurchase programme that is submitted to the authorisation of the combined general meeting held on 16 June 2006.

Securities concerned : SQLI shares, traded is the Eurolist (compartment C), – Code ISIN FR0004045540-SQI

Percentage of maximum capital repurchase authorised by the General Meeting : 10%.

Maximum unit purchase price : 5 euros

Minimum unit purchase price : 1 euro

Aims classified in order of decreasing priority:

1. The animation of the market or liquidity of the SQLI share by an Investment Services Provider by way of a liquidity contract in accordance with the ethical charter recognised by the A.M.F.,
2. The purchase for keeping and later delivery for exchange or payment in connection with possible external growth deals,
3. The allocation of shares to the employees in connection with implementation of any company savings plan or within the framework of legal employee profit-sharing,
4. The possible cancellation of the shares repurchased in this way, subject to the adoption of the resolution n°16 by the Extraordinary General Meeting.

Programme duration : within a maximum of 18 months, expiring when the General meeting is called to rule on accounts of the financial year, ended on 31 December 2006.

You can get this document, relating to the current repurchase programme and to the repurchase programme submitted to the combined general meeting held on 16 June 2006, for free on request to the SQLI headquarter : Immeuble Le Pressensé, 268, avenue du président Wilson, 93200 La Plaine Saint-Denis, as well as on AMF (www.amf-france.org) and SQLI (www.sqli.com) websites.

The shareholders' meeting held on 16 June 2006 approved the following resolution :

RESOLUTION 15

Authorisation to deal on the market in the company own shares

The General Meeting, , making its decisions on the quorum and majority conditions required for Ordinary General Meetings, after having familiarised itself with the report by the executive board and the element that appeared in the information document mentioned in the article 241-2 of the General Regulations of the Financial Markets Authority,

authorises the executive board, pursuant to the provisions of article L.225-209 and followings of the French Commercial Law as well as European Rule n°2273/2003 of 22 September 2003, to purchase company's shares with the intention of:

1. animating the market or liquidity of the SQLI share by an Investment Services Provider by way of a liquidity contract in accordance with the ethical charter recognised by the A.M.F,

2. purchasing for the keeping and the later delivery for exchange or payment in connection with possible external growth deal,

3. allocating shares to the employees in connection with implementation of any company savings plan or within the framework of legal employee profit-sharing,

4. possibly cancelling the shares repurchased in this way, subject to the adoption of the resolution n° 16 hereafter by an extraordinary shareholder's meeting.

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, with due observance of the rules and regulations of the Financial Markets Authority. The said shares may be purchased by market intervention or by buying blocks of securities. The part of the programme carried out in the form of blocks could represent the entire share repurchase programme.

This authorisation may be implemented under the following conditions:

- the maximum number of shares that could be acquired by the company under the present resolution could not exceed a limit of 10% of the shares, component of the share capital, established by article L. 225-209 of the French Commercial Law;

- the maximum number of shares that could be acquired by the company under the present resolution with the intention of keeping them and giving them later in payment or in exchange, within the framework of a merger, a split or a contribution operation, could not exceed a limit of 5% of the securities that make up the share capital (namely, for information only, 1,332,339,15 on the day of the present meeting);

- the global maximum amount meant for repurchasing the company's shares could not exceed 17,696,801,74 Euros;

- the limiting purchase and selling prices will be as follows:
  - maximum purchase price per share: 5 Euros ;
  - minimum selling price per share: 1 Euro.

This authorisation to carry out transactions in the Company's shares is granted for a duration ending at the time of the shareholders' meeting called to rule on the financial statements for the financial year ending on 31 December 2006, and at the latest 18 months following the combined general meeting of 15 June 2006.

Full powers are granted to the Executive Board, with a delegation option, to decide on the use of the present authorisation.

21.1.3.2 Market-making and liquidity convention

A market-making and liquidity convention, pursuant to the ethical charter established by the French Association of Investment Companies and approved by the AMF (Authority of the financial markets) in an instruction dated 10 April 2001, was concluded as from 1st July 2006 by SQLI and Financière d'Uzès.

The transactions carried out under the said convention are executed with due observance of the principles set forth in AMF n°90-04 as modified. They do not have the purpose of impeding regular market operation, or of misleading other persons. To ensure the management of the liquidity contract, SQLI conveyed an amount of 15,000€ in cash and transferred 12,781 SQLI securities that are hold on 30 June 2006 within the framework of the previous market-making convention signed by the securities dealer Portzamparc.

21.1.4 OTHER SECURITIES GIVING RIGHTS TO CAPITAL

The other securities giving access to the capital include stock options, business creator equity warrants (BCE) and equity warrants (BSA) attached to the shares issued to remunerate the contribution of Sysdéo company's securities.

The current stock options and BCE on 31 December 2005 are detailed in the appendix of the consolidated accounts in the chapter **20.3.1** paragraph **VI-** note **3.17**. Since 31 December 2005 and when this reference document was presented, no stock option was exercised, and 57,979 BCE were exercised, leading to the creation of 57,979 new SQLI shares.

The BSA, attached to the shares given in remuneration of Sysdéo securities as the price complement, were exercised by the beneficiaries on 7 June 2006. SQLI Executive Board noticed the creation of 127,983 new shares following this financial year.

21.1.5 AUTHORISED CAPITAL NOT ISSUED

21.1.5.1 Summary table of the currently valid delegations in the field of capital increases (Article L.225-100 paragraph7 of the French Commercial Law)

Date of the general meeting	N° of resolution	Purpose of the delegation	Duration	Expiry date	Global ceiling (in terms of par value)	Use during the financial year 2005
10 June 2005	16	Increase the share capital : 1- by issuing, all at once or in instalments, according to the quantities and the time that will suit the Executive Board, as much in France as abroad, with shareholders' preferential subscription right : (a) of company's ordinary shares; (b) of any other transferable securities offering access by any means, immediately and/or eventually, to the company's shares or the shares of a company of which it holds, directly or indirectly, more than half of the capital. The said transferable securities can also be denominated in foreign currencies or in some monetary unit or other, established with reference to several currencies; 2- by incorporation of premiums on shares, reserves, profits or other.	26 months	10 August 2007 *	1- 550,000 € 2- Amount of the accounts of reserves, premiums on shares or profits existing at the time of the	1- 4,025,382 new shares issued by the Executive Board's decisions, taken on 23 September and 31 October 2005 :capital increase of 201,269,10€
10 June 2005	17	Increase the share capital by issuing, all at once or in instalments, according to the quantities and the time that will suit the Executive Board, as much in France as abroad, without shareholders' preferential subscription right : (a)of company's ordinary shares; (b) of any other transferable securities offering access by any means, immediately and/or eventually, to the company's shares or the shares of a company of which it holds, directly or indirectly, more than half of the capital. The said transferable securities can also be denominated in foreign currencies or in some monetary unit or other, established with reference to several currencies;	26 months	10 August 2007 *	500,000 € (this amount is charged to the global ceiling of 550,000€ mentioned above)	NONE

10 June 2005	19	Increase the share capital by issuing ordinary shares without shareholders' preferential subscription right to be used in remuneration of conveyances of securities in case of a public exchange offer or of a contribution in kind.	26 months	10 August 2007 *	Limited to 10% of the Company's capital and to the global ceiling of 550,000 € mentioned above.	1,548,298 new shares issued by the Executive Board's decision of 7 September 2005 in remuneration of the contribution of Aston comapany's securities: capital increase amounting to 77,414.90 €
10 June 2005	20	Increase the share capital by issuing new shares under the conditions laid down in the article L. 443-5 of the Labour Code.	26 months	10 August 2007 *	Limited to 3% of its capital de and to a maximum par value amount of 45,000 euros	189,168 new shares issued by the Executive Board's decisions of 13 May 2006 (opening of the subscription), and the one of 22 June 2006 (noticing of the capital increase amounting to 9,458,40)

*become on 16 June 2006, after the adoption of the resolutions with the same purpose, submitted on the same date to the Extraordinary General Meeting and presented in the next paragraph.

