



**SQLI GROUP**  
**REFERENCE DOCUMENT**  
**2004**



*This reference document was filed with the Financial Markets Authority on 3 July 2005, 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.*

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# 1 RESPONSIBLE PERSONS' ATTESTATIONS

## 1.1 CERTIFICATION BY PERSONS RESPONSIBLE FOR THE REFERENCE DOCUMENT

Person responsible for the reference document: Mr **Yahya EL MIR**, Chairman of the Board of Directors of SQLI.

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

Paris, 30 July 2005

**Yahya EL MIR**

Chairman of the Board of Directors of SQLI

## 1.2 ATTESTATION BY THE STATUTORY AUDITORS

### 1.2.1 NAMES, ADDRESSES AND QUALIFICATIONS OF THE STATUTORY AUDITORS OF THE FINANCIAL STATEMENTS

The table of auditors' fees can be found in chapter 6.3.

#### *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 Mr Jean Marc BASTIER

26, rue de Marignan

75008 Paris

First appointed: 21 March 2000.

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

*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.

**Mr François-Xavier AMEYE**

114, rue Marius AUFAN  
92532 Levallois-Perret Cedex

First appointed: 21 March 2000.

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

**1.2.2 ATTESTATION BY THE STATUARY AUDITORS CONCERNING THE REFERENCE DOCUMENT**

Dear Sir or Madam:

In our capacity as statutory auditors of SQLI and in compliance with article 211-5-2 of the general rules and regulations of the Financial Markets Authority, we have verified the information with respect to the financial position and past financial statements included in this accompanying Reference Document according to accepted French accounting principles.

This reference document has been established on the responsibility of the Chairman of the company's executive board. Our responsibility is to issue an opinion concerning the fairness of the information contained therein with respect to the financial position and financial statements.

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

prospective data mentioned in section 8.2 page 158, of the present reference document correspond to management objectives.

The annual financial statements and the consolidated financial statements for the financial years ending on 31 December 2002, 2003 and 2004, closed out by the executive board on the basis of the French accounting rules and principles, were audited by us on the basis of the professional standards applicable in France, and they have been certified without any reservations or remarks.

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

Paris, 13 July 2005

The Statutory Auditors

Constantin Associés

Fiduciaire de la Tour

Additional information:

The present reference document also includes the following:

- ◆ The general report concerning the annual financial statements and the report on the consolidated financial statements as of 31 December 2004 by the Statutory Auditors, respectively, on pages 133 and 105, containing the justification for the judgements made by the statutory auditors established in application of the provisions of article L.225-235 of the code of commerce.
- ◆ The statutory auditors' report (page 146) established in application of the last paragraph of article L.225-235 of the Code of Commerce, concerning the report by the Chairman of the supervisory board about the internal control procedures relative to development and handling of the accounting and financial information.

### **1.3 INFORMATION POLICY POLITIQUE D'INFORMATION**

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

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

- ◆ 15.02.05 : Sales Q4 2004
- ◆ 22.03.05 : Annual earnings 2004
- ◆ 12.05.05 : Sales Q1 2005
- ◆ 10.08.05 : Sales Q2 2005

- ◆ 03.10.05 : Semiannual earnings 2005
- ◆ 15.11.05 : Sales Q3 2005

Investor and Analyst Meetings take place at the time of the announcements of the half-yearly results. The meeting concerning 2004 results took place on 23 March 2005 and the meeting concerning the 1<sup>st</sup> half 2005 results will take place on 4 October 2005.



## 2 GENERAL INFORMATION

### 2.1 ISSUER

#### 2.1.1 GENERAL INFORMATION

*Company's 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 commencing 22 March 1990, unless it is prolonged or dissolved beforehand in accordance with the Company's articles of incorporation.

*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:
  1. 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;
  2. acquisition, purchasing, exploitation or disposal of any procedure/process or patent concerning the Company's activities;
  3. 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;

4. all operations that contribute to the achievement of the Company's purpose.

***Business Code (APE)***

721 Z

***Information and consultation 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 1<sup>st</sup> 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.

## **2.1.2 MEETINGS AND VOTING RIGHTS**

### **2.1.2.1 Convocation, access to and holding of Shareholders' Meetings (articles 23 to 31)**

#### *Meeting notices (article 24 of the Articles of incorporation)*

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

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

(...)

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

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

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

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

*Meeting Agenda (article 25 of the Articles of incorporation)*

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

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

*Access To The Meetings And Powers (article 26)*

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

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

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

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

*Holding Of The Meeting, Offices, Minutes (article 27)*

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

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

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

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

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

***Double voting rights***

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

- ◆ to all shares that are entirely paid up and for which can be proven a nominative registration dating back at least three (3) years in the name of the same shareholder;
- ◆ to all nominative shares attributed to a shareholder, in the case of a capital increase by incorporations of reserves, profits or share premium, at the rate of old shares that benefit from this right.

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

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

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

***Limiting voting rights***

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

***Quorum***

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

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

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

**2.1.2.3 Different types of meeting (articles 29 to 31)**

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

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

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

*Extraordinary Shareholder's Meeting*

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

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

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

*Special Shareholder's Meetings*

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

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

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

*Share Indivisibility (article 11)*

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

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

**2.1.3 THE PURCHASE BY THE COMPANY OF ITS OWN SHARES**

**2.1.3.1 Repurchase programme authorised by the meeting held on 10 June 2004**

The programme authorised by the combined shareholders' meeting of 10 June 2004 was implemented in accordance with the conditions described in the information note approved by the A.M.F. on 25 May 2004 under number 04-484.

Declaration by the issuer concerning the transactions carried out in connection with its own securities from 29 April 2004 to 28 April 2005 :

Percentage of capital internally held, directly and indirectly, on 28 April 2005	0.07%
Number of shares cancelled during the last 24 months	NONE
Number of securities held in the portfolio on 28 April 2005	13,800
Book value of the portfolio on 28 April 2005	23,184€
Market value of the portfolio on 28 April 2005	26,162€

	Cumulative gross flows		Positions opened on 28 April 2005			
	Purchases	Sales/Transfers	Buy positions opened		Sell positions opened	
			Calls purchased	Forward purchase	Puts sold	Forward sales
Number of securities	50,154	35,873				
Average maximum maturity			None	None	None	None
Average transaction price	1,3093€	1,3219€				
Average exercise price	None	None	None	None	None	None
Amounts	65,666.63€	47,420.51€				

The company has not used derivatives for implementing the above-mentioned programme.

The said buy and sell transactions were carried out to reach the following objectives, described in the information note approved by the A.M.F. on 25 May 2004 under number 04-484:

- ◆ regularisation of the company's market price thanks to systematic intervention against the trend on the market; number of shares purchased = 50.154
- ◆ purchase and sale as a function of market situation; number of shares purchased = 0
- ◆ transfer of the said shares within the framework of carrying out the Company's external growth operation; number of shares purchased = 0
- ◆ management of the cash position, of shareholders' equity and of earnings per share; number of shares purchased = 0
- ◆ allocation of shares in connection with employee profit-sharing; number of shares purchased = 0

The 13,800 internally held shares on the date of 28 April 2005 will be assigned in toto to the following objective of the new programme: Animating the market or liquidity of the SQIL shares by an Investment Services Provider by way of a liquidity contract in accordance with the ethical charter recognised by the A.M.F.



**2.1.3.2 Repurchase programme submitted to the meeting held on 10 June 2005**

*Synthesis of the main characteristics of the operation*

This operation was described in an operation note approved by the AMF under n°05-425 on 19 May 2005.

Authorisation: this repurchase programme was approved by the combined shareholders' meeting held on 10 June 2005.

Securities concerned: SQLI ordinary shares (common stock).

Global ceiling: The purchases made by the company may not have the effect of increasing the number of shares held by the company to more than 10% of the total number of shares, namely 1,939,615 shares on the date of development of the present information note. In view of the shares already held by the company (13,800 shares on 12 April 2005, namely 0.07% of the capital), the maximum number of shares that could be acquired is 1,925,815, 9.93% of the capital.

Maximum amount devoted to implementation of the programme: 3,398,074 euros

Maximum unit purchase price: 4 euros

Minimum units selling price: 0.5 euros

Purposes of the programme submitted to the combined shareholders' meeting held on 10 June 2005, classified in order of decreasing priority:

- ◆ Animating the market or liquidity of the SQLI shares by an Investment Services Provider by way of a liquidity contract in accordance with the ethical charter recognised by the A.M.F.
- ◆ Purchase for keeping and later delivery for exchange or payment in connection with possible external growth deals.
- ◆ Allocation of shares to the employees in connection with implementation of any company savings plan or within the framework of legal employee profit-sharing.
- ◆ Possible cancellation of the shares repurchased in this way, subject to adoption of a specific resolution by an extraordinary shareholder's meeting.

Programme duration: Until the first of the following two dates: 18 months following the date of the combined shareholders' meeting held on 10 June 2005, namely until 10 December 2006, or the date of the shareholder's meeting ruling on the financial statements for the financial year ending on 31 December 2005.

On the date of 3 June 2005, SQLI company held 12,800 of its own shares by way of the animation contract signed with securities dealer Portzamparc.

*Market-making and liquidity convention*

Pursuant to the ethical charter established by the French Association of Investment Companies and approved by the COB (Market Operations Commission) in an instruction dated 10 April 2001 was concluded on 1 July 2004 by SQLI and securities dealer Portzamparc.

The transactions carried out under the said convention are executed with due observance of the principles set forth in COB rule n°90-04 as modified. They do not have the purpose of impeding regular market operation, or of misleading other persons. SQLI and securities dealer Portzamparc jointly conveyed an amount of 50,000€ in cash to ensure management of the liquidity contract, 80% of that by SQLI. Following new recommendations by the AMF, SQLI should see to the entire financing of the market animation contract starting in the month of July 2005.

#### **2.1.4 CROSSING OF THRESHOLDS (ARTICLE 12.2)**

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

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

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

#### **2.1.5 SHAREHOLDER IDENTIFICATION (ARTICLE 10.2)**

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

#### **2.1.6 APPLICABLE RULES AND REGULATIONS (FOREIGN COMPANIES)**

SQLI company is a company operating under French law, the place where the company's shares are traded is the Eurolist (compartment C), and French rules and regulations are the applicable ones.<sup>2</sup>

## **2.2 CAPITAL**

### **2.2.1 PARTICULARITIES**

There are no particularities to be mentioned relative to the SQLI capital.

On 10 June 2005, the Company share capital stood at 991,629.3€, divided into 19,832,586 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 April 2005, the company's shares were held by 4 708 bearer shareholders and 51 registered shareholders.

## 2.2.2 AUTHORISED CAPITAL NOT ISSUED

### 2.2.2.1 Securities giving access to capital

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

The special report drawn up by the Executive Board, and reproduced in 4.2 of this document, details the share option schemes for company founders and share option schemes authorised before the Combined shareholder's meeting on 21 March 2000, 6 July 2000 and 26 June 2002, 30 June 2003 and 10 June 2004.

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

Share subscription options allocated during financial years 2000 to 2004			
	Plan no. 1	Plan no. 2	Plan no. 3
Date of the meeting	21 March 2000	21 March 2000	21 March 2000
Date of the board of directors meeting	4 July 2000	27 November 2000	27 July 2001
Total number of share subscription offers allocated and adjustments made (2)	37,556 at the outset, including 6,031 that lapsed, or 31,525 that did not lapse adjusted to 33,734 on 29 December 2003	22,955 at the outset, including 21,350 that lapsed, or 1,605 that did not lapse adjusted to 1.717 on 29 December 2003	317,650 at the outset, including 39,503 that lapsed, or 278,147 that did not lapse adjusted to 297,504 on 29 December 2003
Of which: Number of shares able to be subscribed to by the corporate officers of the company	0	0	0
Starting point for the right to exercise the share subscription options allocated	5 July 2005	28 November 2005	28 July 2006
Expiry date of share subscription options	4 July 2007	27 November 2007	27 July 2008
Exercise price of share subscription options	5 € at the outset adjusted to 4,675€ on 29 December 2003	5 € at the outset adjusted to 4,675€ on 29 December 2003	2,3885€ at the outset adjusted to 2,233€ on 29 December 2003
Methods of exercising share subscription options	The exercising right is acquired by annual tranches (2000, 2001 and 2002)	None	None
<b>Share subscription options taken up during the 2000 to 2003 financial years</b> No option was taken up during the 2000 to 2004 financial years			
<b>Share subscription options cancelled during the 2000 to 2004 financial years:</b>			
Total number of share subscription offers cancelled (1)	6,031 before the adjustment of 29 December 2003, then 11,230 in 2004	21,350 before the adjustment of 29 December 2003, then 535 in 2004	39,503 before the adjustment of 29 December 2003, then 50,056 in 2004
<b>Stock options yet to be allocated on 31 December 2004 : 11,912</b>			

BSC allocated during the financial years from 2000 to December 2004			
	Plan no. 1	Plan no. 2	Plan no. 4
Date of the meeting	21 March 2000	6 July 2000	30 June 2003
Date of the board of directions or Board of Directors meeting	29 September and 27 November 2000	29 September and 27 November 2000	25 July 2003 and 22 September 2003
Total number BSCs authorised (1)	1,197,000	362,221	1,000,000

## Reference document 2004

Of which: Number of shares able to be subscribed to by corporate officers of the company	149,386	34,640	190,000
Number of BSCs allocated	1,197,000	362,221	955,000
Starting point for exercising the BSCs	1 <sup>er</sup> 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 BSCs	29 September 2005	29 September or 27 November 2005, depending on the date of the Board of Direction meeting	24 July 2008
Price of BSCs exercised	1,07 €	5 €	0,46 €
Methods of exercising BSCs	The exercising right is acquired by annual tranches (1999, 2000 and 2001)	None	The exercise right is acquired by annual tranches (2004, 2005 and 2006) for 855,000 warrants, and is immediate for 100,000 warrants
Total number of options lapsed on 31 December 2004	142,364	134,334	70,000
Number of warrants exercised on 2 June 2005	669,650	0	69,800

(1) The beneficiaries of the BSC allocated prior to the capital increase carried out on 29 December 2003 (plans 1, 2 and 4) may subscribe to one new share at the price of 0.8€ for four shares issued by exercise of equity warrants. On the date of 2 June 2005, 463,500 rights had been exercised, entailing subscription to 115,874 new shares.

(2) Plan n°3 submitted to the general shareholders' meeting held on 26 June 2002 had not been the object of any allocation as of 30 June 2003, and hence lapsed on that date.

BSC allocated during financial years 2000 to December 2004		
	Plan no. 5	Plan no. 6
Date of the meeting	30 June 2003	10 June 2004
Date of the board of directions or Board of Directors meeting	29 March 2004	Supervisory Board meeting on 29 September 2004 Executive Board meeting on 29 September 2004
Total number BSCs authorised	45,000 (balance of plan n°4)	1,660,000
Of which: Number of shares able to be subscribed to by corporate officers of the company	0	760,000
Number of BSCs allocated	45,000	1,639,000
Starting point for exercising the BSCs	29 March 2005	29 Sept 2004 for 160,000 22 March 2005 for 395,671 29 Sept 2005 for 97,336
Expiry date of BSCs	29 March 2009	28 September 2009
Price of BSCs exercised	1,2190 €	1,2755 €
Methods of exercising BSCs	The exercise right is acquired by annual tranches of 15 000 (2005, 2006 and 2007)	160,000 warrants as of the allocation 292,000 warrants by annual tranches of 1/3 (2005 to 2007) 1,187,000 warrants by annual tranches of one-third conditional on reaching consolidated operating profit objectives for financial years 2004 to 2006
Total number of options lapsed	0	0
Number of warrants exercised	0	0

It is specified that the maximum dilution resulting from exercise, if the case occurs, of these equity warrants or share options is, as well as of attached subscription rights, for a shareholder holding one share, 17.77% % before taking account of the cancelled or unallocated warrants or options, or 16.11% after taking account of the warrants or options cancelled or which lapsed.

#### 2.2.2.2 Capital authorised but not issued

##### *Delegations granted to the executive board by the meeting held on 30 June 2003*

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

Because of the new delegations to Executive Board decided on by the combined shareholders' meeting held on 10 June 2005, the remaining authorisations for increasing the share capital by a maximum nominal amount of 210,227.40 Euros not used by the executive board lapsed.

#### 2.2.2.3 Resolutions decided on by the combined shareholders' meeting of 10 June 2005

The combined shareholders' meeting held on 10 June 2005 approved the following resolutions:

**RESOLUTION 15**

Delegation to the executive board for reducing the share capital by cancellation of shares.

The Shareholder's meeting, making its decisions on the quorum and majority conditions required for extraordinary shareholders' 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 14<sup>th</sup> resolution or prior to that, but within a limit of 10% of the company's capital per period of 24 months, pursuant to the provisions of article L.225-209 of the Code of Commerce.

The present authorisation is granted for a period that will end at the shareholders' meeting called on to rule on the financial statements for the financial year ending on 31 December 2005, and at the latest 18 months after the combined shareholders' meeting held on 10 June 2005.

The Shareholders' 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 16**

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 Code of Commerce:

1° Delegates the power to the executive board to decide on one or several capital increases

a) by issue, in France or abroad, in euros, of ordinary shares of the Company or of any 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 securities to also be denominated in foreign currencies or in any monetary unit whatsoever 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 legally possible and possible under the articles of incorporation, and in any form of allocation of free shares or of increasing 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 five hundred

and fifty thousand euros (550,000€) in terms of par value, an amount to which one is to add, if the case arises, the additional amount of shares to be issued to protect, pursuant to law, the rights of the holders of 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 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 securities issued by virtue of the present resolution;

b). if the applications by right and the applications, if any, for surplus shares have not absorbed the totality of a share issue or an issue of 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 Code of Commerce, 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 under the rules and regulations.

6° Takes note of the fact that the present delegation deprives any prior delegation having the same object of its effect.

#### **RESOLUTION 17**

Delegation of power to the executive board with a view to increasing the capital by issue of ordinary shares or of any securities offering access to the capital with elimination of the shareholders' preferential subscription right.

The shareholders' meeting, ruling on the quorum and majority conditions governing extraordinary shareholders' 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 Code of Commerce:

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 securities offering access by any means, immediately and/or eventually, to the ordinary shares of the company or of a company that possesses, directly or indirectly, more than half of its capital or which it possesses, directly or indirectly, more than half of the capital, it being possible for the said securities to also be denominated in foreign currencies or in any monetary unit whatsoever 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 five hundred thousand euros (500,000€) € in terms of par value, the said amount being charged to the ceiling laid down in resolution n°16.

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 Code of Commerce.

4° Decides that the issue price of the shares shall be at latest equal to the weighted average of the initial quoted prices for the last three trading days (on the Paris Market) preceding the determination thereof, reduced by the discount provided for under legislation.

The issue price of the shares resulting from exercise of securities granting access to the capital issued by virtue of the present delegation is subject to the provisions of article L 225-136.

5° Takes note of the fact that the present delegation deprives any prior delegation having the same object of its effectiveness.

**RESOLUTION 18**

Possibility of increasing the amount of the issues in case of excess applications.

For each of the issues decided on in application of resolutions n°16 and 17, the number of securities to be issued may be increased under the conditions laid down in article L 225-135-1 of the Code of Commerce and within the limits the global ceiling provided for under resolution n° 16, when the executive board notes excess demand.

**RESOLUTION 19**

Possibility for the shares issued without any shareholders' preferential subscription right to be used to remunerate conveyances of securities in case of an OPE (Public Exchange Offer) or of a conveyance in kind.

Within the limits of the ceiling provided for in resolution n° 17, the shareholders' meeting authorises the executive board, during the said period of 26 months, to issue ordinary shares:

- ↳ 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 Code of Commerce.
- ↳ 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 conveyances in kind granted to the company and consisting of capital securities or of other securities offering access to the capital, when the provisions of article L. 225-148 of the Code of Commerce are inapplicable.