21.1.5.2 Resolutions in the field of the capital increase voted by the extraordinary general meeting held on 16 June 2006

RESOLUTION 16

Delegation to the Executive Board for reducing the share capital by cancellation of shares

The General Meeting, making its decisions on the quorum and majority conditions required for Extraordinary General Meetings, after having familiarised itself with the report by the executive board and with the statutory auditors' report,

authorises the executive board to reduce the share capital by cancelling all or part of the company's shares that it might be held to hold following, in particular, acquisitions made within the framework of the **15**th resolution or prior to that, but within a limit of 10% of the company's capital per period of 24 months (taking into account the authorisation granted by the General Meeting held on 10 June 2005), pursuant to the provisions of article L.225-209 of the French Commercial Law.

The present authorisation is granted for a period that will end at the General Meeting called on to rule on the financial statements for the financial year ending on 31 December 2006, and at the latest 18 months after the combined general meeting held on 15 June 2006.

The General Meeting grants full powers to the executive board to modify the articles of incorporation as a result and to carry out the required formalities.

RESOLUTION 17

Delegation of power granted to the Executive Board with a view to increasing the capital, either by issue of ordinary shares or of any securities offering access to the capital with maintenance of the preferential subscription right, or by incorporation of premiums, reserves, profits or other items.

The Shareholders' Meeting, after having familiarised itself with the report by the executive board and with the statutory auditors' special report, and pursuant to the provisions of articles L. 225-129-2, L. 228-92 and L. 228-93 of the French Commercial Law:

1° Delegates the power to the executive board to decide on one or several capital increases

a) by the issue, in France or abroad, in euros, of ordinary shares of the company or of any transferable securities offering access by any means, immediately and/or eventually, to the ordinary shares of the company or of a company of which it holds more than half of the capital, directly or indirectly, it being possible for the said transferable securities to also be denominated in foreign currencies or in some monetary unit or other established with reference to several currencies;

b) and/or by incorporation into the capital of premiums, reserves, profits or other items capitalisation of which is possible legally and under the articles of incorporation, and in any form of allocation of free shares or of increasing of the par value of the existing shares.

The delegation granted in this way to the executive board is valid for a duration of twenty-six months starting with the time of the present Meeting.

2° Decides that the total amount of the increases of the share capital mentioned in 1° a) that could be carried out immediately and/or eventually may be no more than one million two hundred thousand euros (1,200,000) Euros in terms of par value, an amount to which will be add, if the case arises, the additional amount of shares to be issued to protect, pursuant to law, the rights of the holders of transferable securities granting a right to shares.

3° Decides that the total amount of the increases of the share capital resulting from the incorporation of the reserves, premiums and profits mentioned in 1° b), increased by the amount needed in order to protect, pursuant to law, the rights of the holders of transferable securities granting a right to shares and independently of the ceiling set in 2°, may be no more than the amount of the accounts of reserves, premiums or profits existing at the time of the capital increase.

4° In case of use of the present delegation by the Executive Board within the framework of the issues mentioned in 1.a), decides that:

a) the shareholders, in proportion to the amount of their shares, hold a preferential subscription right to the transferable securities issued in accordance with the present resolution;

b) if the applications for exact rights and, if need be, the applications for excess shares**,** have not absorbed the totality of a share issue or an issue of transferable securities as defined above, the Executive Board shall be entitled to offer all or part of the securities not applied for to the public.

5° In case of use by the Executive Board of the delegation mentioned in 1° b), decides, pursuant to the provisions of article L. 225-130 of the French Commercial Law, that the rights constituting odd lots shall not be negotiable, and that the corresponding securities shall be sold; the receipts resulting from the sale shall be allocated to the holders of the rights within the period provided for by the regulations.

6° Takes note of the fact that the present delegation replaces with the delegation granted by the Extraordinary General Meeting held on 10 June 2005 by declaring it void for the part currently not used.

RESOLUTION 18

Delegation of power to the executive board with a view to increasing the capital by issuing ordinary shares or any transferable securities offering access to the capital with elimination of the shareholders' preferential subscription right.

The General Meeting, ruling on the quorum and majority conditions governing Extraordinary General Meetings, after having familiarised itself with the report by the executive board and the statutory auditors' special report, and pursuant to the provisions of articles L. 225-129-2, L 225-135, L 228-92 and L 228-93 of the French Commercial Law:

1° Delegates power to the executive board to decide on one or several capital increases by issue, in France or abroad, in euros, of the company's ordinary shares or of any transferable securities offering access by any means, immediately and/or eventually, to the ordinary shares of the company or of a company that owns, directly or indirectly, more than half of its capital or which it owns, directly or indirectly, more than half of the capital, it being possible for the said transferable securities to also be denominated in foreign currencies or in some monetary unit or other, established with reference to several currencies.

The delegation granted to the Executive Board in this way is valid for a period of twenty-six months starting with the date of the present meeting.

2° Decides that the total amount of the increases of the share capital that may be carried out immediately and/or eventually may be no more than eight hundred thousand (800.000) € in terms of par value, the said amount being charged to the ceiling laid down in resolution n°**17**.

3° Decides to eliminate the shareholders' preferential subscription right to the said securities to be issued in accordance with the legislation, and to empower the Executive Board to institute a priority right to the shareholders' benefit for subscribing to them in application of the provisions of article L 225-135 of the French Commercial Law.

4° Decides that the issue price of the shares shall be at least equal to the weighted average of the initial quoted prices for the last three trading days (on Paris Market) preceding its determination, reduced by the fall provided for by the legislation.

The issue price of the shares resulting from exercise of transferable securities granting access to the capital issued by virtue of the present delegation is subjected to the provisions of article L 225-136.

5° Takes note of the fact that the present delegation replaces with the delegation granted by the Extraordinary General Meeting held on 10 June 2005 by declaring it void for the part currently not used.

RESOLUTION 19

Possibility to increase the amount of the issues in case of excess demands.

For each of the issues decided in application of the resolutions n°**17** and **18**, the number of securities to be issued may be increased under the conditions laid down in article L 225-135-1 of the French Commercial Law, and within the limits of the global ceiling provided for in resolution n° **17**, when the Executive board notices an excess demand.

RESOLUTION 20

Possibility for the shares issued without any shareholders' preferential subscription right to be used to remunerate conveyances of securities in case of OPE (Public Exchange Offer) or contribution in kind.