In all cases, the amount of the capital increases carried out by virtue of the present resolution shall be charged to the global ceiling provided for under resolution n° 16.



**RESOLUTION 20**

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 Shareholders' Meeting, after having heard a reading of the report by the Executive Board and of the special report by the auditor, authorises the Executive Board, pursuant to the provisions of article L. 225-129-6 of the Code of Commerce, in connection with the capital increases authorised under resolutions 16 et 17 above, to carry out, all at once or in instalments, under the conditions set forth in article L. 443-5 of the Labour Code, an increase of the share capital in cash in a maximum nominal amount of 45,000 euros, reserved for the company's employees 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 with this very day.

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

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

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

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

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

### 2.2.3 POTENTIAL CAPITAL

The following table offers a summary of the delegations in effect:

*Recapitulation of delegations and residual authorisations in effect*

AGE, nature of the delegation and expiry date	Nature of the operation	Authorised nominal amount	Authorisation given	Residual Authorisation
AGE 30 June 2003 resolution 14, delegation to the Board of Directors, expired on 10 June 2005	Issue of any share, asset or warrant within a limit of €400,000 with a face value of €0.05 per share)	400,000€	189,772.6€	0€
AGE 30 June 2003, Resolution 16 delegation to the Board of Directors, expired on 10 June 2004	Issue of 1,000,000 BSC warrants with a face value of €0.05	50,000€	50,000€	0€
AGE 10 June 2004, Resolution 24 delegation to the Board of Directors,	Issue of 1,660,000 BSC warrants with a face value of €0.05	83,000€	81,950€	0€

expired on 10 June 2005

AGE of 10 June 2005 resolutions 16 to 19 delegation to the executive board, expires AG June 2006, and at the latest on 10 December 2006	Issue of any share, security or warrant within the limits of 550,000 € par value (at 0.05€ per share)	550,000€	0€	550,000€
AGE 10 June 2005 resolution 20, delegation to the executive board, expiration on 10 August 2007	Issue of shares reserved for employees belonging to a PEE or a PERCO within the limit of 45,000 € par value (at 0,05€ per share)	45,000€	0€	45,000€

AGE = Extraordinary Shareholders' Meeting

AG = Shareholders' Meeting

*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 10 June 2005)	Number	Exercise price	Subscription price of options or warrants (face value + issue premium) (in Euros)
BSPCE 1 allocated not exercised	527,350	1.07	564,264.50
BSPCE 1 less lapsed securities	384,986	1.07	411,935.02
BSPCE 2 allocated not exercised	362,221	5.00	1,811,105.00
BSPCE 2 less lapsed securities	227,887	5.00	1,139,435.00
BSPCE 4 allocated not exercised	930,200	0.50	462,047.00
<i>Including BSCPE 4 allocated in 2003</i>	<i>885,200</i>	<i>0.46</i>	<i>407,192.00</i>
<i>Including BSCPE 5 allocated in 2004</i>	<i>45,000</i>	<i>1.22</i>	<i>54,855.00</i>
BSPCE 4 and 5 less lapsed securities	860,200	0.52	448,247.00
BSPCE 6 allocated not exercised	1,639,000	1.28	2,090,544.50
BSCPE 6 less lapsed securities	1,639,000	1.28	2,090,544.50
Capital increase pursuant to the procedures of the December 2003 operation reserved for the holders of BCE yet to be exercised	426,007	0.80	340,805.60
Subscription option 1	39,765	4.68	185,901.38
Subscription option 1 less lapsed securities	22,504	4.68	105,206.20
Subscription option 2	23,067	7.56	174,294.25
Subscription option 2 less lapsed securities	1,182	7.56	8,931.19
Subscription option 3	337,007	2.23	752,536.63
Subscription option 3 less lapsed securities	247,448	2.23	552,551.38
<b>Total</b>	<b>4,284,617</b>		<b>6,381,498.86</b>
<b>Total minus lapsed securities</b>	<b>3,809,214</b>		<b>5,097,655.90</b>

- Share subscription option plans 1, 2 and 3 have been adjusted in terms of number and of subscription price on 29 December 2003 following the capital increase with maintenance of the preferential subscription right that was opened from 4 to 17 December 2003 in application of articles 174-1 and 174-8 of the Code of Commerce. The subscription prices were reduced by 6.5%, the ratio of the average of the subscription right price to the average of the share price including the right. The option numbers have been adjusted upward by 6.5%, so that the beneficiaries can invest an amount identical with the amount that they would have invested before the capital increase.

Effect of the share issues approved by the AGE of 10 June 2005 with delegations to the executive board	Number of shares	consolidate d shareholder s' equity	Dilution	Sharehold ers' equity / share €
1. Before capital increase	19,832,586	7,189,653		0,36
2. Before capital increase and after exercising all securities issued	24,117,203	13,571,152	17.77%	0,56
2b. Ditto, minus lapsed securities	23,641,800	12,287,309	16.11%	0,52
3. After the issue of 11.000.000 shares (1)	30,832,586	29,189,653	35.68%	0,95
4. After the issue of 11.000.000 shares and exercising all securities issued	35,117,203	35,571,152	43.52%	1,01
4b. Ditto, minus lapsed securities	34,641,800	34,287,309	42.75%	0,99
5. After issue of 900.000 shares reserved for the employees (2)	20,732,586	8,629,653	4.34%	0,42
6. After issue of 900.000 shares reserved for the employees and exercise of all securities issued	25,017,203	15,011,152	20.72%	0,6
6bis. same less the lapsed securities	24,541,800	13,727,309	19.19%	0,56
7. After issue of 11.900.000 shares including 900.000 shares reserved for the employees and exercise of all securities issued (3)	36,017,203	37,011,152	44.94%	1,03
7b. Ditto, minus lapsed securities	35,541,800	35,727,309	44.20%	1,01

(1) Residual authorisation for issue of any share, security or warrant within the limit of 550,000€ 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€ per share.

(2) Issue of 900,000 shares of 0.05€ reserved for the employees (article L225-129 of the Code of Commerce) 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 1.6€ per share, namely 2€ reduced by a 20% discount.

(3) Maximum amount of shares created in conformance with delegations which will be given by the Shareholders Meeting on 10 June 2005 or the Executive Board to increase capital by a maximum nominal amount of 550,000€ and of 45,000€ to the benefit of employees, i.e. 11,900,000 shares with a face value of €0.05 each. The indicative issue prices for the needs of this presentation are 2€ per share for the maximum increases of 550,000€ and 1.6€ for the increases to the benefit of the employees.

## 2.2.4 TABLE SHOWING VARIATIONS OF THE CAPITAL OVER A PERIOD OF FIVE YEARS

Changes in SQLI's share capital are as follows:

Date	Nature of the operation	Increase in capital	Share premium and contribution	No. of securities issued	Par value	Cumulative authorised capital Value	Securities
Constitution	Cash subscriptions made by the Company founders	50,000F	0	500	100F	50,000F	500
24 August 1992	Capital increase due to the incorporation of profits	550,000F	0	5,500	100F	600,000F	6,000
16 April 1993	Capital increase due to the incorporation of profits	400,000F	0	4,000	100F	1,000,000F	10,000
10 May 1995	Capital increase due to the incorporation of profits	1,000,000F	0	10,000	100F	2,000,000F	20,000
4 October 1999	Increase in reserved capital	150,000F	1,350,000	1,500	100F	2,150,000F	21,500
21 March 2000(1)	Merger-integration of SQLI*:	314,000F	10,570,996	3,140	100F	2,464,000F	24,640
21 March 2000	Capital increase due to the incorporation of reserves, share premium, merger and profits carried forwards	15,650,252.55F	0	159,460		18,114,252.55F	184,100
21 March 2000	Conversion of capital into Euros	0	0	0	15€	2,761,500€	184,100
21 March 2000(2)(3)(4)	Share nominal/par value split	0	0	0	0.25€	2,761,500€	11,046,000
21 July 2000	Share capital increase due to IPO of the Company's shares on the Nouveau Marché	488,500€	12,701,000	1,954,000	0.25€	3,250,000€	13,000,000
12 December 2000(5)	Cash capital increase reserved for Mr. El Mouafik (ABCIAL)**	19,475€	759,525	77,900	0.25€	3,269,475€	13,077,900
4 January 2001	Cash capital increase reserved for Mr. Cachaldora (IN VERSO)***	3,250€	106,470	13,000	0.25€	3,272,725€	13,090,900
15 July 2002	Cash capital increase reserved for FD5 and Sethi (6)	522,727.50€	1,777,273.50€	2,090,910		3,795,452.50€	15,181,810
30 June 2003	Reduction of the par value of the shares, allocation of the negative retained earnings to premiums (6) (7)	-3,036,362€	-13,658,792€		0.05€	759,090.50€	15,181,810
29 December 2003	Cash capital increase with maintenance of the DPS	189,772.6€	2,846,589€	3,795,452	0.05€	948,863.10€	18,977,262
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 of DPS attached to the BCE	21,821.35€	392,831.96€	436,427	0.05€	991,629.30€	19,832,586

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

\*\* In the framework of the acquisition of ABCIAL.

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

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

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

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

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

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

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

(7) Installation of a 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 shareholders' meeting held on 30 June

2003 to the executive board). On 10 June 2004, a new plan was adopted by the extraordinary shareholders' meeting, which was the object of an allocation by the executive board pursuant to delegations received (the plan known as « BCE6 » on 28 September 2004).

(8) This refers to shares created by exercise of BCE1, 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) 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 0.8€ for four old ones).

## 2.3 THE MARKET FOR THE COMPANY'S SECURITIES

SQLI was listed on the Nouveau Marché of the Paris bourse on 21 July 2000. Since the 2005 revamp, the company has appeared in Compartment C of the Eurolist (Codes : Euroclear 7547 – Reuters SQLI.LN – Bloomberg SQLI- ISIN FR0004045540).

A liquidity contract in accordance with the AFEI charter is in effect with Portzamparc company.

The company does not belong to a group, and SQLI company constitutes the group's head company.

### 2.3.1 TABLE SHOWING VARIATIONS OF PRICES AND VOLUMES OVER A PERIOD OF 12 MONTHS

#### *Changes in market capitalisation*

In euros	2000	2001	2002	2003	2004	2005 (18/6)
Number of shares as of 31.12 (face value in euros)	13,077,900 (0.25)	13,090,900 (0.25)	15,181,810 (0.25)	18,977,262 (0.05)	18,396,159 (0.05)	19,832,586 (0.05)
Market Capitalisation	77,294,720	16,232,716	7,135,451	21,444,306	31,641,393	39,268,520
High	17.53	7.95	1.39	2.13	1.78	2.36
Low	4.8	0.92	0.31	0.37	1.01	1.74
Average	10.35	2.88	0.87	1.04	1.43	2.02
Last	5.9	1.24	0.47	1.13	1.72	1.98
Average Daily Volume	27,985	14,075	9,049	23,361	61,224	77,637
Net profit per share (in euros)	0.005	-	-	0.06	0.09	Unpublished
Net dividend per share	-	-	-	-	-	-

Source : Euronext ([www.euronext.fr](http://www.euronext.fr))

#### *Highest, lowest and transaction volumes*

In euros	Highest	Lowest	Transactions in terms of securities	Transactions in M€
Jun-04	1.4	1.22	448,408	588.72
July. 2004	1.39	1.15	523,961	671.37
August-04	1.37	1.21	336,474	431.34
Sept. 2004	1.59	1.21	1,134,602	1,593.72
Oct. 2004	1.54	1.36	1,468,741	2,154.64
Nov. 2004	1.73	1.43	2,506,046	4,025.16
Dec. 2004	1.78	1.5	2,088,945	3,469.01
Jan. 2005	1.92	1.74	1,804,693	3,331.67
Feb. 2005	2.36	1.89	3,298,734	7,003.77
March-05	2.22	1.96	1,499,928	3,128.20
Apr. 2005	2.12	1.79	931,917	1,866.11
May-05	2.08	1.83	1,203,387	2,375.69

Source : Euronext ([www.euronext.fr](http://www.euronext.fr))

#### *Variation of the SQLI price over 12 months*



Source : Euronext

### 2.3.2 DIVIDENDS

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

### 3 CAPITAL AND VOTING RIGHTS

#### 3.1 PRESENT BREAKDOWN OF THE CAPITAL

The company had a report drawn up concerning its bearer shareholders (TPI) as of April 2005.

On that date 4,708 bearer shareholders held 11,941,434 shares, namely 47.8% of the company's capital. Among them, 27 bearer shareholders held more than 50,000 shares each for a total of 5,583,911 shares, namely 28.1% of the company's capital.

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

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

The management report by the Executive Board includes, in chapter 4.1, a list of the shareholders who reported having crossed, upward or downward, the thresholds of 5%, 10% et 33% during financial year 2004.

#### *Breakdown of capital and voting rights au 23 June 2005*

Shareholders	Number of shares	% capital	Number of voting rights	% voting rights
Jean Rouveyrol	2,684,540	13.54%	5,369,080	21.64%
Alain Lefebvre	1,527,518	7.70%	3,055,036	12.32%
FD5*	1,143,637	5.77%	1,143,637	4.61%
SETHI*	659,091	3.32%	659,091	2.66%
Yahya El Mir	180,299	0.91%	360,598	1.45%
Bruno Leyssene	277,375	1.40%	556,250	2.24%
Fondation de France	420,000	2.12%	420,000	1.69%
Other registered shareholders	395,119	1.99%	697,369	2.81%
<b>Total registered shareholders</b>	<b>7,287,579</b>	<b>36.75%</b>	<b>12,261,061</b>	<b>49.43%</b>
SQLI	13,800	0.07%	13,800	0.06%
Public	12,531,207	63.18%	12,531,207	50.52%
including SOCADIF	1,250,000	6.30%	1,250,000	5.04%
including FCP Boscary	150,000	0.76%	150,000	0.60%
including Michel de la Tullaye	120,546	0.61%	120,546	0.49%
<b>TOTAL</b>	<b>19,832,586</b>	<b>100.00%</b>	<b>24,806,068</b>	<b>100.00%</b>

\* FD5 and Sethi will benefit from a double voting right starting in July 2005.

Source : TPI on 15 April 2005 and report concerning registered shareholders dated 23 June 2005

## 3.2 CHANGES IN SHAREHOLDING STRUCTURE

### *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%
<b>Total founders</b>	<b>7,982,280</b>	<b>61.40%</b>	<b>72.08%</b>
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%
<b>Total</b>	<b>13,000,000</b>	<b>100%</b>	<b>100%</b>

(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 on 15 July 2002*

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

(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%
<b>Total registered</b>	<b>9,443,322</b>	<b>49.80%</b>	<b>16,612,258</b>	<b>63.50%</b>
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%
<b>TOTAL</b>	<b>18,977,262</b>	<b>100.00%</b>	<b>26,146,198</b>	<b>100.00%</b>

**3.3 SHAREHOLDERS' AGREEMENTS AND CONVENTIONS****3.3.1 REPORT ON PLEDGES ON THE SHARES OF SQLI AND OF ITS SUBSIDIARIES**

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 the 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 223K€. The corresponding risk was covered by a provision set aside in the accounts on 31 December 2004 (see 6.2.2 note 5).

**3.3.2 SHAREHOLDERS' COMMITMENTS**

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

**3.3.3 SHAREHOLDERS' PACT AND AGREEMENTS**

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

## 4 GROUP ACTIVITY

### 4.1 GROUP ORGANISATION

#### 4.1.1 HISTORY

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** : Creation with a positioning focusing on the new technologies.
- ◆ **1995** : A shift toward internet technologies.
- ◆ **2000** : SQLI is listed on the market. The Company has almost 700 customers, major accounts and small and medium-sized companies. It is listed on the new market.
- ◆ **2002** : SQLI commits itself to make even greater efforts on behalf of its customers with the adoption of the total quality approach: CMM-I. To respond to the required rationalisation of costs and deadlines and to satisfy its customers in connection with each new project, SQLI becomes the first French company to adopt the CMM-I software quality approach.
- ◆ **In 2003** : SQLI develops sectorial solutions for the local governmental and health sectors. Its patient identity server called « IdeoPass » is the only one respecting the standards in effect in the health sector.
- ◆ **In 2004** : SQLI opens its own offshore development centre, in Morocco. Based on membership, this 100% SQLI centre follows all methods and processes common to the company. The Rabat-based engineers are integrated and involved, and they share the corporate culture. Moreover perfect cohesion in project management, this without any break in the realisation chain, is guaranteed by the existence of one and the same linguistic community and the absence of changing time zones.
- ◆ **2004** : SQLI becomes the 1<sup>st</sup> French SSII (Computer Services and Engineering Companies) to obtain certification CMM-I.

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

- ◆ Broadening the range of intervention so as to offer its customers global accompaniment while maintaining the depth of its expert skills in order to continue offering high-value added
- ◆ The 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
- ◆ Installation 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)

4.1.2 ACTIVITY

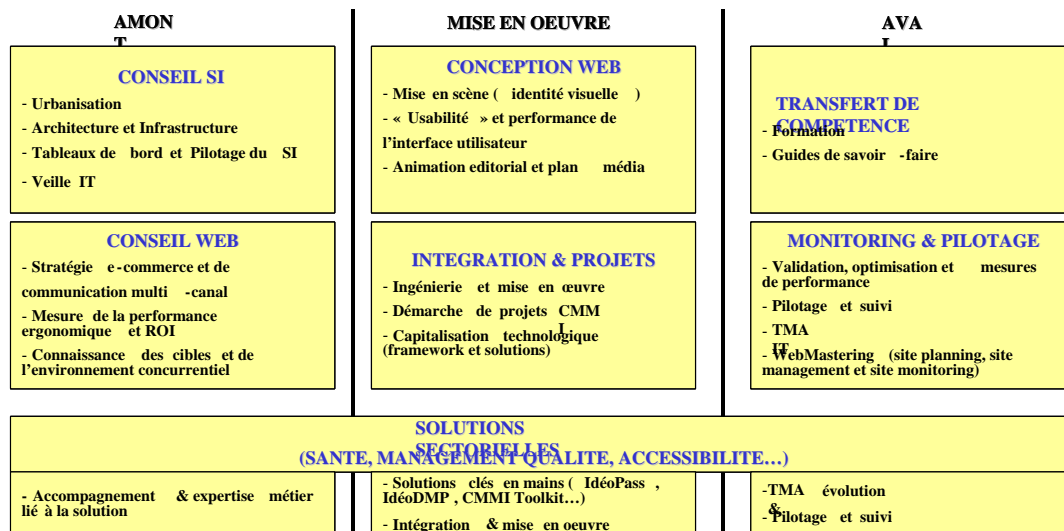
SQLI has positioned itself as a high value added company in connection with the e-business projects aimed at accompanying businesses in aligning their information systems with their strategy.

As **Architects of e-business solutions**, SQLI accompanies its customers on the basis of two principal assignments:

- ◆ **Modernisation of the information system** in order to make that system more productive, better performing and more agile. This modernisation relies on the integration of the internet technologies into the existing applications in order to upgrade the performance of the trade process
- ◆ **Installation of new web services** (customer relations, partner relationships, dematerialisation of exchanges, e-commerce...) in order to develop some new distribution or marketing channels.

*Global accompaniment*

SQLI's calling is to accompany its customers throughout the entire lifecycle of an e-business project: from advisory services upstream to operation, and including implementation.



*Information system advisory services*

Help computer departments improve performance of the company's Information System. To that end, SQLI offers a set of services characterised by high-value added, and in particular:

- ◆ design and construction of the plan for system planning of the computer system (computer system cartography, system planning master plan...), inventory of the company's management processes and adaptation to take specific internet features into account
- ◆ assignment for developing project guidelines and assistance to the MOA in defining company needs
- ◆ materialisation of the system planning plan with the choice and installation of integration technical architectures (EAI, Web Services...), of company portals...
- ◆ 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

Intense monitoring of technological developments enables the SQLI consulting teams to offer innovative and lasting solutions. Technological monitoring results in a substantial volume of annual publications.

Help companies measure the performance of their activity, but also of the computer system. Thanks to solid experience in design and installation of decisional projects, SQLI offers its customers a broad panorama of know-how:

- ◆ Design and installation of data warehouses, definition of key indicators and of analytical focuses, "star" modelling
- ◆ Choice and installation of decisional architectures (ETL, reporting tool...), choice and installation of an analytical reporting architecture
- ◆ Identification and qualification of data so as to develop a real company frame of reference. Design and installation of automatic systems for feeding the data warehouse with production data.

### *Web consulting*

Help the functional departments reinvent their trades and guarantee or improve the return on investment of the new web services. SQLI offers its customers the following:

- ◆ Accompaniment in web marketing and communication by defining the strategy and performance measure based on the e-relatio programme (marketing strategy and e-commerce), brand strategy, e-mailing, multi-channel...
- ◆ 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...

### *Web design*

Help the functional departments create a strong visual identity and design high-performance user interfaces. SQLI provides its customers with the following:

- ◆ 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...)
- ◆ Expertise in designing specialised 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)
- ◆ An ability to define and realise a strong visual identity: definition of 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...

### *Integration and Projects*

Help the project teams materialise the recommendations made by the SQLI consultants.

SQLI does more than half of its turnover in package services. To succeed in such projects, SQLI relies on a pragmatic project approach based on the CMM-I software quality model.

The SQLI project teams can call on a project management framework (CMMI Toolkit, designed and developed by the SQLI teams in connection with integration of the CMMI model), « Interligo » technological frameworks (Java, .Net, PHP...), a "linkuall" customer extranet...

SQLI offers recognised expertise in development of applications based on the new technologies and the internet standards, particularly application servers and middleware for integration of computer systems (the EAI, meaning Enterprise Applications Integration). SQLI also has strong skills in implementing decisional solutions making it possible to monitor and measure the activity indicators (smart monitoring and business intelligence).

Here are the types of know-how displayed by the SQLI project teams:

- ◆ Project procedure adopted to the new technologies: management of requirements, certified project approach (CMMI, RUP, UML...), object/relational mapping (Castor, TopLink), risk analysis and management, internal project management tools (SDP, TCM...)
- ◆ Quality of development by use of the market framework (Struts, Blue Martini...) or SQLI's Interligo framework. Management of configurations.
- ◆ Mastery of the main development environments: Java (J2EE, WebLogic, Websphere...), Microsoft (DNA, DotNet), Open Source tools (Php, Tomcat...)
- ◆ Integration of technical and applicative software solutions: EAI (Mercator, WebMethod, Seebeyond...), Portal (IBM, Oracle, Plumtree, Epicentric...), Web Content Management (CMS, Tridion, Documentum...) ERP (SAP, Siebel, Peoplesoft...)
- ◆ Decision-making solutions: ETL (Genio, Sunopsis, Datastage...), analytic reporting (Cognos, Business Object...)...

### *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.

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

- ◆ Validation of technological architectures and of performance measurements
- ◆ 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...

### *Transfer of skills*

For 10 years now SQLI has been making its technological excellence available for training its customers' staffs. The SQLI training approach, widely hailed, 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 6 training sectors stemming from the SQLI expertise:

- ◆ State of the art

- ◆ Decision-making
- ◆ Architecture
- ◆ Design and methodology
- ◆ Web design
- ◆ Programming

These training programmes are flexible and adaptable to the customer's needs: intercompany and intracompany training, seminars, complete courses or theme breakfasts...

Originally designed for its (?) thus SQLI group is among the world's few firms relying on the feedback from its engineering teams. This very "concrete" approach to new market products gives the studies and analyses carried out by SQLI group an unparalleled specific effect, and in particular:

- ◆ **Pragmatic pedagogy:** training efforts coming from the field, teaching focusing on experience, case studies and practical work inspired by actual assignments and projects.
- ◆ **Advanced expertise:** senior consultants recognised in their own skill areas and trained in teaching, plus updated training programmes in the vanguard of technology
- ◆ **Training programmes designed for the company:** a made to order approach adjustable to match customer requirements, short but effective training programmes with a real return on investment, and courses adapted to the trainees' level of experience.

### *Sectorial solutions*

We offer customers turnkey solutions for dealing with a recurrent functional problem. Our sectorial solutions, developed with the customers, constitute a perfect match for the customers' expectations in the sector.

These sectorial solutions allow global accompaniment based on the solution with consultants upstream who have mastered the customer's trade, and downstream some turnkey operating and administration solutions. SQLI offers numerous solutions, whether technical or sectorial, particularly the following:

- ◆ Solutions in the public health sector: the identity and Patient comparison server (IdéoPass), the portal of communities of practices (IdéoPortal), the shared medical file (IdéoDMP)...
- ◆ The ECM Interligo solutions offering an information portal solution for collaborative services (e-mail, agenda...), content publication and access to the information system
- ◆ The project management solutions: the CMMI Toolkit offering a range of project management tools based on the CMMI model (risk management, requirements management, follow-up and planning, test management, piloting indicators...)
- ◆ Other technical solutions such as KeenReport (reporting generation tool) or ExpoNet (traceability of exposures to chemical products)

**4.1.3 FUNCTIONAL ORGANISATION CHART**

SQLI's organisation favour 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.

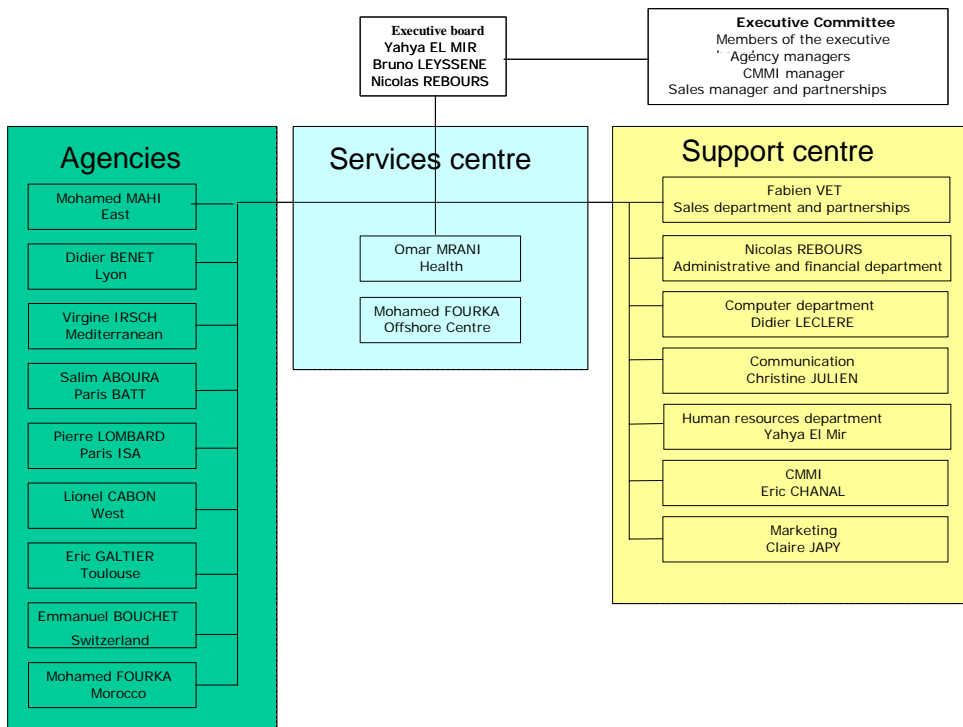
SQLI also has two services centres whose task is providing an offering at group level. The Rabat service centre offers its development services in offshore mode to all group agencies. The Dijon service centre handles all of the group's health solutions and projects.

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

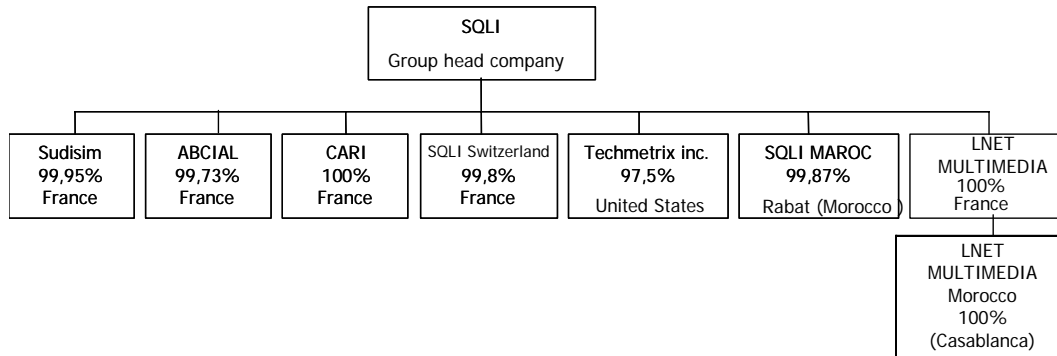
A perfected piloting tool makes it possible to share information and monitor execution of the operating processes. This internal web application (called APP) ensures, in particular, monitoring of the following elements:

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

*Functional organisation chart*



#### 4.1.4 FINANCIAL ORGANISATION 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 1 July 2005.

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 7.5 of the statutory auditors' special report concerning regulated conventions. The subsidiaries' contribution to turnover and to earnings is indicated in the appendix to the consolidated financial statements (section 6.2.2).



#### 4.1.5 GEOGRAPHICAL ESTABLISHMENTS

The group benefits from dense coverage of French territory as well as the territory of Switzerland and of Morocco. Thanks to this meshwork, SQLI benefits from its closeness to local major accounts, whether they be commercial companies or local governmental units.

Among the services companies specialising in internet technology, SQLI is the group offering the best geographical coverage in France.



#### 4.1.6 TRADEMARKS, DOMAIN NAMES, COPYRIGHTS

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 SQLI company's benefit.

### 4.2 KEY FIGURES CONCERNING THE GROUP

#### 4.2.1 HISTORIC REVENUES AND PROFITS OF THE SQLI GROUP

*Historic revenues and profits of SQLI group.*

In millions of euros	2000	2001	2002	2003	2004
Total Revenues	30.2	45.3	44.1	41.4	45.8
Revenues by activity					
Engineering	22.7	38.0	39.6	33.2	39.0
Consulting	5.1	4.5	1.5	2.8	2.6
Others	2.4	2.8	3.0	5.4	4.2
Revenue by geographical area					
France	27.5	40.0	38.6	36.3	38.8
Abroad	2.7	5.3	5.4	5.1	7
Operating Income	0.61	(3.4)	(5.8)	1.4	2.2
Net Profit	0.04	(7.8)	(9.3)	1.0	1.9
Shareholders Equity	15.2	7.5	0.5	4.3	6.8
Debt/Equity Ratio	18.3%	17.5%	160%	2%	2.6%

The perimeters are comparable to 2002 and 2003.

*Historic revenue by type of activity*

	2001	2002	2003	2004
Banking – Insurance	25%	23%	21%	18%
Telecoms – Transport	3%	9%	6%	4%
Services	29%	26%	21%	18%
Industries	29%	28%	28%	33%
Retail	6%	3%	4%	2%
Administration – Government Sector	8%	11%	20%	25%

**4.2.2 CUSTOMERS***Main references*

SQLI now has more than 600 active customers and operates almost solely on behalf of the major accounts and the large regional SME.

<b>A FEW OF OUR CUSTOMERS, BY ACTIVITY SECTORS</b>	
<b>BANKING AND INSURANCE</b>	AG2R, April, Aviva, BNP Paribas, Caisse d'Epargne, Crédit Agricole, CCF, CNP, Groupama, GE Bank, Groupe Banque Populaire, Société Générale...
<b>INDUSTRY</b>	Airbus, BMW, Essilor, Michelin, Nestlé, Philip Morris, PSA, Renault, Sanofi-Aventis...
<b>SERVICES</b>	Accor, Actif Plus, Amadeus, Bobst, Bureau Véritas, Compass Group, France Télévision, Mediapost, SITA...
<b>ADMINISTRATIVE – PUBLIC SERVICES</b>	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...
<b>DISTRIBUTION – TELECOM – TRANSPORT</b>	Air France, Bouygues Télécom, Carrefour, Casino, Cegetel, Décathlon, France Télécom, Galeries Lafayette, Monoprix...

*Changes in activity with the principal customers*

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

	2001	2002	2003	2004
Revenues received from first 5 customers	18%	20%	23%	29%
Revenues received from first 10 customers	26%	33%	39%	44%
Revenues received from first 20 customers	38%	46%	51%	56%

The substantial increase in turnover done with the main customers noted during the previous financial years continued in 2004, emphasising the recurrent nature of part of the turnover. This trend is the fruit of a commercial approach centring 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 to the group's leading ten customers between 2003 and 2004.

In millions of euros	2003	2004	Trend
AIRBUS	2.4	4.2	73%
AVENTIS-SANOFI	1.8	2.5	39%
ETAT DE VAUD	0.3	2.4	617%
PHILIP MORRIS	1.9	2.2	11%
SOCIETE GENERALE	2.3	1.9	-16%
RENAULT	1.3	1.7	37%
LA POSTE	1.3	1.6	29%
MUTUALITE SOCIALE AGRICOLE	0.6	1.2	121%
CAISSE D'EPARGNE	1.1	1.1	0%
CONSEIL GENERAL DE LA MOSELLE	1.6	1.1	-34%

The turnover declined in 2004 for the Société Générale and Conseil Général de la Moselle accounts is connected with execution in 2003 of a substantial package project for each of those customers.

The average period in which clients settle was 88 days as of 31 December 2004. There is no notable difference between the average settlement period of public and private clients.

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

#### *Sales trend by agencies*

In %	2003	2004
East	7.5%	7.9%
Lyon	21%	19.5%
Mediterranean	8.1%	6.7%
West	5.3%	6.0%
Paris	38.1%	34.5%
Switzerland	10.8%	12.9%
Toulouse	9.2%	12.0%
Morocco		0.4%

Source: SQLI

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

As of 1 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 Nantes and Bordeaux sites and, as of 1 March 2005, includes the staff of the Nantes agency and of Lnet Multimédia company.

The respective weights of the Poitiers and Casablanca and Nantes agencies resulting from the integration of Lnet Multimédia are not included in the above table. Lnet Multimédia group, integrated as of 1 March 2005, had recorded sales for 2004 on the order of 1.4 million euros, namely about 3% of SQLI's consolidated sales for 2004.

#### 4.2.3 HUMAN RESOURCES

As of 31 May 2005, SQLI had a staff of 751 (including trainees) divided among the 8 SQLI group agencies as well as at the Rabat offshore centre. The great majority of employees are engineers or university-trained people (Bac+4 and Bac+5). The average age of our collaborators is 30.

As of 31 May 2005, the registered office staff consists of 25 persons, broken down as follows: Administrative and Financial Department (9), Human Resources Department (2), Computer Department (5), Communication (1), Marketing (2), Sales Department (1), CMMi Programmes (2) and Executive Board (3).

The work-time reduction agreement went in effect as of 1 January 2000 and entails 11 additional days of holiday for the current year (variable depending on the number of workdays in the year).

The percentage of non-billable staff decreased from 13.9% in April 2004 to 12.2% in May 2005.

The occupation rate (defined as the time assigned to invoiceable business of the productive staff/paid time worked excluding holidays) came to 88.3% in 2004 against 87.8% for the previous financial year. During the first quarter of 2005, the average rate remained high at 88.1%, despite the staff increase.

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

#### *Staff changes*

	2000	2001	2002	2003	2004
Average Staff levels (*)	408	638	665	589	609
Staff Turnover(**)	7%	15.8%	13.4%	24.7%(1)	15.8%

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

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

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

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

#### *A unique company culture*

The historic positioning of the group in the new technologies sphere has enabled the company to attract and progressively form teams of consultants and engineers of great quality who are enthusiastic and very involved in the business projects. All of this translates into a unique

team spirit that is recognised by customers; openness, flexibility and the capability to take risks are some of the characteristics of a SQLI team. Besides their professional qualities, customers unanimously recognise the human values of the Group's teams. This is why one day a customer said: "SQLI, it's not just professional expertise, it's human expertise".

This corporate culture is preserved by strong differentiation criteria and by a desire to innovate as well in management of human resources. This corporate culture was formalised by way of the following:

- ◆ values shared by SQLI group collaborators (innovation, respect for others, a sense of commitment and a search for excellence).
- ◆ management principle: a sense of responsibility, the right to error, the authority of skill, authenticity and pleasure as an engine for progress.

#### *The CMM People provisions*

Along the lines of the CMM-I model for software activity, the CMM People approach (P-CMM) is a total quality approach to management of Human Resources.

Human capital is a key element in performance of an SSII (Computer Services and Engineering Company). SQLI group decided to adopt that model in 2004 so as to become the reference company in its sector in managing human resources.

The Group has the ambition of being the 1<sup>st</sup> European SSII to be CMM People certified.

#### **4.2.4 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.

Location	Surface area(m <sup>2</sup> )	Annual rent (K€(?))
ST DENIS	3510	660,300
LYON	586	172,288
TOULOUSE	857	105,382
BORDEAUX	264	37,112
MONTPELLIER	359	37,695
AIX EN PROVENCE	297	36,872
STRASBOURG	453	58,626
DIJON	450	51,379
DIJON (former premises)	175	17,240
NANTES	460	38,260
BELFORT	94	9,770
LAUSANNE	356	41,663
GENEVA	270	60,014
POITIERS	336	31,248
CASABLANCA	288	24,965
RABAT	150	21,872

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

### **4.3 SECTORIAL NUMERICAL DATA**

#### *Increased activity in 2004 for the services sector, according to Syntec*

According to Syntec Informatique, the year 2004 produced a 4.4% increase in the computer software and services sector, in the high part of the range of the estimates made in mid-2004. This strength followed a depressed 2003, which resulted in a record decline of 5% of

expenditures in the computer software and services sector in France. The total market is estimated by Syntec at 20.5 billion euros.

***Market prospects in 2005.***

At the meeting held on 3 June 2005, the Syntec Informatique president indicated that anticipated growth for 2005 was 7.1%. In spite of the limited growth forecasts for GDP (+2,2 %), business investment is thought to have increased in lasting fashion (+3,4 % in 2005).

According to Pierre Audouin Conseil, the 2005 increase should be from 6% to 8%. Growth in the industrial sector would be 8.6% (automobile, pharmaceutical traceability, recovery of major outsourcing contracts...), 5.7% for banks, and 6.4% in the administrations (patient file, dematerialisation...).

***Medium-term prospects.***

Pierre Audouin Conseil believes that the market now appears to be in a mature growth phase. According to that analysis firm, various perimeters should contribute to supporting growth in the coming years:

- ◆ Macroeconomic factors: growth recovery, "grandpa-boom", globalisation, business relocations ...
- ◆ Regulatory changes in the sector of administrations: European construction, dematerialisation, reforms, safety...
- ◆ Microeconomic factors: cost cutting (particularly development of urbanisation, of the EAI and of integration platforms, adaptation to market changes (deregulation, mergers and acquisitions, Basel 2, Sarbanes Oxley, IAS/IFRS)

Pierre Audouin Conseil indicates that because of the effect of the economic recession, companies have learned how to enjoy better control of their computer expenditures and investments. That recession forced them to transform their purchasing behaviour and change their expectations vis-à-vis the suppliers of services and of technologies. To deal with this trend, services suppliers have had to develop more advanced trade and technological offerings, but they have also had to reorganise their sale and "delivery" process.