Within the limits of the ceiling provided for in resolution n° **18**, the shareholders' meeting authorises the Executive Board, during the said period of 26 months, to issue ordinary shares or transferable securities offering access by any means, immediately and/or eventually, to the ordinary shares of the company:

- aimed at remunerating securities tendered to the company in accordance with the public exchange offer procedure carried out in accordance with the provisions laid down in article L 225-148 of the French Commercial Law,

- on the basis of the conveyances auditor's report and within the limit of 10% of its share capital, with a view to remunerate the contributions in kind granted to the company and consisting of capital securities or of other transferable securities offering access to the capital, when the provisions of article L. 225-148 of the French Commercial Law are inapplicable.

In all cases, the amount of the capital increases carried out in accordance with the present resolution shall be charged to the global ceiling provided for under resolution n°**17.**

RESOLUTION 21

Authorisation given to the Executive Board to carry out the free allocation of existing shares or share to be issued.

The General Meeting, ruling on the majority conditions and on the quorum governing Extraordinary General Meetings, after having familiarised itself with the report by the Executive Board and the statutory auditors' special report, and pursuant to the articles L.225-197-1 and followings of the French Commercial Law:

1° Authorises the Executive Board to carry out, all at once or in instalments, under the conditions it will set and within the limits set in the present authorisation, free allocations of the company's existing or to-be-issued ordinary shares to the benefit of the company's employees and/or the executive officers, mentioned in the article L.225-197-1 II of the French Commercial Law, of the company and/or the companies and groups which are linked to it according to the article L.225-197-2 of the French Commercial Code under the conditions set hereafter;

2° Decides that the existing shares which can be allocated on the present resolution should be acquired by the Company, either within the framework of article L.225-208 of the French Commercial Law, or, if need be, within the framework of the share repurchase programme authorised by the **15**th resolution submitted to this Meeting on the article L.225-209 the French Commercial Law or on any share repurchase programme applicable later;

3° Delegates to the Executive Board, for the shares to be issued that can be allocated on the present resolution, the power to decide one or several company's capital increases (by incorporation into the capital of reserves, issue premiums, profits or other items capitalisation of which is possible legally and under the articles of incorporation.

4° Decides that the Executive Board will determine the identity of the allocation beneficiaries, the number of allocated shares, as well as the conditions and, if need be, the criteria of share allocation only if the beneficiary of the allocation does not hold, in accordance with the article L.225-197-2 of the French Commercial law, no more than 10 % of the share capital of the Company in the day of the free allocation or because of the free allocation;

5° Decides that for the beneficiaries members of the Executive Board, the number of shares allocated per beneficiary, as well as the conditions and, if necessary, the criteria of share allocation should be first submitted to the Supervisory board for agreement; moreover the Supervisory board is authorized to modify the conditions and, if necessary, the criteria of share allocation to adapt them to the perimeter and to the environment of the Group in case of substantial modification resulting from exceptional operations;

6° Decides that the total number of shares allocated free of charge cannot exceed 800,000 shares;

7° Decides that the Executive Board will determine, during every decision of allocation, the acquisition period to the term of which the allocation will be definitive, subject to fulfilling the conditions or the criteria fixed by the Executive Board; in any case, this duration cannot be less than two years;

8° Decides that the Executive Board will determine, during every decision of allocation, the duration of the obligation for the beneficiaries to keep the shares; in any case, this duration cannot be less than two years;

9° Authorizes the Executive Board to proceed, if necessary, during the acquisition period, to the adjustments of the number of allocated shares, connected to the possible operations on the Company's share capital so as to protect the beneficiaries' rights;

10° Notes and decides, as a need, that the present authorization takes, for the benefit of the beneficiaries of the attributions of existing ordinary shares or shares to be issued, renunciation of the shareholders' (i) preferential subscription right for the ordinary shares which will be issued as definitive share allocation goes along, (ii) to any right existing on ordinary shares allocated free of charge on the base of the present authorization, and (iii) to any right existing on the amount of the reserves and premiums on which will be imputed, if necessary, the issue of the new shares;

11° Grants full powers to the Executive board, with the faculty of subdelegation of powers within the legal conditions, to conclude any agreements, establish any documents, to make any formalities and any statements with any bodies and to do everything that is otherwise necessary to implement the present authorization, under the conditions described above and within the limits authorized by the current laws, and in particular to fix, if necessary, the conditions of issue, the dated dates of the emitted securities, to notice the realization of the capital increases which result from it, to proceed to the correlative modification of the articles of incorporation and, more generally, to carry out all the formalities useful for the issue, for the quotation and for the financial service of the securities issued in accordance with the present resolution and to do everything that is otherwise useful and necessary within the framework of the laws and regulations;

12° Sets to twenty six months, as from the day of the present Meeting, the validity duration of the present authorization;

13° Decides that, every year, the Executive Board will inform the General Meeting of the allocations realized within the framework of the present resolution according to the article L.225-197-4 of the French Commercial law.

RESOLUTION 22

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

The General Meeting, after having heard the reading of the report by the Executive Board and the special report by the auditor, authorises the Executive Board, pursuant to the provisions of article L. 225-129-6 of the French Commercial Law, and to articles L.443-1 and followings of the Labour Code to carry out, all at once or in instalments, according to the time and the modalities that the meeting will set, under the conditions set forth in article L. 443-5 of the Labour Code, to increase the share capital in cash amounting to a maximum par value amount of 100,000€, reserved for the company's staff and to employees of companies linked to articles L.444-3 of the Labour Code and L.233-16 of the French Commercial Law belonging to a company savings plan (PEE) or a collective savings plan for retirement (PERCO).

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

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

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

The Extraordinary General Meeting delegates full powers to the Executive Board for implementing the present authorisation and, to that end:

- to set the conditions necessary to benefit from the subscription offer, particularly the conditions regarding employees' length of service and the subscription periods, as well as all other procedures relating to implementation of the capital increase;

- to take all useful steps for the 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 General Meeting decides to do away with the preferential subscription right held by the shareholders to the shares to be issued, to the benefit of the company's employees and employees of the companies which are linked to the articles L.444-3 of the Labour Code and L.233-16 of the French Commercial Law, joining a company savings plan offered by the company.