For SQLI, the computer services market should continue to increase in the coming years for the following reasons:

- ◆ Computerisation is still a source of substantial productivity gains for all economic players
- ◆ The new technologies have revolutionised certain trades, and entities that have been unable to integrate them risk disappearing
- ◆ The fast development of the high-flow internet is pushing companies and public services to offer evermore services to their customers/users.

SQLI's vision of the medium-term is that the SSII (computer services and engineering companies) that have been able to adapt to the new market demands offer very promising development prospects. On the other hand, the ones that have been unable to adapt risk running into substantial difficulties.

We think a dichotomy is going to develop between SSII:

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

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

#### **4.4 ISSUER'S MARKET AND COMPETITIVE POSITIONING**

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

SQLI group is among the most important specialised service providers when it comes to e-business in France, Switzerland and Morocco. With more than ten years of experience in implementing internet technology projects, the group has complete and advanced expertise making it a reference player.

This excellence in the field of new technologies constituted the group's decisive competitive advantage for several years. To maintain a lead over "generalist" competitors that have been able to develop skills in the field of "new technologies", since 2002 SQLI group has developed some new competitive advantages:

- ◆ A network of regional agencies making it easier to win the loyalty of major accounts and access the local governmental units' markets
- ◆ Total quality thanks to the CMM-i programme
- ◆ Trade or technological solutions resulting from the group's best projects
- ◆ An offshore development centre in Rabat

##### **4.4.1 A SINGLE TYPE OF REGIONAL COVERAGE FOR A SPECIALISED SSII**

SQLI group is the only specialised SSII (*Computer Services and Engineering Company*) that has such an extensive network of agencies. That network hurt group profitability for several years, but the network has now become mature and profitable, and contributes both to growth of sales and to improved margins.

Thanks to proximity to the customers, the regional agencies have been able to develop a higher degree of loyalty than one observed in Paris, where competition is sharper in view of the larger number of players.

Moreover this proximity turns out to be an important competitive advantage in invitations to tender issued by local government units and the administrations present in the region. As local service providers, the SQLI group agencies are well positioned to win contracts that do not have to include development expenses in the bids. Moreover the local governmental units appreciate working with a local service provider that can provide better-quality service.

When it comes to the national major accounts, SQLI's presence in several geographical areas in France makes it possible to meet their general expectations: La Poste (Paris, Bordeaux, Montpellier, Nantes), Sanofi-Aventis (Paris, Lyon, Toulouse)...

##### **4.4.2 TECHNOLOGICAL EXCELLENCE**

This is the very essence of SQLI group's culture: anticipate changes and develop advanced expertise so as to guarantee reliable and lasting solutions. **As of the outset, SQLI Group followed an intensive strategy for monitoring developments and an active research and development and training policy. It was among the first companies to take the Internet**



**road in 1995, and it is now identified as a technological leader.** With acknowledged experts in various fields, SQLI provides its customers with a complete range of solutions associated with perfect mastery of each technology.

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

- ◆ Business Intelligence: Business Object, Cognos, Synopsis, Webtrends, Datastage, Actuate, Génio...
- ◆ Development environment: Java (J2EE, WebLogic, WebSphere), Microsoft (DNA, .Net), outils OpenSource (Php, SPIP, Tomcat, Hibernate...)
- ◆ Project management (CMM-I, RUP, UML...), object/relational mapping (Castor, TopLink...), configuration management (CVS, Cast...)
- ◆ Integration of software solutions: Portail (IBM Portal, Oracle Portal, Microsoft SharePoint, Plumtree, Epicentric...), WCM&ECM (Redhat CMS, Tridion, Documentum, Filenet...), ERP (Siebel...)
- ◆ Integration of technical solutions: EAI (IBM Integrator, WebMethod, Mercator...), Middleware (MQSeries, Tuxedo, MSMQ...)

#### **4.4.3 TOTAL QUALITY WITH CMM-I**

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

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

- ◆ Optimised analysis of explicit and implicit requirements
- ◆ Optimised management of risks
- ◆ Total reliability of solutions and perfect risk control
- ◆ Strict observance of deadlines
- ◆ Budgetary compliance
- ◆ A clear and transparent vision throughout the project

#### *SQLI was certified CMM-I level 2 in 2004*

The company obtained level 2 certification in 2004 corresponding to a finding that the methodology, tools and training deployed make it possible to reach the objectives targeted by CMM-I for a project.

In 2005, the plan calls for reaching level 3 of the programme: all of the group's agencies will have to carry out all of their projects in CMM-I mode. We should point out that SQLI group does not carry out its CMM-I programme for the sole purpose of obtaining certification – the point above all is to benefit from the contributions made by the approach in terms of customer satisfaction and of margin improvement.

#### *CMM-I, a very high level of customer satisfaction*

The CMM-I approach was successfully deployed for implementing several major projects during financial year 2004. Certain customers were much taken with the approach as of the commercial negotiation phase: thanks to our tools and our approach, we were able to highlight

needs or risks that the customer has not taken into account. Other customers were conquered by the web tools made available to them for monitoring all project elements in real time (progress, scheduling, testing, acceptance, bug fixes...).

The few quotations below emphasise the satisfaction expressed by customers for which CMM-I was applied:

*SITA: "A 60% reduction in the number of bugs noted in the accounting phase..." (Lionel Planès-Design Manager – Information Systems Department)*

*Etat de Vaud: "A quality and performance level approaching excellence within an extremely short period..." (Max Bauman, Computer manager of the TAO2 project)*

*Airbus: "In the 17 years of my career, I have never seen anything like it..." (Patrick Bourlier, Project leader, Department of customer management & supply)*

### ***CMM-I – A source of margin improvement***

For the first projects carried out on the basis of the CMM-I approach in 2004, much better cost control was noted: particularly thanks to the analysis of requirements and management of risks that are industrialised and tooled, there is better observance of the budgets. In the usual kind of activity of a services company, budget overruns may represent 5% to 15% of the costs of a package deal. In certain critical projects, the initial budget may even sometimes be doubled or tripled when the perimeter or specific risks appear. The CMM-I approach should contribute to improved margins in the future and gradually reduce the number of overruns in connection with package deals.

## **4.4.4 THE SOLUTIONS PROGRAMME**

At the time of the 2002-2003 crisis, SQLI decided to grow in the sector of local governmental units and health, those sectors being among the few in which the computer budgets had not experienced drastic cuts. In particular, SQLI group had produced the internet portal and numerous management applications for the General Council of the Moselle. SQLI group had also developed several applications for the Regional Hospital Agency in connection with installation of the computerised medical file implemented in Franche Conté.

By capitalising on these better realisations, SQLI group developed a new "solution" approach, consisting of associating software components covering a large part of the customer's needs and advisory and development services offered by players perfectly familiar with the customer's trade. This approach, an economical one for the customer, makes improved margins possible for SQLI, a fraction of the price corresponding to a right to use an existing development.

### ***Solution for the local governmental units***

Because of decentralisation, local authorities – within a relative brief period – have had to take over responsibilities previously handled by central agencies. Hence these local authorities have had to acquire computer resources making it possible to carry out the new tasks incumbent on them. Such local governmental units also want to be closer to the citizens, and the applications developed in internet mode make it possible to reach this goal of improving communication. The fact that there are few existing constraints also encourages the local authorities to opt for architecture incorporating the present internet standards.

SQLI's offerings for administration and public services are oriented mainly toward electronic administration solutions incorporating the legal constraints (accessibility of sites to the handicapped, dematerialisation of purchasing procedures...), taking citizens into account

(interactive internet sites, search engines, on-line reservations...) and communication between administrations.

These solutions are materialised by production of Internet sites, an intranet or an extranet based on the new technologies and very frequently including our ECM Interligo solution. That solution makes complete accompaniment possible: expression of the needs, graphic and ergonomic design, architecture and implementation...

The ECM Interligo solution makes it possible to meet local authorities' needs for:

- ◆ institutional sites for presentation of a region, a city...
- ◆ life and citizenship sites: school transportation, child protection, jobs, libraries...
- ◆ sites for tourism and promotion of a region (historical heritage, accommodations, on-line reservations...
- ◆ application services such as follow-up on investment subsidy applications, consultation of decisions, dematerialisation of forms/procedures...

### *Solution for the health sector*

The health sector suffers from a substantial computerisation lag. In the face of the system's chronic shortfall, computerisation is seen as an essential tool for rationalising health expenditures. But it is also and above all a means for improving the quality of care making it possible to share information relative to patients among all players in the health system.

It is in that spirit that the authorities have set the objective of implementing a shared medical file at national level for 2007. Information-sharing among the various health players (hospitals, clinics, liberal profession doctors, medical auxiliaries) requires the use of internet technologies.

SQLI, present in the health sector since 2002, now has a complete offering for accompanying people involved in the health sector:

- ◆ IdéoPass, an identity and patient comparison server including an identity exchange bus between heterogeneous applications (EAI). IdéoPass conforms, in the health field, to the standards IHE PIX and HL7
- ◆ IdéoPortal, a single access portal to a user target with sharing of information and of collaborative tools.
- ◆ IdéoConnect is an exchange bus between heterogeneous applications including a set of technological connectors (LDAP, EJB, SOPA, Filer, SMIME, SMTP...).
- ◆ IdéoCPS is a system for authorisation and authentication of health professionals thanks to the CPS card with a security directory making a single identification possible in connection with all "SSO" applications.
- ◆ IdeoGen, a generator of electronic medical files and of specialisation files pursuant to the IHE-XDS standard.
- ◆ IdéoDMP, a shared patient medical file grouping a synthesis of the medical information regarding a patient accessible to health professionals and to the patient himself.

These solutions have already been successfully installed in five regions in France.

### *New solutions launched during the first half of 2005*

SQLI is continuing to speed up capitalising on such projects to enrich its catalogue of solutions. Two new solutions have seen the light of days since 1 January 2005:

- ◆ A solution relating to traceability of and follow-up on risks of exposure to chemical and biological products. Under recent legislation (decree number 2001-97 of 1 February 2001), companies whose business requires contact with chemical products or biological agents must monitor and record staff contacts with such products.

- ◆ A decision-making tool solution in OpenSource mode meeting all of the customers' reporting needs, whatever their trade may be. This solution, of high economic interest to customers, enables them to have effective and adaptable tools available to help them in making their main strategic decisions. SQLI has just won a contract in this field with a large principal in the Lyon region.

#### **4.4.5 SQLI: ANOTHER OFFSHORE CONCEPT**

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.

##### ***A single approach based on membership and cohesion***

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.

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 language community, and no time zone differences

##### ***The offshore sector as a margin improvement factor***

The Rabat offshore centre was established at the end of 2003. In 2004, SQLI focused on setting up the team, recruiting some high-level engineers and training them in the SQLI work methods. At the end of 2004, the centre's staff stood at twenty. The team has taken part in development of a score of projects resulting in full satisfaction in terms of quality of deliverables. That first year also made it possible to confirm the economic basis for this offshore platform: the margin rate recorded on the first contracts is 10% to 15% above the rates recorded for the projects developed by the agencies in France and in Switzerland.

The goal for 2005 is to continue development of the centre, aiming at doubling the staff. For the later years, a high-growth target is contemplated, but in order to maintain the quality of the developments and have an appropriate supervisory staff, it cannot exceed 100% per year. In the long run, the offshore platform could account for 25% of the group staff.

#### **4.4.6 SALES ORGANISATION**

Each agency has a dedicated sales force whose assignment calls for monitoring and developing the customer accounts on the territory covered by the agency. The agency's management team contributes strongly to such sales actions.

The group's Sales Department provides national coordination of the major accounts (multi-agency projects, listing file...), training of the sales engineers and partnership management (see section 4.4.7). A head office marketing department provides all sales support tools for the sales forces.

#### **4.4.7 PARTNERSHIPS**

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

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

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

#### **4.5 INVESTMENT POLICY**

##### *Operating Investment Policy*

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

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

##### *Research and Development Policy*

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

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

Thus in 2004 SQLI group initiated a research and development programme meeting the eligibility criteria for the research tax credit, and it recorded the corresponding receivable under assets in its balance sheet in an amount of 412 KE. For prudential reasons, an equivalent non-deductible provision was set aside on that asset, the substance of which has not been definitively acquired.

##### *External Growth Policy*

In 1999 and 2000 SQLI group acquired 4 companies (Sudisim, Abcial, Cari and Inverso).

During the first half of 2005, SQLI provided its support for the continuation plan presented by the co-managers of the Lnet Multimédia company, a group of 30 employees doing annual turnover on the order of 1.5 M€ and operating in Poitiers, Nantes and Casablanca. The Commercial Court of Nantes approved the said plan, supported by SQLI, on 16 March 2005. SQLI acquired the partnership shares of the previous shareholders for one symbolic euro, and became that company's sole shareholder. The company carried out a capital increase amounting 200K€ to Lnet's profit, and also conveyed 50K€ on current account.

The company's liabilities amounted to 453K€, to be paid as follows:

Payment in March 2005: 58.2K€

1<sup>st</sup> and 2<sup>nd</sup> anniversary: 43.6K€

3<sup>rd</sup> to 5<sup>th</sup> anniversary: 24.9K€

6<sup>th</sup> to 10<sup>th</sup> anniversary (last payment on 31/3/2015): 29.9K€,

making a total amount of 369.6K€ after a partial claim waiver by certain creditors for cash payment (waiver of 65%) or in two annual amounts (waiver of 50%).

SQLI plans to reorganise Lnet's activities in 2005, a move that could make it possible to reach the profitability level. Lnet group is particularly active in Morocco, and its local subsidiary (15 persons) is profitable. The activity carried on by the Nantes agency (6 people) made it possible to strengthen the local SQLI structure, contributing to better absorption of the common fixed charges. The Poitiers agency continues to suffer losses, but could reach the profitability level in 2006.

In addition, SQLI does not rule out the idea of carrying out other external growth operations in 2005 insofar as the business done by the target companies would strengthen the group's depth of technical expertise, the projects considered would be characterised by strong industrial and/or commercial synergies, and the contemplated deals would strengthen the shareholders' position.

#### *European Development and new sites in France*

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

As to development in other European countries, no projects are planned for the year 2005.

The group emphasises a strong national presence before contemplating European development.

## **4.6 PERFORMANCE INDICATORS**

In addition to the financial data offered in sections 6.2 and **Erreur ! Source du renvoi introuvable.**, the usual performance indicators in the computer services company sector that the company might report on are as follows:

Order book (expressed in thousands or millions of euros): this refers to what is yet to be produced in a given date under the contracts concluded with the customers. The APP management application calculates this information on the basis of the record of time spent, of time yet to be spent, and of the amount of orders.

Average staff (for a period): this is the average monthly staff for the period in question. The monthly staff itself is the average of the staff at the beginning of the month and at its end. The company distinguishes between the total average staff, which includes trainees, and the average staff excluding trainees.

Activity rate (expressed in %): this is the ratio of the time worked by production staff (excluding holidays and "RTT" work reduction days) charged to projects, to the total time spent of the production staff (excluding holidays and RTT). The time spent in training, in-house meetings, administration and inter-contract matters accounts for the bulk of the non-productive time. This rate includes project overruns, if any.

Average daily rate (TJM) (expressed in Euro): this is the ratio of sales relative to provision of services realised by SQLI collaborators by comparison with the number of days charged to the corresponding projects. The overruns of package projects are included in keeping track of time spent. Hence the TJM determined by SQLI corresponds to an average invoicing rate for the produced day (certain SSII communicate in connection with a "sold" TJM, and not "produced", which then disregards overruns).

## **5 ANALYSIS OF THE GROUP'S RISKS**

### **5.1 RISK FACTORS**

#### **5.1.1 MARKET RISKS**

#### **5.1.2 MARKET RISKS (INTEREST RATES, EXCHANGE RATES, SHARES AND LOANS)**

SQLI does the bulk of its business 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. However, exchange rate risk in Switzerland is very limited as all costs (mainly salaries) and revenues are carried out in Swiss Francs. The Group therefore benefits from an inferred coverage of exchange rate fluctuations.

As far as interest rate risks are concerned, the company's main exposure is the financing of its factored loans (3.9 million Euros at the end of December 2004) which are financed at a variable interest rate (Eurobor+0.9%). However, the company makes ever less use of financing by way of factoring in view of the improvement of its cash position. If the obtaining of factoring financing was constant at 3.9 million euros, a 1% change in the Euribor rate would consequently change financial costs by €39k over the year compared to €170k of financial costs recorded in 2004.

#### **5.1.3 PARTICULAR RISKS CONNECTED WITH THE BUSINESS**

##### **5.1.3.1 Customer risks**

SQLI has always been careful not to become dependent on any one customer or business sector. For financial year 2004, the group's main customer (Airbus) represented 9.5% turnover. Group's customers are, for the most part, key accounts or large regional SME/SMMEs.

The credit management and collection procedures that have been installed since 2001 enable us to control the customer risk (advance check of the prospects solvency, monitoring outstanding invoices, follow-up on customer payment periods, customer reminders and legal proceedings). For financial year 2004, the amount of provisions set aside for doubtful receivables was reduced to 0.2% of turnover, compared with 0.4% in 2003.

##### **5.1.3.2 Competition risks**

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

After several years of crisis, however, price pressure weakened in 2004 and at the start of financial year 2005, and SQLI believes that prices should remain stable for the coming years.

But competition remains sharp, all the same. SQLI intends to strengthen its competitive positions by industrialisation its approach to the trade: with CMM-I, the solution approach and the offshore sector, SQLI thinks that it has some crucial competitive advantages.

##### **5.1.3.3 Key persons risks**

SQLI Group is organised into profit centres which are placed under the responsibility of the manager who has the freedom necessary to run the centre. This responsibility and freedom for



operations means that the managers are heavily involved in the running of the Company, creating synergies between different profit centres (commercial synergies and skills....).

This organisation encourages long term managerial commitment and encourages working as a network, which means relying on other members of the Group reinforcing the notion of a true team. Group management sees to it that managers pay attention to the question of 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 the SQLI Group. Effectively, the management team and key staff members benefit from a significant benefits and incentives scheme (BSPCE or stock-options).

#### **5.1.3.4 Liquidity risks**

SQLI Group uses a factoring company to finance part of its customer receivables. The amount of the receivables transferred by the group to Factobail stood on 31 December 2004 at 6,290KE, namely 40% of the heading for customers and related accounts (6,794KE at end-2003). Out of that amount, 3,851 KE had been the object of an advance of funds by the factor before its collection of the receivables on the SQLI customers on 31 December 2004. This use level is below the one noted at end-December 2003, which came to 4,441KE. The financing available from the factor at the end of December 2004 came to 2,439KE. In view of the reconstitution of the group shareholders' equity in December 2003, of its improved financial situation and of the profitability recorded for 2003 and confirmed in 2004, the risk of cancellation of the factoring line appears to be very low, and in any case would not put the group in a difficult situation.

The receivables transferred to the factor are the object of a non-confidential transfer served on the customer with an indication of the transfer to the factor in the invoices. Payment is made to the factor's bank account. The factoring contract calls for a transfer of the solvency risk to the factor. Excluding the technical risks giving rise to possible commercial disputes, which must naturally be assumed by SQLI, this means that the receivables are not the object of any retrocession. In support of each receivable transferred starting with a level of 15,000€, SQLI also provides the factor with a copy of the sales contracts and with supporting documentation concerning acceptance as a material expression of the receivable, so as to enable the factor, if need be, to obtain payment by any means of the amounts due to it from the SQLI customers. The guarantee mechanism established to the factor's benefit is a guarantee fund of 10% (with a minimum threshold of 450,000€) of the amount of outstanding receivables on the factor's books. In addition, an account containing deferred-availability items representing 15% of each subrogatory payment and limited to 15% of the outstanding amount has been instituted as a supplement to the guarantee fund. Hence in connection with the receivables transferred to the factor and accepted by the latter, SQLI can enjoy financing that may represent up to 75% of the amount owed by the clientele.

Less use should be made of financing in 2005 in view of the improvement of the financial structure.

In addition to its factoring line not subject to a ceiling, the group benefited from a Dailly credit line coming to 750KE granted by CCF bank on 31 December 2004 and maintained since that time.

As of 30 June 2005, the credit lines granted by those banks but not used came to the following amounts:

Société Générale: equipment credit line of 200KE  
OBC: overdraft line of 150KE.

The group's net cash position on the date of 30 June 2005 was on the order of 4.5 millions euros.

#### **5.1.3.5 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 the SQLI Group to make the most of changes in technology.

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

#### **5.1.4 LEGAL RISKS**

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

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

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

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

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

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

#### **5.1.5 INDUSTRIAL RISKS AND RISKS CONNECTED WITH THE ENVIRONMENT**

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

**5.1.6 OTHER INFORMATION ON RISK FACTORS**

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

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

## 5.2 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 contract termination or late payment penalties not covered by third party insurance are covered by provisions for risks and costs in the company's accounts.

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

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

The Group is not covered against business loss risks.

*Table summarising the company's main insurance policies*

Type of risk	Company	Annual Cost	Extent of coverage
Professional multi-risk	GAN ENROCOURTAGE	15k€	Fire, Explosion, Theft, additional costs
IT breakdown	ALBINGIA	12k€	
Professional Third Party Liability	CHUBB	0.107% du CA	Operating legal liability ceiling of 7,622k€ per claim
Corporate officers and managers' responsibilities	AIG	16k€	Legal liability for product/after delivery with ceiling of 762k€ per insurance year Fault of oversight on behalf of managers, guarantee of €5,000k per accident
Car Fleet	AZUR	52k€	All professional travelling risks

## **6 HOLDINGS, FINANCIAL SITUATION AND EARNINGS**

### **6.1 EXECUTIVE BOARD'S REPORT TO THE MEETING HELD ON 10 JUNE 2005**

#### **1<sup>ST</sup> PART: MANAGEMENT REPORT AND REPORT CONCERNING THE GROUP**

Ladies and Gentlemen and dear Shareholders:

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

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

#### **I- SQLI ACTIVITY**

a) Description of SQLI's activity during the past financial year – its results – progress made and difficulties encountered – analysis of changes in the business and in SQLI's financial situation

##### **Return to growth, improved profitability**

After having gotten back to profitability in 2003 following two financial years of losses, the company enjoyed sustained growth (7.7%) in 2004, and in particular improved profitability (a 159% increase in net income). Those objectives had been announced as of the start of financial year 2004, and the success in meeting them resulted from the combination of the following factors.

##### **A recovery of the Computer Services market**

Financial year 2003 had experienced a historical decline of the computer services market, down by 7%. Financial year 2004 marks resumed growth on that market, estimated at 3%. Some analysts explain these changes by the massive investments made in 1999-2000 (« changeover to the euro », « year 2000 », « internet bubble») followed immediately by a period of sharp reductions in computer budgets. According to IDC, the rally noted in 2004 concerned all economic sectors, and particularly the public sector, on which SQLI has made strong progress for three years (from 8% of business in 2001 to 24,7% in 2004).

##### **Continued management optimisation**

The teams' productivity continued to increase in 2004.

Thus the employment rate rose to 88.3% against 87.8% in 2003, and it has now reached an optimum level.

The management application in web mode deployed in 2003 has become the heart of the company's information system. This application has made it possible to upgrade management and reporting by allowing an ever more detailed analysis of the data. This application also made productivity gains possible thanks to a reduction of the administrative staff, despite the increased level of business.

The company carried out a plan for optimising its payroll and the social contributions relating thereto, making it possible to allow a reduction on the order of 250 thousand euros for the financial year of the salaries including charges.

##### **A commercial positioning bearing fruit**

SQLI is, among the SSII specialising in web technologies and the internet, the one that has the biggest network of agencies in France and in Switzerland. This regional network suffered losses for several years, as it took a long time to amortise the local agencies' fixed costs on a declining market. In 2004, the regional network made a

large contribution to the sales increase as well as to improving margins (53% of sales and 62% of the group margin were accounted for by the regional network outside Paris and the foreign sector).

In line with its growth strategy, in 2004 SQLI strengthened its positions vis-à-vis its biggest customers. Consolidated turnover done with the ten main customers represented 38.9% of sales in 2003, and rose to 44.1% in 2004. This increase is to be attributed to careful management of customer relations and of the quality level of the services provided. Thus sales rose by more than 34% to the group's ten main customers, which include Airbus, La Poste, Aventis-Sanofi, Renault and Mutualité Sociale Agricole.

The company is also continuing its policy of opening new major accounts: Réseau Ferré de France, Groupama and several Regional Hospital Agencies.

On 31 December 2004 the order book represented a quarter and half of business, making it possible to move into financial year 2005 with confidence.

### **Financial situation**

SQLI group's financial situation improved markedly in 2004 with a strengthening of shareholders' equity, rising from 2.4 million euros to 6.8 million euros, continuing low debt at 0.2 million euros, and a consolidated cash position amounting to 7.4 million euros at end-December 2004. In addition the group reduced its use of factoring by 0.5 million euros, drawing 3.9 million euros at the end of December 2004 compared with 4.4 million a year earlier. This improved cash position should make it possible in 2005 to continue to cut the factoring drawing and should offer a resulting reduction in financial expenses.

### **"Trades" solutions**

Within the framework of industrialising its processes and upgrading its margins, the group is capitalising on its recognised technical expertise and on its know-how developed in connection with past and successful projects. Thus on the basis of these initial successes, SQLI has developed solutions since 2003 aimed at responding to the general problems of a trade or of a sector.

This competitive vertical approach, spelled out today in two fields – the local authorities sector and the health sector – made a strong contribution to the activity increase noted in 2004.

### **Local governmental units**

SQLI group continued its breakthrough in the sector of local governmental units both vis-à-vis the general councils (38 of them are customers out of one hundred departments) and in connection with regional councils (9 customer regions out of 22 French regions), as well as vis-à-vis numerous city halls or agglomeration communities. The intranet portal of the General Council of Hauts de Seine in particular constitutes one of the most important projects carried out in the sector of local governmental units in 2004.

### **Health**

SQLI has developed a range of software tools in combination with the Regional Hospital Agency of Franche Comté consisting of the following:

- an Ideo Portal: a single access for health professionals to all collaborative tools making exchanges of data and practices possible between the various players involved in the care networks
- a patient identity server (Ideo Pass )
- a safety directory (Ideo CPS)
- an EAI tool making connection of heterogeneous applications possible (Ideo Connect)
- an electronic medical file (Ideo Gen)

Thanks to these solutions and to its trade competence, SQLI won several invitations to tender issued by regional hospital agencies (Languedoc Roussillon, Midi Pyrénées, Aquitaine, Picardie).

Moreover SQLI concluded a partnership agreement with the clinique Pasteur in Toulouse for deployment to other establishments of the shared medical file developed and implemented in that clinic. A joint information campaign launched in the last quarter of 2004 aimed at French clinics scored a definite success.

### **Deployment of CMM-I**

The deployment of CMM-I (Capability Maturity Model-Integration) continued in 2004, and SQLI is the first French SSII (Computer Services and Engineering Company) to have obtained CMM-I certification.

This quality programme, initiated in 2002, is making an ever larger contribution to increased sales and improved margins for the following reasons:

CMM-I is a very effective pre-sale tool, since it makes it possible to show the customer that its project will be handled perfectly, particularly on the following headings:

- Optimised analysis of the explicit and implicit requirements
- Optimised management of risks
- Total reliability of the solutions
- Strict respect for deadlines and for budgets
- A clear and transparent vision throughout the project

Once the project has been carried out, the customer's level of satisfaction is important and naturally leads it to entrust SQLI with carrying out new projects in the same way.

From the viewpoint of margins, the perfect control of charges starting at the time of project launch makes it possible to avoid overruns that sometimes impair the profitability of the projects.

### **Offshore in Morocco**

The SQLI Maroc subsidiary, created at the end of 2003, reached the objective set for its first year of activity: constitute the hard core of collaborators from which the development centre could grow by relying on solid bases, make a transfer of SQLI skills and know-how so that the centre can provide services marked by the same high quality level as the ones provided in France, and finally implement several projects, in offshore mode, with various group agencies in order to verify the relevance of the model and the possibility of improving margins thanks to the offshore sector.

All of these objectives were reached, and in 2005 SQLI expects to speed up development of its offshore centre.

#### b) Modifications of the share capital

At the start of the year the share capital stood at 948,863.10 Euros, divided into 18,977,262 shares of 0.05 Euro par value.

Due to the exercise of 402,377 "business creator equity warrants" allocated to company employees, 402,377 new shares with a par value of 0.05 Euros were subscribed to during financial year 2004, entailing a capital increase of 20,118.85 Euros.

On 19 November 2003 the executive board adopted the principle of a capital increase of 27,270 euros (complementary to the capital increase of 189,772.60 Euros paired with a premium on shares of 409,050 euros) by issue of 545,400 new shares of 0.05 euro par value at a price of 0.80 euro per share, so as to protect the rights of the holders of the 2,181,597 business creator equity warrants issued by the company and which had not lapsed. The beneficiaries of the warrants exercised their preferential subscription right and subscribed to 16,520 shares with a par value of 0.05 Euros in 2004, making a capital increase of 826 Euros.

The share capital at the end of the financial year stood at 969,807.95 Euros, divided into 19,396,159 shares of 0.05 Euros par value.

#### c) Important events between the financial year closeout date and the date of establishment of the report

SQLI is supporting the continuation plan for the company SQLI submitted to the Commercial Court of of Nantes. SQLI plans to acquire – for one symbolic euro – all of the holdings of the present partners of Lnet Mulimédia SARM and to take part in a capital increase amounting to 200,000 Euros.

#### Anticipated changes in the company and prospects

Anticipated growth in 2005 should be on the order of 10%. This increased activity results from the combination of the improvement in business conditions anticipated for the second half of 2004 and the results of the development programmes launch by the company (CMMI, Offshore, Trade solutions programme).

The net result should continue to arise in 2005.

#### Research and development activities

- approach to modelling human resources

APP project: software

The company has initiated a research and development programme based on the following main themes in 2004:

- 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
- 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

In connection with these projects, the company recorded a research tax credit of 283 thousand euros.

### Off balance sheet commitments

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

### Evaluation of the impact of the changeover to the IAS/IFRS reference document

The company has surveyed the accounting effects of the changeover to the IFRS standards as of 1 January 2005. Only the procedure for doing the accounting on share subscription options and share subscription warrants allocated to group collaborators would constitute an identified point that could be affected by the change of accounting standard. The effect in terms of figures is described in an appendix to the annual financial statements.



## **II – SUBSIDIARIES AND AFFILIATES**

No new affiliates or controlling interests were acquired during financial year 2004.

The SQLI holdings were as follows as of 16 March:

Name	Registered office	% of control	% interest
SQLI SA	La Plaine Saint Denis	Consolidating	company
SUDISIM SA	Montpellier	100 %	99.95 %
SQLI SUISSE SA	Lausanne	100 %	99.80 %
TECHMETRIX INC	Boston	100 %	97.50 %
ABCIAL	La Plaine Saint Denis	100 %	99.63 %
CARI	La Plaine Saint Denis	100 %	100%
SQLI MAROC SA	Rabat	100 %	99.87 %

## **III - REPORT ON SQLI GROUP MANAGEMENT**

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

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

SQLI SA's consolidated sales increased by 10.4%. The net income is a profit of 1,947 thousand euros compared with a profit of 1,007 thousand euros in 2004 during the previous financial year. The various improved points mentioned in chapter I contribute to explaining this improved profitability.

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

Company	Turnover (in KE)	Operating profit (In KE)	Net income (In KE)
SQLI SA	36,947	1390	1303
SQLI CH	6,768	569	477
ABCIAL	2,067	136	116
SQLI Maroc SA		9	6
Techmetrix US		(7)	(40)
SUDISIM		55	42
CARI	(6)	52	43
<b>TOTAL</b>	<b>45,776</b>	<b>2,204</b>	<b>1,947</b>

**IV – EARNINGS - ALLOCATION**

a) Examination of the annual corporate financial statements (balance sheet and income statement) of SQLI

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

	31 December 2004 in €	31 December 2003 in €
Turnover	38,268,057	35,545,702
Operating profit	1,419,279	604,705
Current net income before taxes	1,362,024	700,655
Net income	1,402,766	540,231
Capital	969,808	948,863
Shareholders' equity	4,459,863	2,630,418
Debts	17,476,101	16,517,749
Fixed assets (net)	1,360,135	1,258,511
Balance sheet total	22,506,913	19,827,204
Dividend	0	0

**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, revenue 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 1 39,237,548 euros compared to 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.

b) Proposal for approval and allocation of the SQLI earnings

We propose that you approve the annual financial statements (balance sheet, income statement and appendix) as presented to you, showing a profit of 1,402,765.79 Euros, which we propose to allocate to the legal reserve in an amount of 59,204.26 Euros in order to increase the amount thereof to 91,980.80 Euros, the balance being allocated to retained earnings, so that the amount of those earnings would be increased from minus 1,082,437.29 to plus 261,124.24 Euros.

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

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

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

	31 December 2004 in K€	31 December 2003 in K€
Turnover	45.776	41.421
Operating profit	2.204	1.391
Current net income before taxes	2.090	1.184
Net income	1.947	1.007
Capital	970	949
Shareholders' equity	6.775	4.338
Debts	16.153	15.290
Fixed assets (net)	1.376	1.066
Balance sheet total	23.793	20.614

**Examination of the consolidated accounts and financial 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 in 2003.

### Presentation and analysis of the profits

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.

d) Proposal for approval of SQLI group's earnings

We propose to you that you should approve the consolidated financial statements (balance sheet, income statement and notes) as presented to you showing a profit of 1,947 thousand euros.

e) Table of earnings for the last five financial years

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

f) Table of current delegations and of their use.

Pursuant to article L.225-100 of the Code of Commerce, a recapitulative table is attached to the present report showing the currently valid delegations granted by the shareholders' meeting to the Executive Board in connection with capital increases, showing the use made of such delegations during the financial year ending on 31 December 2004.

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

After reading the special report by the Statutory Auditors, we would ask you, in conformity with the French Commercial Code, to ratify an agreement subject to article L 225-86 of the same code, concluded during the course of the financial year ending on 31 December 2004 after having been regularly authorised by the Supervisory Board.

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

#### **VI – SUMPTUARY EXPENSES**

In accordance with the provisions of article 223 quater of the General Tax Code, we can inform you that, apart from a one-off depreciation of 54,027.90 Euros relating to vehicles, no expenses or charges subject to article 39-4 of this code have been committed to by the company in the past financial year. The corporation tax due in connection with the said excess depreciation is 0, in view of the fact that the company is suffering tax losses.

**VII – COMPANY ADMINISTRATION AND CONTROL**

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

Mandate	Holder	Beginning of term	End of term
President	Jean Rouveyrol	26 June 2002	Meeting ruling on the financial statements for the financial year ending on 31 December 2007
Deputy Chairman	Roland Fitoussi	Idem	Idem
Member	FD5 represented by Monsieur de Beublain	Idem	Idem
Member	Dominique Chambas	Idem	Idem
Member	Bernard Jacon	10 June 2004	Meeting ruling on the financial statements for the financial year ending on 31 December 2009
Member	Marc Bucaille	Idem	Idem

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

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

The list of all mandates and functions exercised in any company by each of these persons during the financial year ending on 31 December 2004 appears in chapter IX of the present report.

The Supervisory Board met four times in 2004. The Executive Board met regularly, and its main decisions or deliberations were entered in minutes.

## **VIII – INFORMATION RELATING TO MANDATES OR FUNCTIONS EXERCISED IN ANY COMPANY BY THE CORPORATE OFFICERS**

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

Name of the corporate officer	Mandates or functions	Company in which the mandate or function is exercised	Headquarters of the company
<b>Members of the Supervisory Board</b>			
Jean Rouveyrol	Chairman of the Supervisory Board	SQLI	268, avenue du Président Wilson 93200 La Plaine Saint-Denis
	Employment contract ("chargé de mission" in connection with sustainable development)	SQLI	Idem
	Chairman of the Board of Directors	Abcial	268, avenue du Président Wilson 93200 La Plaine Saint-Denis
	Director	Sudisim	Bruyère 2000, Bât 1 650, rue Becquerel 34000 Montpellier
	President	TechMetrix US	6 new England Executive Park Suite 400 Boston USA
	Manager	Cari	268, avenue du Président Wilson 93200 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	La Plaine Saint-Denis
	Chairman of the Supervisory Board	Solving International	144, avenue des Champs-Élysées 75008 Paris
	President	Solving International North America	
	Director	Bohlin & Strömberg	
	Director	Solving Iberica	
	Director	Solving Spa	
	Director	Alcor Développement	
Hervé de Beublain	Permanent representative of FD5 on the supervisory board	SQLI	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 on the Board of Directors	Mistergooddeal	RCS 429205966 Créteil
Dominique Chambas	Director	Semac	18, rue Raymond Lefevre 94823 Ivry sur Seine
	President and Chief Executive Officer	Sodimap	18, rue Raymond Lefevre 94823 Ivry sur Seine
	Manager	Synergie Consulting	19, rue Auguste Chabrières 75015 Paris
	Deputy Chairman of the Supervisory Board	Aldata	37, rue du Colonel Pierre Avia 75015 Paris
Bernard Jacon	Manager	LVCT	31 bis allée du lac Inférieur 78 110 Le Vésinet
Marc Bucaille	Director	Integrated Network Solutions	1 avenue Athena Ottignies Louvain la Neuve Belgium
<b>Members of the Executive Board</b>			
Yahya El Mir	Chairman of the Executive Board	SQLI	La Plaine Saint-Denis
	Chairman and Chief Executive Officer	Sudisim	Bruyère 2000, Bâtiment 1 650, rue Becquerel 34000 Montpellier
	Managing Director	Abcial	La Plaine Saint-Denis
	Manager	SQLI SL	Spain

	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
Bruno Leyssene	Executive Board member	SQLI	La Plaine Saint Denis
	Director	Abcial	268, avenue du Président Wilson 93200 La Plaine Saint-Denis
	Director	SQLI MAROC SA	Rabat Marocco
Nicolas Rebours	Executive Board member	SQLI SA	La Plaine Saint Denis
	Director	SQLI MAROC SA	Rabat Marocco
	Treasurer and Secretary	TechMetrix US	6 new England Executive Park Suite 400 Boston USA
	Employment contract (Chief Administrative and Financial Officer)	SQLI SA	La Plaine Saint Denis

### **IX – INFORMATION CONCERNING EMPLOYEE LEGAL PROFIT-SHARING**

On the last day of the financial year, the registered SQLI employees (excluding authorised business agents) held 0.24% of the share capital, representing 0.36% of the voting rights (respectively 20.33% and 31.27% including the natural persons who are additional agents).

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

On the last day of the financial year, the legal employee profit-sharing of the company and, if appropriate, of the companies connected with it in the meaning of article L 225-180 of the Code of Commerce was nil.

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

We also remind you that the Shareholders' Meeting held on 10 June 2004 made a decision on a project for a capital increase reserved for the employees in application of the provisions of article L 443-5 of the Labour Code, in connection with the various capital increases proposed to the said meeting. That resolution was rejected.