21.1.5.3 Recapitulation of authorisations and delegations in effect

AGE, nature of the delegation and expiry date	Nature of the operation	Initial authorisation	Authorisation given	Residual authorisation
AGE 16 June 2006, resolution 17, delegation to the Board of Directors, expires on 15 August 2008	Issue of any share, asset or warrant within a limit of 1,200,000 € with a face value of €0.05 per share	1,200,000€	0€	1,200,0000€
AGE 16 June 2006, resolution 18, , delegation to the Board of Directors, expires on 15 August 2008	Within the limit of the ceiling above, issue of shares or transferable securities within a limit of 800,000€ par value (at 0,05€ par share) with the withdrawal of the right of pre-emption	800,000€	0€	800,000€
AGE June 2006, resolution 21, delegation to the Board of Directors, expires on 15 August 2008	Issue of a maximum of 800,000 free shares to the benefit of the group's employees or executive officers	800,000 shares	0	800,000 shares
AGE 16 June 2006, resolution 22, delegation to the Board of Directors, expires on 15 August 2008	Issue of shares reserved for employees belonging to a PEE or a PERCO within the limit of 100,000 € par value (at 0,05€ per share)	100,000€	0€	100,000€

21.1.5.4 Potential dilution and share of shareholders equity

Summary of securities issued (excluding the capital increases pursuant to the delegations to the Executive board approved by the extraordinary shareholders' meeting of 16 June 2006)	Number	Exercise price	Subscription price of options or warrants (face value + issue premium) (in Euros)
BCE 4 allocated not exercised	717,233	0,50	356,527.18
Including BCE 4 allocated in 2003	682,233	0,46	313,827.18
Including BCE 5 allocated in 2004	35,000	1,22	42,700.00
BCE 4 et 5 less lapsed securities	643,900	0,52	322,794.00
BCE 6 allocated not exercised	1,630,003	1,28	2,086,403.84
BCE 6 less lapsed securities	1,620,003	1,28	2,073,603.84
Capital increase pursuant to the procedures of the December 2003 operation reserved for the holders of BCE yet to be exercised	170,558	0,8	136,446.60
Capital increase pursuant to the procedures of the October 2005 operation reserved for the holders of BCE yet to be exercised	452,781	2,25	1,018,756.35
Subscription options 1	39,595	4,538	179,682.11
Subscription options 1 less lapsed securities	21,964	4,538	99,672.63
Subscription options 2	23,119	7,335	169,577.87
Subscription options 2 less lapsed securities	1,769	7,335	12,975.62
Subscription options 3	337,807	2,1678	732,298.01
Subscription options 3 less lapsed securities	218,104	2,1678	472,805.85
Free shares	800,000	0	0,00
Total	**4,171,096**		**4,679,692**
Total minus lapsed securities	**3,929,079**		**4,137,055**

Share subscription option plans 1, 2 and 3 have been adjusted in terms of number and of subscription price on 29 December 2003 and on 31 October 2005 following the capital increase with maintenance of the preferential subscription right in application of articles 174-1 and 174-8 of the French Commercial Law.

Effect of the share issues approved by the AGE of 16 June 2006 with delegations to the Executive Board	**Number of shares**	**Consolidated shareholders' equity in €**	**Dilution in %**	**Shareholders' equity per share in €**
1. Before capital increase	27,495,822	25,457,161		0,93
2. Before capital increase and after exercising all securities issued	31,666,918	30,136,853	13,17%	0,95
2a. Ditto, minus lapsed securities	31,424,901	29,594,216	12,50%	0,94
3. After the issue of 24,000,000 shares (1)	51,495,822	92,417,161	46,61%	1,79
4. After the issue of 24.000.000 shares and exercising all securities issued	55,666,918	97,096,853	50,61%	1,74
4a. Ditto, minus lapsed securities	55,424,901	96,554,216	50,39%	1,74
5. After issue of 2,000,000 shares reserved for the employees (2)	29,495,822	29,921,161	6,78%	1,01
6. After issue of 2,000,000 shares reserved for the employees and exercise of all securities issued	33,666,918	34,600,853	18,33%	1,03
6a. Ditto, less the lapsed securities	33,424,901	34,058,216	17,74%	1,02
7. After issue of 26,000,000 shares including 2,000,000 shares reserved for the employees and exercise of all securities issued (3)	57,666,918	101,560,853	52,32%	1,76
7a. Ditto, minus lapsed securities	57,424,901	101,018,216	52,12%	1,76

(1) Residual authorisation for issue of any share, security or warrant within the limit of 1,200,000€ in terms of nominal value (at 0.05 € per share) resulting from the decisions of the meeting held on 10 June 2005. The indicative issue price for the needs of this presentation is 2,79€ per share.
(2) Issue of 100,000 shares of 0.05€ reserved for the employees (article L225-129 of the French Commercial Law) pursuant to a delegation to the executive board approved by the meeting held on 10 June 2005. The indicative issue price for the needs of this presentation is 2,23€ per share, namely 2,79€ reduced by a 20% fall.
(3) Maximum amount of shares created in conformance with delegations which will be given by the General Meeting on 16 June 2006 to the Executive Board to increase capital by a maximum nominal amount of 1,200,000€ and of 100,000€ to the benefit of employees, i.e. 26,000,000 shares with a face value of €0.05 each. The indicative issue prices for the needs of this presentation are 2,79€ per share for the maximum capital increases of 1,200,000€ and 2,23€ per share for the capital increases to the benefit of the employees.

21.1.6 OPTIONS OR AGREEMENTS RELATED TO THE COMPANY'S CAPITAL

Save the plans of stock option, BCE and free shares reserved for the employees described in the paragraph 0, there is no option or agreement about the capital of the company.

21.1.7 CHANGES IN SHARE CAPITAL

Changes in SQLI's share capital are as follows:

Date	**Nature of operation**	**Increase in capital**	**Share premium and contribution**	**Number 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 May1995	Capital increase due to the incorporation of reserves	1,000,000F	0	10,000	100F	2,000,000F	20,000
4 October1999	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	15,650,252.55 F	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 par value split	0	0	0	0,25€	2,761,500€	11,046,000
21 July 2000	Share capital increase due to introduction to the stock exchange of the New Market of the Company's shares	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 **	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 July2002	Cash capital increase reserved for FD5 and Sethi (6)	522,727.50€	1,777,273.50 €	2,090,910	0,25€	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
31 October 2004 (8)	Cash capital increase by exercise of BCE	1,550.00€	31,620.00€	31,000	0,05€	950,413.10€	19,008,262
31 December 2004 (8)	Cash capital increase by exercise of BCE and of DPS attached to the BCE	19,394.85€	374,114.54€	387,897	0,05€	969 ?807.95€	19,396,159
10 June 2005 (8)	Cash capital increase by exercise of BCE and DPS attached to the BCE	21,821.35€	392,831.96€	436,427	0,05€	991,629.30€	19,832,586
23 September 2005 (8)	Cash capital increase by exercise of BCE and DPS attached to the BCE	14,716.3€	243,447.82€	294,326	0,05€	1,006,345.60€	20,126,912
31 October2005	Cash capital increase with maintenance of the DPS	201,269.1€	9,057,109.50 €	4,025,382	0,05€	1,207,614.70€	24,152,294
7 November 2005	Capital increase in remuneration to the contribution of 774,149 Aston company's shares	77,414.9€	3,019,181.1€	1,548,298	0,05€	1,285,029.6	25,700,592
16 December 2005	Capital increase in remuneration to the contribution of 40,334 Sysdéo company's shares	35,191.2€	1,548,724.98 €	703,824	0,05€	1,320,220.8	26,404,416
31 December 2005 (8)	Cash capital increase by exercise of BCE and of DPS attached to the BCE	12,118.35€	191,312.57€	242,347	0,05€	1,332,339.15€	26,646,783
7 April 2006	Capital increase in remuneration complement to the benefit of the transferors of Aston securities	21,747.65€	1,123,992.87 €	434,953	0,05€	1,354,086.8€	27,081,736
15 May 2006 (8)	Cash capital increase by exercise of BCE and of DPS attached to the BCE	4,846.75€	66,202.87€	96,935	0,05€	1,358,933.55€	27,178,670
5 June 2006	Exercise of BSA issued in remuneration to the contribution of SYDEO securities as a remuneration complement	6,399.15€	281,585.61€	127,983	0,05€	1,365,332.7€	27,306,654
22 June 2006	Capital increase reserved for employees members of the company savings plan	9,458.40€	425,628.00€	189,168	0,05€	1,374,791.1€	27,495,822