**X – ADDITIONAL INFORMATION RELATING TO QUOTED COMPANIES****X.1 INFORMATION CONCERNING COMPENSATION PAID TO THE AUTHORISED AGENTS**

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

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

Name of the authorised agents	Mandates or functions	Amount of total compensation paid by SQLI	Total amount of benefits of all kinds paid by SQLI	Amount of total compensation and of benefits of all kinds paid by companies controlled by SQLI	Number of business creator equity warrants (BCE) allocated for financial year 2004 exercise conditions of which were realised (exercise price 1.2755)	
Member of the Supervisory Board					BCE without performance condition	BCE with performance condition e
Jean Rouveyrol	Chairman of the Supervisory Board	0	0	0		
	Salary of "chargé de mission" in connection with sustainable development	16,951	1,031	0		
Roland Fitoussis	Deputy Chairman of the Supervisory Board	7000	0	0		
FD5	Supervisory Board member	7000	0	0		
Dominique Chambas	Supervisory Board member	7000	0	0		
Bernard Jacon	Supervisory Board member	0	0	0		
Marc Bucaille	Supervisory Board member	0	0	0		
Members of the Executive Board						
Yahya El Mir	Chairman of the Executive Board	166,770	7,392	0	100,000	100,000
Bruno Leyssene	Executive Board member	140,718	7,554	0	30,000	50,000
Nicolas Rebours	Executive Board member	0	0	0	30,000	50,000
	Employment contract Chief Administrative and	136,618	3,241	0		

**X.2 INFORMATION CONCERNING MARKET RISKS IN CASE OF A VARIATION OF INTEREST RATES, EXCHANGE RATES OR SECURITIES MARKET PRICES**

The company does not operate on the interest rate or exchange rate markets. With respect to securities markets, the company intervenes only in connection with its own securities under authorisations granted by the meeting and the applicable rules and regulations, limited for financial year 2004 to the company's participation in the market-making and liquidity contract managed by Portzamparc. The interventions in this connection carried out in 2004 are summed up below. In view of the very limited volumes involved, the company does not run any risk.

**X.3 INFORMATION CONCERNING OWN SHARES PURCHASED AND SOLD BY SQLI**

From 2 July 2004 to 31 December 2004, SQLI held some of its own shares under a market making and liquidity contract managed by the Portzamparc securities dealer.

The average prices of the purchases and sales made in 2004 for the SQLI share in the liquidity contract are:

- Shares purchased: 50,154 shares bought at an average price of 1.3093€
- Shares sold: 35,873 shares bought (sold?) at an average price of 1.3219€

The amount of the trading expenses connected with the said purchases and sales (management fees for the market-making contract) came to 20,000€ excluding taxes in 2004.

On 31 December 2004 SQLI held 14.280 of its own shares (namely 0.07% of the capital) the average purchase price of which came to 1.3895€, to be compared with a market price of 1.74€. Those own shares do not appear under assets in the consolidated balance sheet, since they were deducted from the consolidated shareholders' equity.

**X.4 INFORMATION CONCERNING THE WAY SQLI TAKES THE SOCIAL AND ENVIRONMENTAL CONSEQUENCES OF ITS ACTIVITY INTO ACCOUNT**

**X.4.1 Social consequences**

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

Information concerning group staff

	31 December 2003	31 December 2004	Average for 2004
Salaried staff (Indefinite-Term Contracts)	570	626	606
Salaried staff (Definite-Term contracts)	12	8	7
Trainees and apprentices	14	12	20

Other significant information

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

An optional profit-sharing agreement was concluded with the Central Works Council in December 2003. The allocation criteria for 2004 were not reached. Under the terms of the said agreement, profit-sharing may be paid starting with financial year 2005 to the SQLI group collaborators depending on the extent to which the group's objectives for net income are reached.

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

Trend of gross monthly compensation	2003		2004	
	Men	Women	Men	Women
Cadres	2886	2604	2753	2497
Employees	2012	1865	1586	1497

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

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

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

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

The group's companies regularly provide intercompany services, particularly in connection with projects carried out on a package basis. But there may also be subcontracting on grounds of technical level or capacity outside the group. External subcontracting represented around 2% of turnover in 2004.

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

The offshore platform in Morocco is contributing to the development of skilled jobs in that country.

Finally, SQLI group drew up a charter of its commitments in connection with fundamental labour rights.

**X.4.2 Environmental consequences**

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

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

**X.5 DECLARATIONS CONCERNING CROSSINGS OF THRESHOLD AND IDENTITY OF SQLI'S PRINCIPAL SHAREHOLDERS**

The company received the following declarations of threshold crossings relative to the ones that occurred in 2004:

By a letter dated November 24, Mr Jean Rouveyrol informed the Financial Markets Authority that on the previous November 19, he had crossed, in a downward direction, the threshold of 20% of the SQLI company capital.

Due to the combined effect of a disposal of a block of 147 000 SQLI securities and of a capital increase resulting from the exercise of business creator equity warrants by company employees, Jean Rouveyrol then held only 3 567 945 SQLI shares representing 18.77% of the capital and 28.05% of the company's voting rights.

Mr Stéphane Delacote (91130 Ris-Orangis) indicated that on 30 January 2004, he had crossed, downward, the threshold of 5% of the company's capital due to a disposal of shares, and held 881.736 SQLI shares representing an equal number of voting rights, namely 4.65% of the capital and 3.31% of the voting rights.

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

<u>Shareholders holding more than 5% of the capital</u>
Alain Lefebvre
SOCADIF
FD5
<u>Shareholder holding more than 10% of the capital</u>
Jean Rouveyrol

Shareholder holding more than 5% of the voting rights
SOCADIF
Shareholder holding more than 10% of the voting rights
Alain Lefebvre
Shareholder holding more than 20% of the voting rights
Jean Rouveyrol

## Threshold crossings

Principal shareholders	2003		2004		Variation	
	<i>Capital</i>	<i>Voting rights</i>	<i>Capital</i>	<i>Voting rights</i>	<i>Capital</i>	<i>Voting rights</i>
Downward crossing of the threshold of one-fifth of the share capital and of the voting rights						
Jean Rouveyrol	4,218,867 (22.23%)	8,437,734 (31.69%)	3,567,945 (18.77%)	6,955,585 (28.05%)	-650,922	-1,482,149
Downward crossing of the threshold of 5% of the share capital						
Stéphane Delacote	975,000 (5.14%)	975,000 (3.66%)	881,736 (4.65%)	881,736 (3.31%)	-93,264	Idem

**X.6. TRANSACTIONS WITH THE AUTHORISED AGENTS AND PERSONS HAVING A CLOSE PERSONAL RELATIONSHIP WITH THEM**

Pending publication of the decree to which article L 621-18-2 of the Monetary and Financial Code refers, this information will not be provided this year.

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

**2<sup>ND</sup> PART: REPORT CONCERNING THE VARIOUS DECISIONS PROPOSED TO THE COMBINED SHAREHOLDERS' MEETING OTHER THAN THE ONES RELATING TO APPROVAL OF THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDING ON 31 DECEMBER 2004**

Dear Madam, Dear Sir:

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

- to report to you on the situation and activity of our company and of SQLI group during the financial year ending on 31 December 2004, and to submit the annual corporate financial statements and the annual consolidated financial statements for the said financial year for your approval;

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

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

(i) authorisation for the company to deal on the market in its own shares, within the framework of a share repurchase programme (purposes, procedures and authorisation ceiling);

(ii) the delegation to be granted to the Executive Board for reducing the share capital by cancellation of shares within the framework of the share repurchase programme, and within the limits of 10% of the share capital;

(iii) delegation to be granted to the Executive Board for carrying out one or several capital increases, by issue of ordinary shares or of any other securities providing access to the capital in a maximum amount of 550,000 euros, and in particular:

- for a maximum nominal amount of 550,000 €, with maintenance of the shareholders' preferential subscription right;
- for a maximum nominal amount of 500,000 €, with the elimination of the shareholders' preferential subscription right, it being specified that the said amount will be charged to the ceiling on capital increases with maintenance of the shareholders' preferential subscription right;
- possibility of increasing the amount of the above-mentioned issued (with maintenance of the preferential subscription right and with its suppression) in case of excess applications;
- possibility that the shares issued without preferential subscription right could be used to remunerate conveyances of securities in case of public exchange offer or of a conveyance in kind;
- delegation granted to the Executive Board with a view to increasing the capital, by incorporation of premiums on shares, reserves, profits, or other items;

(iv) the delegation to be granted to the Executive Board for carrying out a capital increase reserved for the company's employees who are members of a company savings plan or of a partnership savings plan for collective retirement (PERCO), for a maximum nominal amount of 45,000 euros and within the limits of 3% of the share capital at the time of the issue.

You will find, below, some information concerning the company and concerning the other resolutions submitted to you on the occasion of the present combined shareholder's meeting.

**I – Share repurchase programme – Delegation to the Executive Board for the purpose of reducing the share capital**

(A) Elements relative to the share repurchase programme

We remind you that the shareholders' meeting held on 10 June 2004 approved a share repurchase programme.

The programme authorised by the said combined shareholder's meeting of 10 June 2004 was applied in accordance with the conditions described in the information note approved by the A.M.F. (financial markets authority) on 25 May 2004 under number 04-484. The sum-up of this previous repurchase programme is explained in the information note approved by the Financial Markets Authority. Hence we refer you to that document for more details on this point.

On 21 April 2005, SQLI directly held 13,800 of its own shares, 0.07% of the capital.

(B) Authorisation to carry out transactions in the Company's shares on the market

(a) We submit a programme of repurchase of shares on the market for your approval. The fact is that you are requested under the terms of resolution 14 to authorise the Executive Board, pursuant to the provisions of articles L 225-209 et seq of the Code of Commerce as well as European Rule n°2273/2003 of 22 September 2003, to acquire Company shares.

(b) The objectives pursued within the framework of the said share repurchase programme are as follows:

- animation of the market or liquidity of SQLI shares by an Investment Services Provider by way of a liquidity contract in accordance with the ethical charter recognised by the AMF,
- purchase for keeping and later submission for exchange or in payment in connection with possible external growth deals,
- allocation of shares to the employees on behalf of implementing any company savings plan or within the framework of legal employee profit-sharing,
- possible cancellation of all or part of the shares repurchased in this way.

(c) If your shareholders' meeting grants this authorisation to the Executive Board, the 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 constituting the share capital, established by article L. 225-209 of the Code of Commerce;
- the global maximum amount intended for repurchasing Company shares could not exceed 3,398,074 Euros;
- the limiting purchase and selling prices will be as follows: maximum purchase price per share: 4 Euros, and minimum selling price per share: 0.5 Euros.

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 (takeover bid), 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.

(d) 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 2005, and at the latest 18 months following the combined shareholders' meeting of 10 June 2005.

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

### 1.3 Authorisation to cancel the repurchased shares

To make it possible to realise the fourth objective of the share repurchases, namely, possible cancellation of all or part of the shares repurchased, you are also requested to approve resolution 15.

The said resolution 15 is aimed at authorising the Executive Board to reduce the share capital by cancellation of all or part of the Company shares that it might be led to hold following, in particular, acquisitions made within the framework of the share repurchase programme that is the object of resolution 14, or previously made.

The number of Company shares that could be cancelled in this way under the said delegation would be limited to a number of shares representing a maximum of 10% of the Company's capital.

Correlatively the Executive Board would receive the powers required for modification of the articles of incorporation, and for execution of the formalities resulting from the said capital reduction or reductions.

You will also hear the auditors' report concerning the said resolution 14.

(C) Information note approved by the AMF

For further information on this share repurchase programme and its application, we refer you to the information note submitted for approval by the Financial Markets Authority. That approval should be granted at the latest on 23 May 2005, the date of convocation of the shareholders' meeting.

### **II – Delegations to be granted to the executive board with a view to increasing the share capital**

We submit for your approval resolutions 16 to 19, which are aimed at installing, to the benefit of the Company's Executive Board, delegations with a view to increasing the Company's capital, all at once or in instalments.

The diversity of financial products and the rapid changes observed on financial markets require, in fact, the greatest possible flexibility in choosing the most favourable issue procedures for the Company and its shareholders, and for quick execution of the operations, in the light of the opportunities that may arise. The various delegations that you are asked to grant to the Executive Board are therefore designed to provide it with the greatest possible latitude for acting in the Company's best interests, but within the limits of the powers granted by the meeting.

(A) Resolution 16 is aimed at empowering the Executive Board to increase the capital, either by issue of ordinary shares or of any other securities offering access to the capital with maintenance of the preferential subscription right, or by incorporation of premiums on shares, reserves, profits or other items.

This delegation to the Executive Board would have the following characteristics:

1° the Executive Board would be empowered to decide on one or several capital increases

(a) by issue, in France or abroad, in euros, of ordinary shares of the Company or of any securities offering access by any means, immediately and/or eventually, to the Company's ordinary shares or the ordinary shares of a company of which it holds, directly or indirectly, more than half of the capital, it being possible for the said securities to also be denominated in foreign currencies or in any monetary unit whatsoever established with reference to several currencies;

(b) and/or by incorporation into the capital of premiums on shares, reserves, profits or other items capitalisation of which is legally possible and possible under the articles of incorporation, and in the form of allocation of Free shares or of increasing the par value of the existing shares.

This delegation would be valid for a duration of twenty-six months starting with the time of the meeting;

2° the total amount of the increases of the share capital mentioned in 1° (a) that could be carried out immediately and/or eventually could be no greater than five hundred and fifty thousand euros (550,000€) in terms of par value, an amount to which one would add, if the case arises, the additional amount of the shares to be issued to protect, pursuant to law, the rights of the holders of securities creating a right to shares.

3° the total amount of the increase of the share capital resulting from the incorporations of reserves, premiums and profits mentioned in 1° (b), increased by the amount required in order to protect, pursuant to law, the rights of the holders of securities creating a right to shares and independently of the ceiling set in 2°, could be no greater than the amount of the accounts of reserves, premiums on shares or profits existing at the time of the capital increase.

4° case of use by the Executive Board of the present delegation within the framework of the issues mentioned in 1 (a):

- (i). the shareholders would hold, in proportion to the amount of their shares, a preferential subscription right to the securities issued by virtue of resolutions 16;
- (ii). if the applications for shares by right and, if the case arises, applications for excess shares have not observed the entire issue of shares or of securities as defined above, the Executive Board could 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), pursuant to the provisions of article L. 225-130 of the Code of Commerce, the rights constituting odd lots would not be negotiable and the corresponding securities would be sold. The amounts resulting from the sale would be allocated to the holders of the rights within the period provided for under the rules and regulations.

6° this delegation would void any prior delegation having the same object.

(B) Resolution 17 is aimed at empowering the Executive Board to increase the capital by issue of ordinary shares or of any securities offering access to the capital with elimination of the shareholders' preferential subscription right.

This delegation to the Executive Board would have the following characteristics:

1° The Executive Board would be empowered to decide on one or several capital increases by issue, in France or abroad, in euros, of ordinary shares of the Company or of any securities offering access by any means, immediately and/or eventually, to the Company's ordinary shares or the ordinary shares of a company of which it holds, directly or indirectly, more than half of the capital, it being possible for the said securities to also be denominated in foreign currencies or in any monetary unit whatsoever established with reference to several currencies;

The delegation granted in this way to the Executive Board would be valid for a duration of twenty-six months starting with the time of the meeting.

2° The total amount of the increases of the share capital that could be carried out immediately and/or eventually could be no more than five hundred thousand euros (500,000 €) in toto or in part par value, the said amount being charged to the ceiling set in resolution 16.

3° The shareholders' preferential subscription right to the said securities to be issued in accordance with the legislation in effect would be eliminated, and the Executive Board would be empowered to institute, on behalf of the shareholders, a priority right in subscribing to them in application of the provisions of article L 225-135 of the Code of Commerce.

4° The issue price of the shares would be at least equal to the weighted average of the initial quoted prices on the last three trading days (on the Paris market) preceding its determination, reduced by the discount provided for under the legislation in effect.

The issue price of the shares resulting from exercise of securities offering access to the capital issued by virtue of the present delegation would be subject to the provisions of article L 225-136 of the Code of Commerce.

5° This delegation would void any prior delegation having the same object.

(C) Resolution 18 is aimed at giving the Executive Board the option of increasing the amount of the issues carried out within the framework of the delegations mentioned in resolutions 16 and 17, in case of excess applications, this within the limit of the ceiling mentioned in resolution 16.

This option allowing the Executive Board to increase the issues that it may decide on would be exercised within the framework of the provisions of article L. 225-135-1 of the Code of Commerce.

(D) Finally, resolution 19 is aimed at allowing the Executive Board to use the delegation that is the object of resolution 17 with a view to issuing ordinary shares to be used in remuneration of conveyances of securities in case of a public exchange offer or of a conveyance in kind, during the same period of twenty-six months, and within the limits of the same ceiling.



Thus the Executive Board could use the delegation mentioned in resolution 17 in order to:

- (i) remunerate securities that would be conveyed to the Company in accordance with the public exchange procedure carried out in accordance with the provisions of article L 225-148 of the Code of Commerce;
- (ii) with a view to remunerating the conveyances in kind made to the Company and consisting of capital securities or of other securities offering access to the capital, when the provisions of article L. 225-148 of the Code of Commerce are inapplicable, it being specified that in such a case, the said issue of ordinary shares would occur on the basis of a report established by the conveyances auditor, and would be limited to 10% of the Company's share capital.

In any case, the amount of the capital increases carried out within this framework would be charged to the global ceiling provided for in resolution 16.

### **III – DELEGATIONS TO BE GRANTED TO THE EXECUTIVE BOARD WITH A VIEW TO CARRYING OUT A CAPITAL INCREASE RESERVED FOR THE EMPLOYEES**

(A) We remind you that article L. 225-129-6, paragraph 1, of the Code of Commerce provides that « at the time of any decision for a capital increase by cash conveyance [...], the extraordinary shareholders' meeting must make a decision on a draft resolution relating to realisation of a capital increase under the conditions provided in article L. 443-5 of the Labour Code. However, the extraordinary shareholders' meeting makes a decision on such a draft resolution when it delegates its power for putting through the capital increase pursuant to article L. 225-129-2 ».

Under these circumstances, and in view of resolutions 16 to 19 submitted to you and which are aimed at granting delegations to the Executive Board in connection with capital increases, you are requested, pursuant to law, to make a decision on a resolution relating to implementation of a capital increase reserved for the employees.

(B) The resolution submitted to you in this way is aimed at granting a delegation to the Executive Board with a view to increasing, all at once or in instalments, the Company's share capital to the benefit of the employees mentioned below, which delegation would have the characteristics explained below.

Thus a proposal would be put to the shareholders' meeting to delegate to the Executive Board, for a duration of twenty-six months starting with the day of the shareholders' meeting, the powers required for carrying out, all at once or in instalments, a cash capital increase in a maximum amount of 45.000 euros.

The total number of shares that could be applied for by the employees by virtue of the present delegation could be no greater than 3% of the share capital at the time of the issue.

The said capital increase or increases would be charged to the ceiling appearing in resolutions 16 and 17 (respectively 550,000 euros and 500,000 euros), so that implementation of the present delegation would not have any additional dilutive effect.

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

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

The said capital increase would be reserved for the company employees belonging to a company savings plan (PEE) or a savings plan for collective retirement (PERCO).

The employees belonging to a company savings plan of the Company would benefit from an elimination of the preferential subscription right to their benefit, it being specified that the said suppression of the preferential subscription right of the shareholders would be justified by the desire to promote the said employees' participation in the Company's capital.

The price of the shares to be issued would be set by the President in accordance with the provisions of article L. 443-5 of the Labour Code, at the time of realisation of the capital increase or increases.

To make implementation of the said capital increase possible, if appropriate, you are requested to kindly delegate full powers to the Executive Board for application of the present delegation, and to that end:

- to determine the conditions required for benefiting from the subscription offer, particularly the conditions regarding the employees' seniority and the application periods, as well as all other procedures involved in putting through the capital increase;

- take all useful steps for definitive realisation of the said capital increase, and carry out all measures and formalities relating thereto;

- modify the articles of incorporation as a result and carry out the notice formalities relating to the capital increase.

(C) It is specified that in case of adoption of this resolution and of use of this delegation by the President, an additional report established by the latter would describe the definitive conditions of the transaction established pursuant to the provisions of decree n°67-236 of 23 March 1967. The said report shall also specify the effect of the said capital increase on each shareholders' situation. On that occasion the auditor shall also draw up an additional report.

(D). You will also hear, on this point, a reading of the special report by the auditors.

(E) It is specified that by way of a voluntary payroll savings arrangement (company savings plan or Perco), the Executive Board plans to propose an arrangement to the employees including a possibility of subscribing to company shares in order to associate the staff with the company's successes and thus contribute to winning employee loyalty.

Under those circumstances, we advise you to approve the said draft resolution.

We hope that you will approve this various proposals. Hence we invite you to make a decision on the agenda and to adopt the resolutions submitted for your vote.

La Plaine Saint-Denis, 12 April 2005

Mr Yahya El Mir  
Executive Board Chairman

## 6.2 CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2004

### 6.2.1 CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2004

#### ***BALANCE SHEET CONSOLIDATED ASSETS***

(in thousands of euros)

CATEGORIES	Notes	Net 31.12.04	Net 31.12.03	Net 31.12.02
Consolidated goodwill	1	96	118	140
Intangible fixed assets	2	55	49	117
Tangible fixed assets	2	726	500	700
Long-term investments	2	499	399	348
<b>FIXED ASSETS</b>		<b>1,376</b>	<b>1,066</b>	<b>1,305</b>
Customer receivables and related accounts	3	9,235	9,152	9,626
Other receivables and regularisation accounts	3	5,755	3,493	5,545
Short-term investment securities	4	5,668	4,449	26
Liquid assets		1,759	2,454	660
<b>CURRENT ASSETS</b>		<b>22,417</b>	<b>19,548</b>	<b>15,857</b>
<b>OVERALL TOTAL</b>		<b>23,793</b>	<b>20,614</b>	<b>17,162</b>

#### ***BALANCE SHEET CONSOLIDATED LIABILITIES***

(in thousands of euros)

CATEGORIES	Notes	Net 31.12.04	Net 31.12.03	Net 31.12.02
Capital		970	949	3,795
Premium		3,137	2,731	13,659
Reserves and consolidated profits/losses (i)		2,506	547	(17,120)
Others		162	111	136
<b>SHAREHOLDERS EQUITY BELONGING TO THE GROUP</b>	6	<b>6,775</b>	<b>4,338</b>	<b>470</b>
MINORITY INTERESTS		<b>0</b>	<b>0</b>	<b>0</b>
OTHER EQUITY		<b>427</b>	<b>428</b>	<b>0</b>
<b>PROVISIONS FOR RISKS AND COSTS</b>	5	<b>438</b>	<b>558</b>	<b>1,791</b>
Loans and financial debts	3	179	93	801
Suppliers and related accounts	3	2,484	1,784	1,839
Other payables and regularisation accounts	3	13,490	13,413	12,261
<b>DEBTS</b>		<b>16,153</b>	<b>15,290</b>	<b>14,901</b>
<b>OVERALL TOTAL</b>		<b>23,793</b>	<b>20,614</b>	<b>17,162</b>

(i) Including earnings for the period

1 947

1 007

(9 339)

**CONSOLIDATED INCOME STATEMENT**

(in thousands of euros)

CATEGORIES	Notes	Net 31.12.04	Net 31.12.03	Net 31.12.02
Revenue	11	45,776	41,421	44,079
Other earnings		451	422	241
Purchases and external costs		(9,457)	(7,961)	(9,258)
Staff costs	12	(33,416)	(32,585)	(37,418)
Other operating costs		(816)	(741)	(66)
Taxes and similar payments		(1,210)	(1,078)	(1,303)
Allocation of depreciation and provisions		876	1,913	(2,152)
<b>OPERATING COSTS</b>	13	<b>2,204</b>	<b>1,391</b>	<b>(5,877)</b>
<b>FINANCIAL PROFIT/LOSS</b>	14	<b>(114)</b>	<b>(207)</b>	<b>(368)</b>
<b>RUNNING PROFIT FROM INTEGRATED COMPANIES</b>		<b>2,090</b>	<b>1,184</b>	<b>(6,245)</b>
<b>EXCEPTIONAL PROFIT/LOSS</b>	15	<b>(367)</b>	<b>(291)</b>	<b>(650)</b>
Tax on profits	7	246	136	(204)
<b>NET EARNINGS OF THE INTEGRATED COMPANIES</b>		<b>1,969</b>	<b>1,029</b>	<b>(7,099)</b>
Allocations for depreciation and goodwill	1	(22)	(22)	(2,240)
Minority Interests		0	0	0
<b>NET EARNINGS (GROUP'S SHARE)</b>	16	<b>1 947</b>	<b>1 007</b>	<b>(9 339)</b>
<b>EARNINGS PER SHARE (in euros)</b>		<b>0.10</b>	<b>0.07</b>	<b>(0.66)</b>
<b>DILUTED EARNINGS PER SHARE (in euros)</b>		<b>0.09</b>	<b>0.06</b>	<b>(0.66)</b>

**TABLE OF CASH FLOWS**

(in thousands of euros)

	<b>31.12.04</b>	<b>31.12.03</b>	<b>31.12.02</b>
Total net income of the consolidated companies	1,947	1,007	(9,339)
Elimination of depreciation and provisions	196	(931)	4,466
Elimination of the variation of deferred taxes	-	-	52
Elimination of capital gains or losses on disposals	(43)	(4)	356
<b>CASH FLOW</b>	<b>2,100</b>	<b>72</b>	<b>(4,465)</b>
Effect of the variation of the operating capital need connected with the business	(1,632)	3,595	2,718
<b>NET FLOW GENERATED BY (ASSIGNED TO) ACTIVITY</b>	<b>468</b>	<b>3,667</b>	<b>(1,747)</b>
Acquisition of fixed assets	(726)	(177)	(234)
Disposals of fixed assets	268	78	228
Effects of the perimeter variations	-	29	0
<b>NET FLOW COMING FROM (ASSIGNED TO) INVESTMENTS DES (AFFECTE AUX) INVESTISSEMENTS</b>	<b>(458)</b>	<b>(70)</b>	<b>(6)</b>
Capital increase	427	2,921	2,238
Issue of borrowings	180	-	150
Repayments of borrowings	(92)	(133)	(416)
<b>NET FLOW COMING FROM (ASSIGNED TO) FINANCING</b>	<b>515</b>	<b>2,788</b>	<b>1,972</b>
Effect of the variation of exchange rates	2	(22)	2
<b>VARIATION OF THE CASH POSITION</b>	<b>527</b>	<b>6,363</b>	<b>221</b>
Cash position at opening	6,884	521	300
Cash position at close	7,411	6,884	521
<b>VARIATION OF THE CASH POSITION</b>	<b>527</b>	<b>6,363</b>	<b>221</b>

## **6.2.2 ANNEX TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2004**

### **IMPORTANT EVENTS DURING THE PERIOD**

In 2004 SQLI recorded an increase of more than 90% in profit by comparison with 2003 (1,947 KE against 1,007 KE) thanks to the increasing level of operation of its regional network in France and in Switzerland. Its sales rose by 10.5%, and it confirmed the recovery of its operating profit by continuing, in particular, to improve its activity rates (an average of 88.3% against 87.8% in 2003).

Here are SQLI's main development focuses:

Develop its presence among the historical major accounts: turnover done in 2004 with the group's twenty leading customers (Airbus, Renault, Philip Morris, Sanofi-Aventis, Société Générale) increased by more than 20%, and open some new major accounts (SNCF, Groupama) for consolidation in 2005.

Propose some sectorial solutions for local authorities and for the health sector: SQLI has been collaborating for three years with health professionals on deployment of the Shared Medical File, a key element in the reform of medical insurance.

Benefit from the CMM-I quality programme: the approach is based on a set of practices to be applied in order to upgrade the development process. SQLI is the first SSII in France to have obtained CMM-I certification, something that came in 2004.

Improve the projects' productivity in conjunction with the offshore development centre in Rabat (SQLI Maroc): the agencies based in France and in Switzerland are in charge of the upstream (specifications) and downstream (implementation) aspects of certain package projects, and the Moroccan team carries out all or part of the developments.

Moreover the group is continuing to strengthen its shareholders' funds: the share capital and the premiums on shares were increased in 2004 by 427 KE by exercise of 402 377 business creator equity warrants, as well as by subscription to 16,520 shares reserved for warrant holders.

As of 31 December 2004, the capital amounts to 970 KE, consisting of 19,396,159 shares of 0.05 euro par value.

The group's perimeter is the same as it was on 31 December 2003.

### **CHANGEOVER TO THE IFRS STANDARDS**

Pursuant to the Euronext recommendation made on 18 November 2003, the company is presenting and confirming the main impacts of the change of reference document, identified in the first half of 2004, in connection with its shareholders' equity and its performance.

### **EVENTS THAT HAVE TAKEN PLACE SINCE THE CLOSE OF THE FINANCIAL YEAR**

SQLI supports the continuation plan for Lnet Multimédia company presented to the Commercial Court of Nantes. The company plans to purchase – for one symbolic euro – the totality of the present partners' holdings, and in this way it could benefit from the Lnet establishment in Casablanca.

### **CONSOLIDATION PRINCIPLES AND TERMS AND CONDITIONS**

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

The statements are expressed in thousands of euros.

### **CONSOLIDATION METHOD AND CRITERIA**

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.

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

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

### **CHANGES TO THE CONSOLIDATION SCOPE**

The comparison of the consolidation perimeters on 31 December 2003 and on 31 December 2004 does not show any changes.

### **Consolidated companies**

Name	Headquarters	% controlled	% owned	Consolidation Method
SQLI SA	La Plaine Saint Denis	Consolidating company		
SUDISIM SA	Montpellier	100 %	99.95 %	IG
SQLI SUISSE SA	Lausanne	100 %	99.80 %	IG
TECHMETRIX INC	Boston	100 %	97.50 %	IG
ABCIAL	La Plaine Saint Denis	100 %	99.63 %	IG
CARI	La Plaine Saint Denis	100 %	100 %	IG
SQLI MAROC SA	Rabat	100 %	99.87 %	IG

### **Non-consolidated companies**

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

### **Conversion Method**

The financial results of foreign companies outside the Euro zone have been translated using the average exchange rate for the financial year. The balance sheets have been translated using the exchange rate on 31 December 2004.

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

### **Minority Interests**

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

### **Handling of Goodwill**

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

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

Goodwill is usually depreciated over 10 years.





### **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.

### **Taxation on profits**

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

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

SQLI has not accounted deferred tax on fiscal deficits in so far as their recovery is judged uncertain. On 31 December 2004, that receivable would have amounted to 4,568 KE.

### **Marketable Securities**

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

### **Accruals**

Elles concernent essentiellement des charges externes et des charges périodiques (loyers et abonnements) engagées au 31 décembre 2004.

### **Provisions for risks and costs**

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

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

### **End-of-career indemnities**

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

### **Extraordinary net income**

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

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

### **Stock options and Subscription Warrants**

The Shareholder's meeting on 21 March 2000, 6 July 2000, 30 June 2003 and 10 June 2004 authorised the Board of Directors or the Executive Board to assign to a certain number of the Group's employees, on one or on several occasions, BSC Warrants or share subscription options.

In 2004, 402,377 business creator equity warrants were exercised.

### 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 namely 19,034,115 shares in 2004.

The diluted profit per share is arrived at by dividing the average number of shares in circulation during the course of the financial year as well as the average number of shares which would be issued following a conversation of convertible instruments into shares, share subscription options and BSC warrants attributed at the end of the financial year namely 21,785,429 shares.

### Changeover to the IFRS standards

As indicated in the annual report for 2003 and specified in the semiannual report in 2004, only the application of the IFRS 2 standard will lead to significant accounting adjustments by comparison with the principles presently followed by the group.

This standard requires an entry under charges of the fair value of the stock options as soon as they are allocated to the employees or to the senior managers. The company measured the impact of this both on its initial and closing shareholders' equity, and on its 2004 performance.

Anticipated consequences for shareholders' equity  
(in thousands of euros)

Headings in the French reference document	Prior accounting reference document	Impact of the transition to the IFRS	IFRS
Capital	949		949
Premium	2,731	40	2,771
Consolidated reserves and net income	547	(40)	507
Other	111		111
<b>Shareholders' equity on 1 January 2004</b>	<b>4,338</b>	<b>0</b>	<b>4,338</b>

Headings in the French reference document	Prior accounting reference document	Impact of the transition to the IFRS	IFRS
Capital	970		970
Premium	3,137	385	3,522
Consolidated reserves and net income	2,506	(385)	2,121
Other	162		162
<b>Shareholders' equity on 31 December 2004</b>	<b>6,775</b>	<b>0</b>	<b>6,775</b>

Anticipated consequences for financial year performance  
(in thousands of euros)

Headings in the French reference document	Prior accounting reference document	Impact of the transition to the IFRS	IFRS
Payroll charges	(33,416)	(345)	(33,761)
Impact on 2004 earnings	1,947	(345)	1,602

The plans falling within the field of application of this standard on 31 December 2004 are plans nos. 4, 5 and 6, under which, respectively, 955,000, 45,000 and 1,639,000 business creator equity warrants were allocated.

The unit value of the options was calculated by using the Black and Scholes model on the basis of the following assumptions: the volatility of the share adopted was successively 82.47% (Plans 4 and 5) and 47.67% (Plan 6), and the risk-free interest rate used is equal to 4%. A 25% discount 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.

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. This entire charge is estimated at 727KE, including 40 KE chargeable to financial year 2003 and 345 KE to financial year 2004.

### **INFORMATION NOTES CONCERNING THE FINANCIAL REPORTS**

#### **1) Consolidated goodwill**

Details concerning consolidated goodwill at the end of the financial year  
(in thousands of euros)

	Gross value on 31/12/2004	Depreciation on 31/12/2003	Transfers to depreciation for the financial year	Net value on 31/12/2004
KEENVISION	223	(105)	(22)	96
SUDISIM	13	(13)	-	-
ABCIAL	3,992	(3,992)	-	-
CARI	183	(183)	-	-
<b>TOTAL</b>	<b>4,411</b>	<b>(4,293)</b>	<b>(22)</b>	<b>96</b>

#### **2) 2- Fixed Assets**

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

CATEGORIES	31.12.03	Acquisitions	Transfers	Others	31.12.04
Other intangible fixed assets	568	61	-	-	629
<b>Other tangible fixed assets</b>	<b>2,857</b>	<b>641</b>	<b>(914)</b>	<b>-</b>	<b>2,584</b>
Other long-term securities	33	20	-	(20)	33
Other long-term investments	461	149	(24)	-	586
<b>OVERALL TOTAL</b>	<b>3,919</b>	<b>871</b>	<b>(938)</b>	<b>(20)</b>	<b>3,832</b>

The disposals of tangible fixed assets consist mainly of scrapping of computer hardware depreciated 100% and replaced in part by rented hardware. Moreover a computer server was the object of a lease transfer contract in an amount of 180 KE.

Table showing the variation of depreciation during the financial year.

(in thousands of euros)

Headings	On 31.12.03	Increases	Write-backs of disposals	On 31.12.04
Intangible fixed assets	519	55	-	574
Tangible fixed assets	2,357	214	(713)	1,858
<b>OVERALL TOTAL</b>	<b>2,876</b>	<b>269</b>	<b>(713)</b>	<b>2,432</b>

Details concerning the long-term investments at the end of the financial year.

(in thousands of euros)

	Gross value 31/12/2004	Provisions 31/12/2003	Transfers to provisions 2004	Write-backs from provisions 2004	Net value 31/12/2004
SQLI SL securities	31	(31)	-	-	-
Other	2	-	-	-	2
<b>Other long-term securities</b>	<b>33</b>	<b>(31)</b>	<b>-</b>	<b>-</b>	<b>2</b>
Deposits and sureties paid	283	-	-	-	283
Construction effort loans	253	(64)	(29)	4	164
Expatriate loans	30	-	-	-	30
Liquidity contract	20	-	-	-	20
<b>Other long-term investments</b>	<b>586</b>	<b>(64)</b>	<b>(29)</b>	<b>4</b>	<b>497</b>
<b>TOTAL</b>	<b>619</b>	<b>(95)</b>	<b>(29)</b>	<b>4</b>	<b>499</b>

### **3) 3- Expiry dates of receivables and debts**

Expiry date of receivables as of 31 December 2003

(in thousands of euros)

TYPE OF RECEIVABLES	Net amount	A – 1 year	1-5 years	A + 5 years
Advances and paid accruals	80	80		
Customer receivables	9,235	9,235		
Staff and related accounts	8	8		
<b>SOCIAL SECURITY AND OTHER SOCIAL BODIES</b>	<b>64</b>	<b>64</b>		

Government	458	412	46	
Other receivables	4,495	4,155	340	
Pre-paid costs Accruals	650	650		
<b>OVERALL TOTAL</b>	<b>14,990</b>	<b>14,604</b>	<b>386</b>	

Provisions for customer receivables have been made in an amount of 153 thousand euros as of 31 December 2004.

The other sundry receivables consist to an extent of 4 322 KE of the guarantee funds and funds reserves paid to factoring companies. In addition, SQLI must receive a subsidy of 122 KE from the European Community for its participation in the QUALEG project, software for the quality of service in eGouvernement.

Furthermore the group has initiated a research and development programme meeting the criteria for eligibility for the research tax credit, and it recorded the corresponding receivable under assets in its balance sheet in an amount of 678 KE, including 412 KE for the expenditures made in 2004. For prudential reasons, an equivalent non-deductible provision was set aside on that asset, the substance of which has not been definitively earned.

Expiry date of debts as of 31 December 2003

(in thousands of euros)

TYPE OF DEBTS	Net amount	A – 1 year	1-5 years	A + 5 years
Loans and similar debts *	179	90	89	
Suppliers and related accounts	2,484	2,484		
Staff and social bodies	7,001	7,001		
Government	3,839	3,839		
Other debts	104	104		
Pre-paid earnings	2,546	2,546		
<b>OVERALL TOTAL</b>	<b>16,153</b>	<b>16,064</b>	<b>89</b>	
Loans taken out during the financial year	180			
Loans repaid during the financial year	92			

\* Including restated leasing contracts

152

63

89

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

#### **4) 4- Short-term investment securities**

(in thousands of euros)

PORTFOLIO	31.12.04	31.12.03
SICAV and monetary FCP	5,653	4,434
Guaranteed FCP	15	15
<b>OVERALL TOTAL</b>	<b>5,668</b>	<b>4,449</b>

As of 31 December 2004, the portfolio of securities held had a value of 5 676 KE.

**5) Provisions**

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

CATEGORIES	On 31.12.03	Fundings	Recoveries	On 31.12.04
<b>PROVISIONS FOR RISKS AND COSTS</b>	510	102	(264)	348
Provisions for retirement indemnities	48	42	-	90
Provisions for depreciation of the other long-term investments	95	29	(4)	120
Provision for depreciation of customer accounts	1,203	98	(1,148)	153
Provision for depreciation of other receivables	329	467	(36)	760
<b>OVERALL TOTAL</b>	<b>2,185</b>	<b>738</b>	<b>(1,452)</b>	<b>1,471</b>
Operating increases and write-backs		297	(1,442)	
Financial contributions and recoveries		29	(4)	
Exceptional contributions and recoveries		412	(6)	

The calculation assumptions are as follows: the retirement age is set at 65; the annual salary revaluation rate is estimated at 3%; the discounting rate used is 5% and the turnover and mortality tables are the ones commonly used in the computer sector.