* 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 business creator equity warrants scheme (known as " BCE 1 ") which was subject to adaptation by the Combined General meeting held on 21 June 2001.
(3) Implementation of a complementary business creator equity warrants scheme (known as "BCE 2 ") and replaced by a new scheme which is also called BCE 2 by the Extraordinary General meeting that met on 6 July 2000 and which was subsequently adopted by the Combined Meeting meeting held on 21 June 2001.
(4) Implementation of a new stock option scheme (known as "Stock Options 1").
(5) First, on 27 November 2000, 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 General meeting held 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 General meeting held on 30 June 2003
(7) Installation of a plan for issuing business creator equity warrants (a plan known as " BCE4 " decided on 25 July 2003, and the plan called « BCE 5 » decided on 29 March 2004 pursuant to delegations granted by the extraordinary General meeting held on 30 June 2003 to the executive board). On 10 June 2004, a new plan was adopted by the extraordinary General meeting, which was the object of an allocation by the Executive Board pursuant to received delegations (the plan known as « BCE6 » on 28 September 2004).
(8) This refers to shares created by exercise of business creator equity warrants, and more particularly in connection with the plans referenced BCE1 (exercise price of 1.07€ per share) and BCE4 (exercise price of 0.46€ per share), BCE5 (exercise price of 1,219€) and BCE6 (exercise price of 1,2755€) as well as subscriptions by beneficiaries of BCE exercised in this way to the capital increase that had been reserved for them under the conditions governing the capital increase of 29 December 2003 (1 new share may be acquired at a price of 0.8€ for four old ones) and the one of 31 October 2005 (1 new share may be acquired at the price of 2,25€ for five old ones).

21.2 DEED OF FOUNDATION AND ARTICLES OF INCORPORATION

21.2.1 SOCIAL PURPOSE

This matter is dealt in chapter 5.1.2.

21.2.2 TYPES OF THE SHARES (ARTICLE 10 OF THE INCORPORATION)

1. The shares have the registered or bearer type, in the choice of the shareholder, however under reserve of the application of the legal capacities relative to the type of the shares held by some persons. They give place to a registration in account in the conditions and according to the modalities foreseen by the current legal and regulatory measures.

The property of the registered shares results from their recording in face value account. The property of the bearer shares results from their entering in account with an authorized financial intermediary.

2. The Company has 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 French Treasury Department) to 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 need be, the restrictions applicable on the securities.

On 30 June 2006, the Company share capital stood at 1,374,791.1€, divided into 27,495,822 shares with a par value of 0.05€ each, subscribed to and paid up in full, and all in the same class. On the basis of the TPI printed out in May 2006, the company's shares were held by 6,160 bearer shareholders and 120 registered shareholders.

21.2.3 CAPACITIES OF THE ARTICLES OF INCORPORATION, A CHARTER OR A REGULATION OF THE COMPANY REGARDING THE EXECUTIVE OFFICERS

21.2.3.1 Appointment, Operation, Power and Remuneration of the Executive Board (articles 14, 15, 16 and 17 of the incorporation)

1 – Appointment

The company is run by an Executive Board, composed from two to seven members, natural persons, shareholders or not, who exercise their duties under the control of the Supervisory board.

They are appointed for a period of six financial years by the Supervisory board which provides for the replacement of its deceased or outgoing members, according to the law.

Any member of the Directory is re-eligible.

No one can be appointed member of the Executive Board if (s)he does not fulfil the conditions of capacity required from the directors of limited companies, if (s)he comes across incompatibilities, declines or bans forbidding her/him the access to these functions, if (s)he is or was a statutory auditor of the company, or if (s)he was a relative or an ally of a company's statutory auditor, within the conditions set in the article L 225-224 of the French Commercial law, if (s)he is member of the Supervisory board, if (s)he already holds two other functions in the Executive boards of other company or if (s)he heads two other limited companies.

Nobody can be appointed member of the Executive Board if, having exceeded the age of seventy years old, her/his appointment has the effect of leading to more than the third of the members of the Executive Board the number of members of the Executive Board having exceeded this age.

Moreover, every member of the Executive board will have to be less than seventy years old. If during the exercise of the duties, this age limit is reached, the concerned director will be automatically considered as outgoing and a new director will be appointed in the conditions established in the present article.

2 – Revocation

Every member of the Executive board is revocable by the General meeting or by the Supervisory board, without notice. The revocation of a member of the Executive board does not bring about the dismissal of this one, if (s)he is also employee of the company.

3 – Resignation

The directors can resign freely only if this dismissal is not given at an inopportune moment or with a view to damage the company.

4_ Operation

The members of the Executive board can distribute between them the management tasks with the Supervisory board's authorisation. However, on no account this sharing out of tasks can exempt the Executive board from meeting and from deliberating on the most important questions of the management of the company, or from being called as cause of exemption from the supervision obligation which is the responsibility of every director and from the collective responsibility which follows.

The members of the Executive board meet every time the social interest requires it, on convening of the president or of the half of its members, in the place given by the person who convene them. They can be convened by any means, even verbally.

The decisions of the Executive board are taken with the majority of the present members; in case of parity of votes, Executive board president's is dominant. Nobody can vote by proxy within the Executive board .

The main deliberations of the Executive board give place to the creation of minutes, kept in a register held by the company.

6- Powers

The president of the Executive board represents the company in its relationship with the others.

The Supervisory board can give the same power of representation to one or several other members of Executive board whose title is then general manager. The president of the Executive board and one or several general managers, if there is some, are authorized to substitute partially in their powers every special representatives that they will notice.

The Supervisory board is vested with all the powers necessary for the management of the company assets and can, to that end, make any acts and sign any contract of all kinds and any shape that involve the company, except for those which concern the transfers of immovable by nature, the total or partial transfer of participations, the creation of securities as well as the pledges, the endorsements and guarantees which are inevitably submitted to the Supervisory board's authorisation. No restriction of these powers has effect vis-à-vis third parties and these can bring suit against the company to execute the commitments taken in name of the company by the president of the Supervisory board and, if need be, the general managers since their name was regularly published.

Consequently and subject to what is said above, the president of the Executive board and every general director has the joint signature and can, within the limits of the object of the company, and under her/his personal responsibility towards the company, subscribe any contract, take any commitment, make any renunciation, sign any compromise and act in any event in the name of the company, without having to produce powers specially given for that purpose, and this even if the acts in question are submitted to the board's authorization by the articles of incorporation, the third parties being offloaded from any obligation to make sure that this authorization was obtained.

7- Obligations

The Executive board presents to the Supervisory board a termly report which recounts the main acts or facts that occurred in the management of the company. These reports are kept by the company within the same conditions as the Supervisory board's minutes. They are signed by the president of the Supervisory board and countersigned by the president or vice-chair of the Supervisory board.

The report will have to contain all the information likely to enlighten the aforesaid board on the development of the turnover, the fundamental costs, the orders. It should also mention the unusual operations or difficulties; the appreciation of this feature is done by the Executive board, under its responsibility.

After the end of each financial year and within a period of three months, the Executive board presents to the Supervisory board the annual financial statements, so as to be verified and checked, as well as its report intended for the annual shareholders' general meeting. This presentation should at least took place fifteen days before the publication of the meeting notice. The Supervisory board presents to the general meeting its remarks on the Executive board's report as well as on the financial year accounts.

8- Remuneration

The remuneration of every Executive board's members is set by the Supervisory board at the time of the appointment of each concerned member.

The members of the Executive board can also be given, by the Supervisory board, exceptional compensations in the cases and in the conditions set by the law.

21.2.3.2 Appointment, Operation, Power and Remuneration of the Supervisory board members (articles 18, 19, 20 and 21 of the articles of incorporation)

The Supervisory board is composed from three to eighteen members. This number can be increased within the legal conditions in case of merger.

1 – Appointment

The members of the Supervisory board, individuals or corporate bodies, are elected by the ordinary shareholder's general meeting, for a period of six years. They are re-eligible.

In case of merger or split, the extraordinary general meeting can appoint the Supervisory board.

Each member of the Supervisory board should own at least one company's share. If, when s(he) is appointed, a member of the Supervisory board does not own the required number of shares or if, during the mandate, s(he) no longer owns it, s(he) is automatically considered as if s(he) did not straighten out her/his situation within a period of three months. The access to the functions of councillor is submitted to holding several positions at the same time under legislation.

Each councillor will be able to exercise her/his functions only if s(he) will be more than sixty years old.

2 – Revocation

The councillors are revocable by the shareholders' ordinary general meeting at any time, without notice nor compensation.

3 – Organisation of the board

The Supervisory board elects within itself a president and a vice-chair, physical persons, in charge of convening the board and to supervise the debates. They exercise their functions during the period of the Supervisory board's mandate.

The Supervisory board can appoint a secretary, chosen among the members of the board or except them, who has the mission to keep or to make hold materially up to date the registers and documents of the board.

The president gathers the Supervisory board as often as necessary and at least once every quarter in the fortnight which follow the presentation of the periodic report of the Executive board.

The members of the Supervisory board are convened to the sessions by any means, even verbally.

The decisions are taken on the quorum and majority conditions planned by the law.

The decisions are taken with the majority of the present members. The vote of the president is dominant in case of parity of votes.

Any councillor can give, by letter or telegram, an other councillor a power to represent her/him in board's session. During the same session, every councillor can only has one of the received proxies.

A register of presence is held and is signed by the members of Supervisory board who participate to the board's session. The deliberations of the Supervisory board are noticed by minutes established and kept according to the law.

4- Power of the Supervisory board

The Supervisory board permanently insures and by all the appropriate means the check of the management made by the Executive board. On no account this supervision can give place to the implementation of management acts directly or indirectly made by the board or its members.

If a difference of opinion about this subject arise between the Executive board and the Supervisory board, the first one refers to its meeting which has to condemn the wrongdoing in question or revoke one or several concerned directors by clarifying the purpose of the revocation. The president of the board or its delegated members can, at any time, peruse and copy the accounting documents.

The board can decide the creation in itself of commissions of which it sets the forming and the remit and which exercise their activity under its responsibility.

The Supervisory board can give to one or several of its members any special proxies for one or several specific purposes.

The Supervisory board proposes to the ordinary general meeting the appointment or the renewal of statutory auditors' mandates. It informs the financial market authority of this proposition before the publication of the meeting notice in the Bulletin of Mandatory Legal Announcements (BALO).

5- Remuneration of the councillors

The general meeting can allocate to the Supervisory board's members, to remunerate their activity, as an attendance fee, an annual fixed amount that the meeting sets without links with previous decisions. The amount of the attendance fees is entered in the operating costs.

The Supervisory board freely shares out between its members the overall amount allocated to these as attendance fees. It can in particular allocate to the board's members who belong to special commissions a share higher than the others'.

It can be allocated, by the Supervisory board, exceptional remuneration for the assignments or proxies entrusted to members of this board. These remunerations, entered in the operating expenses, are submitted to the special procedure aiming at regulated agreements.

No constant remuneration or not can be paid to the councillors others than those planned above. However the Supervisory board can authorize the repayment of the journey and travelling expenses advanced by its members in the company's interest.

The number of the Supervisory board's members linked by a work contract to the company cannot exceed the third of members on duties.

21.2.3.3 Regulation of the Supervisory board concerning the operations on SQLI securities realised by the executive officers

The present internal regulation aims to expose under a synthetic and concrete form the rules applicable to SQLI shares held by the members of the Executive board and the members of Supervisory board. These rules are also applicable to the permanent representatives of the corporate bodies which are members of the Supervisory board.

This rules directly come from the applicable legal and regulatory capacities.

The internal regulations relating to the company's shares belonging to the members of the Executive and Supervisory boards are adopted and modified by the Supervisory board.

A copy of these regulations will be given to each of the persons concerned, from its adoption or its later modification by the Supervisory board.

Any new member of the Executive or the Supervisory boards will be given a copy of the current internal rules . This presentation will be noticed in minutes.

In accordance with the present regulations, the members of SQLI's Executive and Supervisory boards, as well as the permanent representatives of the Supervisory board's members and the corporate bodies commit themselves:

Rule n° 1 : Register all their SLQI shares, held or acquired later.

The members of the Executive and Supervisory boards commit themselves as well as :

their minor children not emancipated ;

their not separated spouses .

This registration can be made with a credit institution, with an investment firm or an investment service supplier. It must be made at the latest one month after the appointment as a member of the Executive or Supervisory boards, or twenty days after the acquisition of new shares.

Rule n° 2 : Refrain, during the next periods, from any intervention on their SQLI shares:

during a fortnight period preceding the date to which the consolidated accounts are made public;

during the period contained between the date to which a member of the Executive or Supervisory boards is aware of a piece of information which, if it was made public, could have *a significant influence on SQLI share quotation and the date to which this piece of information is brought to the public's notice.*

Rule n° 3 : Refrain from making a third party not member of SQLI's Executive or Supervisory boards known about any piece of information liable to have an effect on SQLI share quotation before bringing this piece of information to the public's notice.

This rule does not concern - obviously - the communications made pursuant to the legal and regulatory obligations of SQLI.

Rule n° 4 : Communicate every quarter to the Executive board any information regarding the deals made on its SQLI shares.

21.2.4 Rights, privileges and restrictions tied to the company's shares (Article 13 of the incorporation)

Every share entitle, in the profits and the corporate capital, to a proportional share in the capital quota which it represents and gives right to vote and, to the representation in the General meetings, within the legal conditions set by the law and the article of incorporation.

Any shareholder is entitled to be informed about the running of the Company and to get communication of some corporate documents in the times and in conditions planned by the law and the articles of incorporation.
The shareholders bear the debts only in competition of their contributions.
Subject to the legal and regulatory capacities, no majority can impose them an increase in their commitments. The rights and the obligations tied to the share follow the security everywhere it goes.
The possession of a share consist by right of memberships to the decisions of the General meeting and to the present articles of incorporation. The transfer includes all the due and not paid dividends and dividends to be fallen due, thus possibly that the share in the reserve funds, except opposing measures notified to the Company.

The heirs, the creditors, the eligible persons or other representatives of a shareholder cannot, on no account whatever it is, demand the installation of seals on the assets and on corporate documents, ask for the division or sale by auction of these assets, nor interfere in the management of the Company. To exercise their rights, they have to, rely on the corporate inventories and on the decisions of the General Meeting.
Every time it is necessary to own some number of shares to exercise some right, in case of exchange, of bulking, of allocation of securities, or during capital increase or reduction, during a fusion or during any other operation, the shareholders who own a number of shares lower than the required one, can exercise these rights only if they personally commit themselves to obtain the required number of shares.
The Company can demand either the repurchase of the totality of its own preference dividend shares without a voting right, or the repurchase of some categories of them, every category being determined by its issue date, within the conditions set in the article L.228-19 of the New French Commercial law.

21.2.5 Modalities necessary to alter the shareholders' rights

The rights of the shareholders can be modified by decision of general meetings with, if need be, delegation to the Executive board.

21.2.6 SHAREHOLDER'S GENERAL MEETINGS

21.2.6.1 Convening, Access and Holding of the general Meetings (articles 23 to 31)

Convening and Meeting (article 24 of the articles of incorporation)

The general meetings are convened by the Executive Board or, failing that, by one or several Auditors. They can be also convened by a representative appointed by the President of the Commercial court ruling in summary procedure, either at the request of one or several shareholders gathering at least 5 % of the capital, or at the request of any interested person in case of emergency.

The shareholders who are a majority in capital or in voting rights, after a public offer for sale or a public exchange offering or after transfer of a controlling block, can also convene the General Meeting.

(…)

The person who convenes the meeting clarifies, if need be, in a meeting notice and, possibly in the convening notice, if the shareholders can participate in the General meeting by video conference or by telecommunication means. S(he)e makes sure that the implemented means are in accordance with the legal and regulatory provisions.

The shareholders who participate to the General Meeting by video conference or by telecommunication means are considered as presents for the calculation of the quorum and the majority.

General 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 published in the Bulletin of mandatory legal announcements at least thirty (30) days before the date of the general meeting.

The convening is made at least fifteen (15) days before the date of the general meeting by a notice published in the legal announcements newspaper of the department in which the Company has its headquarters and, by a notice published in the Bulletin of mandatory legal announcements and by an ordinary letter sent to every shareholder who hold registered Company shares. (…)

Agenda (article 25 of the articles of incorporation)

The General meeting agenda is drawn up by the author of the convocation. One or several 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 letter with acknowledgement of receipt, the inclusion in the agenda for the General meeting of resolution projects. The Works Council has the same faculty, subject to the same conditions and periods.

The General meeting cannot deliberate on a question that has not been entered in the agenda, which cannot be modified by a second convening. The Meeting can however, in every circumstances, revoke one or several members of the Supervisory Board and carry out their replacement.

Access to the meetings and powers (article 26)

Any shareholder is allowed to participate in General Meetings and in the deliberations either personally or by proxy, regardless 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 is allowed to vote by using a postal vote by means of a form that s/he can obtain according to the conditions laid out in the notices of meeting and convening for the General meeting.

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

The procedures regarding participation in General Meetings by videoconference or by telecommunication means are specified by the author of the convocation, if need be, in the meeting notice, and if appropriate in the convening notice.

Holding of the meeting offices, minutes (article 27)

An attendance register is kept at every Shareholder Meeting in accordance with the legislation.

General 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 specially assigned this task by the Supervisory Board. Failing that, the General 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.

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

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

21.2.6.2 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 General meetings, the voting rights attached to shares in the Company's capital or interest are proportional to the proportion of capital that they represent. Each share entitles 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 for at least three (3) years in the name of the same shareholder;
- ♦ to all registered shares allocated to a shareholder, in the case of a capital increase by incorporations of reserves, profits or share premium, at the rate of old shares for which s(he) benefits from this right.

This double voting right has been included in the articles of incorporation by the combined general meeting of 21 March 2000.

The double voting right ends for each share that has been the object of conversion to bearer or the subject of a transfer, except any nominative to nominative transfer as a result of inheritance or family donation.
The double voting right can be removed by the decision of the Extraordinary General meeting, after it has been ratified by the special beneficiary shareholders meeting.

Limiting voting rights

No arrangement to limit voting rights was made by the general 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 general Meeting will be taken into account in the calculation of the quorum.

Voting takes place by a show of hands, or by a nominal call or by a secret ballot according to the decision of the office of the general Meeting or by the shareholders. Shareholders can also make use of postal voting.

21.2.6.3 Different types of meeting (articles 29 to 31)

Ordinary general meeting

The Ordinary General 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 General 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 rule with the majority of the votes of the shareholders present, represented or having voted by post.

Extraordinary General Meeting

The Extraordinary General Meeting can alter any of the Company's articles of incorporation and decide upon the transformation of the Company in another form of company, civil or commercial. This Meeting cannot, however, increases the commitments of the shareholders, subject to the operations that result from regular stock consolidation.
The Extraordinary General meeting can only legally make decisions if the number of shareholders present or represented, or having voted by post adds up to, on the first convening of the Meeting, the third, and on the second convening of the Meeting, the

quarter of shares which have 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 General Meeting rules with the majority of the two-thirds of the votes that have the shareholders present, represented or having voted by post, unless there have been legal infringements with those votes. In the Extraordinary General 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 General Meeting

If there are several classes of shares, no modification can be made to the rights of the shares of those classes, without a vote in conformance with an Extraordinary General meeting that is open to all shareholders and, additionally, without a vote in conformance with a Special General Meeting just for those shareholders of the particular class of shares concerned.

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

As for the rest, Special General Meetings are convened and deliberate according to the same conditions as Extraordinary General meetings, subject to the particular provisions applicable to the meetings of holders of preferred dividend stock that do not have voting rights.

Share indivisibility (article 11)

As regards the Company, 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 Court ruling in summary procedure at the request of the most diligent co-owner.

The voting right that is tied to the share belongs to the usafructuary in the Ordinary General meetings and to the bare owner in the Extraordinary General meetings. However, shareholders can agree amongst themselves on any other sharing out of the use of votes in General meetings. In this case they will have to let the Company know about what they have agreed by a registered letter sent to the Company's headquarters. The Company is under the obligation to respect this agreement for all General 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.

21.2.7 CLAUSES LIABLE TO HAVE AN EFFECT ON THE COMPANY'S GOVERNING

There is no particular clauses that are liable to have an effect on the company's control.

21.2.8 CROSSING OF THRESHOLDS

Apart from respecting the applicable legal and regulatory obligations concerning the crossing of thresholds, every corporate body or natural person, acting alone or in concert, who has come to own, directly or indirectly, by the means of one or several corporate bodies, controlled according to the meaning of article L. 233-3 of the French Commercial Law, a number of shares or voting rights representing five percent of the capital or of the voting rights in the Company or any multiple of this same percentage, and this even if this multiple exceeds the legal threshold of five percent, must notify the Company the toatal nuber of shares or rights s/he/it owns, by the means of a registered letter with a acknowledgement of receipt sent to the Company's headquarters within fifteen days as from the crossing 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 capital or held 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 General meetings which will take place over the following two year period counting from the moment that the notification 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.

The company received the following declarations of threshold crossings relative to the ones that occurred in 2005:

- By a letter dated 12 September 2005, Mr Alain Lefebvre informed the Financial Markets Authority that, on 12 August 2005, he crossed in a downward direction the threshold of 10% of the company's voting right and that he held 1,422,955 SQLI shares which represent as much as voting rights, namely 7,17% of the capital and 5,69% of the voting rights of this company following the conversion to bearer of 1,347,518 SQLI shares held by Mr Alain Lefebvre.

- By a letter dated 10 December 2005, Mr Alain Chaboche, who acts for himself and on his children behalf, announces to the Financial Markets Authority that, on 5 December 2005, that he crossed in an upward direction the threshold of 5% of the company's capital and that he held 1,513,720 SQLI shares which represent as much as voting rights, namely 5,86% of the capital and 4,95% of the company's voting rights.

  This crossing of thresholds results from an allocation of SQLI shares in remuneration of a contribution of Aston shares.

  Hence pursuant to the provisions of article L 233-13 of the French Commercial Law, and in the light of the information received in application of article L 233-7 of the French Commercial Law, we inform you of the modifications that occurred during the financial year of the contributions of shareholders who hold, directly or indirectly, more than one-twentieth, one-tenth, one-fifth, one-quarter, one-third, the half, the two thirds or the nineteen twentieth of the share capital or of the voting rights.

Shareholders holding more than 5% of the capital
Alain Lefebvre
SOCADIF
FD5
Alain Chaboche (and his children)
Jean Rouveyrol
Shareholder holding more than 10% of the capital
Jean Rouveyrol
Shareholder holding more than 15% and/or 20% of the capital
None
Shareholder holding more than 5% of the voting rights
Alain Lefebvre Fd5 Jean Rouveyrol
Shareholder holding more than 10% and more than 15% of the voting rights
Jean Rouveyrol
Shareholder holding more than 20% of the voting rights
None

	2004		2005		Variation	
Main shareholders	*Capital*	*Voting rights*	*Capital*	*Voting rights*	*Capital*	*Voting rights*
Downward crossing of the threshold of one-tenth of the share capital and of the voting rights						
Alain Lefebvre	9,5%	13,8%	5,3%	4,5%	-4,2%	-9, 3%
Upward crossings of the threshold of 5% of the share capital						
Alain Chaboche (and its children)	-	-	5,5%	4,6%	+5,5%	+4,6%

For the year 2006 and at the presentation date of the present document, the following declaration of the crossing of threshold has been received by the company and the Financial Markets Authority:

By a letter dated 27 June 2006, received on the same day, completed by other letters dated 28 June and 30 June, Mr Jean Rouveyrol announces that, on 23 June 2006[1], as a result of successive capital increases, he crossed in a downward direction the threshold of 10% of the SQLI company's capital and that he held 2,398,847 SQLI shares which represent 4,797,694 voting rights, namely 8,72% of the capital and 15,01% of the voting rights of this company [2].
[1] Publication date of the new number of voting rights in the Bulletin of mandatory legal announcements (BALO).

[2] On the basis of a capital composed of 27,495,822 shares which represent 31,973,774 voting rights, on 27 June 2006.

21.2.9 STOCK PRICE GUARANTEE

There is no system of stock price guarantee on SQLI shares.

21.2.10 SPECIAL STIPULATIONS THAT REGULATE THE CAPITAL CHANGES

There is no particular stipulations that govern the modifications of capital.
The share capital is increased by any means and according to any terms set by the Law.

Capital increases

The Extraordinary General Meeting, on Executive board's report, is the only competent to decide the increase in capital.

The shareholders have, proportionally to their amount of shares, a pre-emptive subscription right to share issued for cash issued in order to make a capital increase. The shareholders can give up individually their pre-emptive rights. The right to the allocation of new shares to shareholders, following the incorporation of reserves, profits or share premiums to the capital, belongs to the bare owner, subject to the usafructuary's rights.

Reduction-amortisation of capital

The reduction of capital is authorized or decided by the Extraordinary General meeting which can delegate to the Executive board any powers to carry it out. On no account, the Meeting can undermine the equality of the shareholders.

The reduction of the share capital to an amount lower than the legal minimum can be decided only under the condition precedent of a capital increase, intended to bring this one to an amount at the least equal to this minimum amount, except transformation of the Company in a company of another form.

In these capacities are not respected, any interested person can make a legal claim to ask for the dissolution of the Company.

However, the court cannot pronounce the dissolution, if when it pronounces judgment on the merits, the regularization took place. The capital can be depreciated according to the capacities of the law.

22 MAJOR CONTRACTS

There is not any customer representing more than 7% of the group's turnover, and any contract representing more than 3% of the group's turnover; There is no need to report a major contract that could strongly affect the group's activity result.

23 INFORMATIONS COMING FROM OUTSIDERS, EXPERTS STATEMENTS, AND DECLARATIONS OF INTEREST

The group management did not record any informations coming from outsiders, experts statements, or declarations of interest that should be mentioned in the present reference document.

24 DOCUMENTS OPEN TO PUBLIC INSPECTION

1- Right to report of shareholders (article 32 of statutes)

In accordance with the conditions and times settled by the law, any shareholder has the right to access to the documents needed to allow him to give his opinion on the management and control of the company in full knowledge of all the considerations involved. The nature of these documents and the conditions for mailing or using are set by legal regulations.

2- Financial statement

The company communicates with its shareholders through both its website, (www.sqli.com / www.sqli.fr), and its financial communication agency (www.kaparkafinance.com). The group's financial statements are published in *la Tribune* and on Euronext website (www.euronext.fr), and Boursorama website (boursorama.com). Financial statements can be sent by mail after subscription to the service, to one of the following addresses: communication@sqli.com or on the website www.kaparkafinance.com.

The company Companynewsgroup broadcasts financial statements on many financial platforms, as well as websites, web portals and newsrooms.

The communication of quarterly and semestrial financial statements is made trough press releases, whose schedule is:

Turnover T4 2005 : 14/02/2006
Result 2005 : 29/03/2006
Turnover T1 2006 : 15/05/2006
turnover T2 2006 : 1/08/2006
Result S1 2006 : 3/10/2006
Turnover T3 2006 : 14/11/2006

Meetings with analysts and investors take place during reporting periods of semestrial results. The meeting on 2005 result took place on 29 March 2006 and the meeting on 2006 1st semester will take place on 3 October 2006.

25 INFORMATIONS ON PARTICIPATIONS

The table of subsidiaries and participation is exposed at page 141.

The appendix of consolidated accounts presents at chapter 20.3.1, appendix VI-footnotes 3.5, 6.1 and 6.7 the consolidation perimeter, the contribution to the turnover, the operating result and the group's net result.