The group's commitment to its employees was increased on 31 December 2004 by the social charges calculated in an amount of 30 KE, namely 50% of the total commitment.

Use of the provisions for our risks and charges (in thousands of euros)

HEADINGS	On 31.12.03	Increases	Write-backs <i>Provision used</i>	Write-backs <i>Provision not used</i>	On 31.12.04
Industrial tribunal disputes	53	-	(21)	(32)	-
Provisions for taxes	329	23	(83)	-	269
Losses on completion	41	79	(41)	-	79
Restructuring plan	87	-	(87)	-	-
<b>GRAND TOTAL</b>	<b>510</b>	<b>102</b>	<b>(232)</b>	<b>(32)</b>	<b>348</b>

The provision for taxes of 269 KE was set aside following the taxation legal proceedings filed by SUDISIM company in 1993 (47 KE) and 2002 (questioning of a research tax credit amounting to 176 KE). The anticipated loss of the group IFA on its part is covered by a provision amounting to 46 KE.

**6) Changes in shareholders equity**

	Capital	Premium	Reserves	Period earnings	Unrealised gains and losses	Outside Group	TOTAL
<b>Situation as of 31/12/02</b>	<b>3,795</b>	<b>13,659</b>	<b>(7,781)</b>	<b>(9,339)</b>	<b>136</b>	<b>0</b>	<b>470</b>
Appropriation of earnings N-1			(9,339)	9,339			0
Operations on the SQLI capital - 06/2003	(3,036)	(13,659)	16,695				0
Issue of securities on the Nouveau Marché - 12/2003	190	2,731					2,921
Impact of the accounting on the IDR			(36)				(36)
Others					(24)		(24)
Period Earnings				1,007			1,007
<b>Situation as of 31/12/03</b>	<b>949</b>	<b>2,731</b>	<b>(461)</b>	<b>1,007</b>	<b>112</b>	<b>0</b>	<b>4,338</b>
Appropriation of earnings N-1			1,007	(1,007)			0
Capital increase, particularly by exercise of BCE	21	406					427
Application of the guarantee of liabilities in connection with the acquisition of ABCIAL			33				33
Cancellation of own shares held			(20)				(20)
Others					50		50
Period Earnings				1,947			1,947
<b>Situation as of 31/12/04</b>	<b>970</b>	<b>3,137</b>	<b>559</b>	<b>1,947</b>	<b>162</b>	<b>0</b>	<b>6,775</b>

**7) Taxation on profits**

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

CATEGORIES	31.12.04	31.12.03
Deferred Taxes	-	-
Taxes to be paid *	246	136
<b>OVERALL TOTAL</b>	<b>246</b>	<b>136</b>

\* Including research tax credit

412

266

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

CATEGORIES	31.12.04
Profit before tax	1 701
<b>Theoretical Tax (34,33%)</b>	(584)
Impact of the non-accounting for tax credits on loss carryovers	(14)
Impact of consolidation reprocessing with tax implications	(18)
Allocation effect of previous losses	564
Effect of non-deductible costs	(262)
Effect of non-taxable earnings	80
Fiscal integration impact	22
Impact of different corporate tax rates	74
Non-refundable DTAs	(28)
Research tax credit for 2003 not allocated	412
<b>Effective tax cost (14,46%)</b>	<b>246</b>



**8) Average Staff levels**

The average staff level of the group stands at 581 people:

Categories	Paid staff
Management	589
Non-management	20

**9) Management remuneration**

(in thousands of euros)

CATEGORIES	Total managers	Bodies		
		Administration	Management	Supervisors
Remunerations allocated	480		480	

**10) BSPCE Schemes and Stock Options**

<b>Share subscription options allocated during the 2000 to 2004 financial years</b>			
	<b>Plan no.1</b>	<b>Plan no.2</b>	<b>Plan no.3</b>
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 <sup>(1)</sup>	37,556 at the outset of which 6,031 lapsed, making 31,525 not lapsed, adjusted to 33,734 on 29 December 2003	22,955 at the outset of which 21,350 lapsed, making 1,605 not lapsed, adjusted to 1,717 on 29 December 2003	317,650 at the outset of which 39,503 lapsed, making 278,147 not lapsed, adjusted to 297,504 on 29 December 2003
Of which: Number of shares able to be subscribed to by the corporate officers of the company	0	0	0
Start of the right to exercise the stock options granted	5 July 2005	28 November 2005	28 July 2006
Expiry date of share subscription options	4 July 2007	27 November 2007	27 July 2008
Price of share subscription options	5 € originally adjusted to 4.675 € on 29 December 2003	8.08185 € originally adjusted to 7.556 € on 29 December 2003	2.3885 € originally adjusted to 2.233 € on 29 December 2003
Methods of exercising share subscription options	The exercise right applies by annual tranches (2000, 2001 and 2002)	None	None
<b>Share subscription options taken up during 2000 to 2004 financial years:</b> No option was taken up during the 2000 to 2004 financial years.			
<b>Share subscription options cancelled during the 2000 to 2004 financial years:</b>			
Total number of share subscription offers cancelled <sup>(2)</sup>	6.031 before adjustment on 29 December 2003, then 11.230 in 2004	21.350 before adjustment on 29 December 2003, then 535 in 2004	39.503 before adjustment on 29 December 2003, then 50.056 in 2004
<b>Share subscriptions options still to be allocated at the end of the 2004 financial year:</b> 11.912			

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

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

<b>BSC warrants issued during the 2000 to 2003 financial years</b>			
	<b>Plan no. 1</b>	<b>Plan no. 2</b>	<b>Plan no. 4</b>
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 <sup>1</sup>	1,197,000	362,221	1,000,000
Of which: Number of shares able to be subscribed to by the corporate officers of the company	149,386	34,640	190,000
Number of subscription warrants allocated	1,197,000	362,221	955,000
Starting point for exercising warrants	1 <sup>er</sup> October 2002	29 September or 27 November 2003, depending on the date of the Board of Directors' meeting	23 September 2003 for 100.000 warrants 25 July 2004 for 855.000 warrants
Expiry date of warrants subscription options	29 September 2005	29 September or 27 November 2005, depending on the date of the Board of Directors' meeting	24 July 2008
Price of BSC warrants exercised	1,07 Euros	5 Euros	0,46€
Methods of exercising warrants	The exercise right applies by annual tranches (1999, 2000 and 2001)	None	The exercise right applies by annual tranches (2004, 2005 and 2006) for 855,000 warrants and is immediate for 100,000 warrants
Total number of warrants cancelled	142,364	134,334	70,000
Number of warrants exercised	374,377	0	28,000

<sup>1</sup> The beneficiaries of the stock options known as bons de souscription de parts de créateur d'entreprise allocated prior to the capital increase put through on 29 December 2003 will be entitled to subscribe to one new share at a price of 0.8€ for four shares created by exercise of the subscription rights.

Plan n°3 submitted to the Shareholders' Meeting held on 26 June 2002 was not the object of any allocation as of 30 June 2003, and hence lapsed on that date.

<b>BSC warrants issued during the 2000 to 2004 financial years</b>		
	<b>Plan n°5</b>	<b>Plan n°6</b>
• 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 mars 2004	Supervisory board meeting of 29 September 2004 Executive Board meeting of 29 September 2004
Total number of BSC warrants authorised <sup>1</sup>	45,000 (balance of plan n°4)	1,660,000
Of which: 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 15000 (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.
Total number of warrants cancelled	0	0
Number of warrants exercised	0	0

<sup>1</sup> The beneficiaries of the stock options known as bons de souscription de parts de créateur d'entreprise allocated prior to the capital increase put through on 29 December 2003 will be entitled to subscribe to one new share at a price of 0.8€ for four shares created by exercise of the subscription rights.

**11) Revenue Analysis**

Contribution of the consolidated companies  
(in thousands of euros)

CONSOLIDATED COMPANIES	31.12.04	31.12.03
SQLI	36,947	34,966
SQLI SUISSE	6,768	4,736
ABCIAL	2,067	1,697
CARI	(6)	(28)
TECHMETRIX US	-	14
INVERSO	-	36
<b>OVERALL TOTAL</b>	<b>45,776</b>	<b>41,421</b>

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

	31.12.04	31.12.03
FRANCE	38,813	36,300
UNION EUROPEENNE	193	223
EXPORT HORS UE	6,770	4,898
<b>OVERALL TOTAL</b>	<b>45,776</b>	<b>41,421</b>

Breakdown of revenues by activity  
(by percentage)

	31.12.04	31.12.03
INGENIERIE	85.1 %	80.3 %
STUDIO	6.6 %	8.0 %
CONSEIL	5.6 %	6.8 %
FORMATION	2.4 %	4.1 %
VENTE DE MATERIELS	0.3 %	0.8 %
<b>TOTAL</b>	<b>100 %</b>	<b>100 %</b>

**12) Analysis of staff costs**

(in thousands of euros)

CATEGORIES	31.12.04	31.12.03
Salaries and allowances	22,957	22,905
Social costs	10,459	9,680
<b>OVERALL TOTAL</b>	<b>33,416</b>	<b>32,585</b>

The French entities of SQLI group began paying, effective on 1 January 2004, the share of supplementary retirement contributions previously borne by the employees. This transfer of charges was accompanied by a revaluation of net salaries paid of 1.15% and made it possible to reduce payroll costs on the order of 250 KE for the financial year.

**13) Contribution of consolidated companies to operating profits**

(in thousands of euros)

CONSOLIDATED COMPANIES	31.12.04	31.12.03
SQLI	1,390	761
SUDISIM	55	50
ABCIAL	136	124

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CARI PROFIL	52 -	5 6
TOTAL France	<b>1,633</b>	<b>946</b>
SQLI SUISSE	569	435
TECHMETRIX US	(7)	(11)
INVERSO	-	19
SQLI MAROC	9	2
TOTAL EXPORT	<b>571</b>	<b>445</b>
OVERALL TOTAL	<b>2,204</b>	<b>1,391</b>

**14) Financial Profit Analysis**

(in thousands euros)

CATEGORIES	31.12.04	31.12.03
Revenues from loans and receivables	8	11
Earnings from asset sales	19	1
Positive exchange rate adjustments	25	108
Write-back of provision on other long-term investments	4	5
<b>FINANCIAL EARNINGS</b>	<b>56</b>	<b>125</b>
Interest and similar costs	(6)	(26)
Negative exchange rate adjustments	(86)	(122)
Other financial costs	(49)	(151)
Transfers to provisions on other financial investments	(29)	(33)
<b>FINANCIAL COSTS</b>	<b>(170)</b>	<b>(332)</b>
<b>FINANCIAL NET INCOME</b>	<b>(114)</b>	<b>(207)</b>

The other financial charges consist mainly of financing commissions vis-à-vis the factoring companies.

**15) Exceptional Profit Analysis**

(in thousands of euros)

CATEGORIES	31.12.04	31.12.03
Income from asset disposals	244	56
Write-backs from provisions and transfers of charges	6	-
Other exceptional earnings	2	-
<b>EXCEPTIONAL EARNINGS</b>	<b>252</b>	<b>56</b>
Exceptional costs on management operations	(6)	-
Exceptional costs from previous financial years	-	(32)
Net book value of assets disposed of	(201)	(49)
Exceptional allocations for depreciation and provisions	(412)	(266)
<b>EXCEPTIONAL COSTS</b>	<b>(619)</b>	<b>(347)</b>
<b>EXCEPTIONAL NET INCOME</b>	<b>(367)</b>	<b>(291)</b>

**16) Contribution of consolidated companies to operating profits**

(in thousands of euros)

CONSOLIDATED COMPANIES	31.12.04	31.12.03
SQLI	1,303	523
SUDISIM	42	37
ABCIAL	116	66
CARI	43	60
PROFIL	-	6
<b>TOTAL FRANCE</b>	<b>1,504</b>	<b>692</b>
SQLI SUISSE	477	391
TECHMETRIX US	(40)	(91)
INVERSO	-	13
SQLI MAROC	6	2
<b>TOTAL EXPORT</b>	<b>443</b>	<b>315</b>

OVERALL TOTAL	1,947	1,007
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**17) Off balance sheet commitments**

Commitments given  
(in thousands of euros)

Company making the commitment	Beneficiary	Nature of the commitment	Amount	Expiry Date
SQLI	Y. EL MIR	Allowance in case of a member of the board of directors having his mandate cancelled	75 KE	Indefinite
SQLI	B. LEYSSENE	Allowance in case of removal from his mandate as a member of the Board of Directors	75 KE	Indefinite

Within the framework of the dispute between it and the General Taxation Department and in order to guarantee the claim for 176 KE that it holds on the Public Treasury, SUDISIM company pledged its business to the extent of the amount of the disputed claim.

Commitments received  
(in thousands of euros)

Company or person giving commitment	Company receiving commitment	Reason for the commitment	Amount	Expiry Date
CCF	SQLI	Locaux SAINT DENIS	48 KE	06/2005
BANQUE POPULAIRE	ABCIAL	Marchés privés	17 KE	Indefinite
Société Générale	SUDISIM	Contrôle fiscal 1993	59 KE	Indefinite

Other commitments received  
(in thousands of euros)

Nature of the commitments	Total	Amount of the commitments by period		
		A – 1 year	1-5 years	A + 5 years
Daily credit line	762 KE	762 KE	-	-
Equipment leasing line	345 KE	345 KE	-	-
Medium-term credit line	228 KE	228 KE	For balance of the unused line and at the most 152 KE	-
Overdraft line	150 KE	150 KE	-	-

**18) Currency rates**

	US Dollar 1 USD =		Swiss Franc 1 CHF =		Moroccan Dirham 1 DH =	
	31.12.04	31.12.03	31.12.04	31.12.03	31.12.04	31.12.03
<b>Closing rate</b>	0.73 EUR	0.79 EUR	0.65 EUR	0.64 EUR	0.09 EUR	0.09 EUR
Annual average rate	0.80 EUR	0.88 EUR	0.65 EUR	0.66 EUR	0.09 EUR	0.09 EUR



### **6.2.3 THE STATUTORY AUDITORS REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004**

Mr Chairman,  
Sir, Madam,

As a result of the mission that was conferred to us by your Shareholder's meetings, we have gone ahead with an audit of SQLI's consolidated financial statements, relating to the financial year ended 31 December 2004, as presented now in this report.

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

- **OPINION CONCERNING THE FINANCIAL STATEMENTS**

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

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

- **JUSTIFICATION FOR THE JUDGEMENTS**

In application of the provisions of article L. 225-235 of the Code of Commerce relative to justification of our judgements, we bring the following elements to your attention:

The note concerning " changeover to the IFRS standards " in the appendix explains, for the first time, the significant accounting adjustments by comparison with the principles now followed by the group that would result from application of the IFRS standards. The stocks options lead to measuring an impact on the initial and closing shareholders' equity and on the performance in 2004.

Our work consisting in verifying and judging the data and the assumptions used, necessary for application of the said IFRS 2 standard, and in reviewing the calculations made by the company.

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.

- SPECIFIC VERIFICATION

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

Paris, 15 April 2005

Les Commissaires aux Comptes

CONSTANTIN ASSOCIES

FIDUCIAIRE DE LA TOUR

Jean-Marc BASTIER

Jean-Pierre PAUMARD

### 6.3 OFF BALANCE SHEET COMMITMENTS

Excluding the ones that are mentioned in the appendices to the corporate and consolidated financial statements closed out on 31 December 2004, SQLI did not receive or give any commitments.

### 6.4 FEES PAID TO THE AUDITORS AND TO MEMBERS OF THEIR NETWORKS FOR THE GROUP'S ACCOUNT

The following table shows the auditing and consulting fees paid to SQLI company's statutory Auditors for financial year 2004:

Assignments	FIDUCIAIRE DE LA TOUR				CONSTANTIN ET ASSOCIES			
	2004	2003	N en %	N-1 in %	2004	2003	N en %	N-1 in %
<b>Auditing</b>								
• Auditing and certification of the annual and consolidated financial statements	51,000€	47,074€	100	90	38,450€	37,450€	74	71
• Accessory assignments (1)		5,000€		10		5,000€		10
	51,000€	52,074€	100	100	38,450€	42,450€	74	81
<b>Other services</b>								
• Legal, taxation, social (2)					13,653€	9,928€	16	19
<b>TOTAL</b>	<b>51,000€</b>	<b>52,074€</b>	<b>100</b>	<b>100</b>	<b>52,103€</b>	<b>52,378€</b>	<b>100</b>	<b>100</b>

- (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 subsidiary.

## 6.5 SQLI CORPORATE FINANCIAL STATEMENTS ON 31 DECEMBER 2004

### 6.5.1 COMPANY ACCOUNTS AS OF 31 DECEMBER 2004

- **Balance Sheet: Assets**

Categories	Gross Amount	Depreciation	31/12/2004	31/12/2003	31/12/2002
Capital subscribed but not called up					
<b>INTANGIBLE FIXED ASSETS</b>					
Set up costs					
Research and Development costs					
Grants, patents and similar rights	579,887	526,293	53,595	46,360	117,295
Goodwill					
Other intangible fixed assets					
Advances, downpayments on intangible fixed assets					
<b>TANGIBLE FIXED ASSETS</b>					
Land					
Buildings					
Technical installations, equipment, tools					
Other tangible fixed assets	1,506,059	1,154,289	351,770	339,413	470,379
Fixed assets in progress					
Advances and instalments					
<b>FINANCIAL FIXED ASSETS</b>					
Holdings by M.E.					
Other holdings	7,792,069	7,277,950	514,118	547,135	295,959
Receivables linked to holdings					
Other assets					1,067
Loans	264,630	82,417	182,213	100,761	43,201
Other financial fixed assets	258,439		258,439	224,842	235,723
<b>FIXED ASSETS</b>	<b>10,401,084</b>	<b>9,040,949</b>	<b>1,360,135</b>	<b>1,258,511</b>	<b>1,163,624</b>
<b>INVENTORY AND WORK IN PROGRESS</b>					
Raw Materials, procurements					
Production of goods in progress					
Production of services in progress					
Intermediate and finished products					
Goods					
Advances and downpayments paid on orders				10,282	44,384
<b>RECEIVABLES</b>					
Customer receivables and related accounts	8,615,590	535,545	8,080,045	8,310,182	8,594,202
Other receivables	6,233,988	754,175	5,479,814	3,307,548	5,281,475
Subscribed Capital, called up but not paid					
<b>OTHER</b>					
Short-term investment securities (including own shares: )	5,643,322		5,643,322	4,424,429	724
Cash	1,333,729		1,333,729	2,218,756	265,818
<b>REGULARISATION ACCOUNTS</b>					
Pre-paid costs	601,525		601,525	293,803	398,006
<b>CURRENT ASSETS</b>	<b>22,428,155</b>	<b>1,289,719</b>	<b>21,138,435</b>	<b>18,564,999</b>	<b>14,584,609</b>
Costs to be spread over several financial years					
Bond redemption premium					
Unrealised gains and losses - ASSETS	8,344		8,344	3,694	61,458
<b>OVERALL TOTAL</b>	<b>32,837,582</b>	<b>10,330,668</b>	<b>22,506,913</b>	<b>19,827,204</b>	<b>15,809,691</b>

**Balance Sheet: Liabilities**

Categories	31/12/2004	31/12/2003	31/12/2002
Share or individual capital, including paid up: 969.808	969,808	948,863	3,795,452
Premiums (shares, merger or in kind)	3,136,950	2,731,215	13,658,792
Purchase price discrepancy re-evaluations			
Legal reserve	32,777	32,777	32,777
Statutory or contractual reserves			
Regulated reserves (including fluctuation reserve provisions)			
Other reserves (including purchase of original works of art)			
Carry-forward	(1,082,437)	(1,622,668)	(6,572,560)
<b>EARNINGS FOR THE FINANCIAL YEAR (profit or loss)</b>	<b>1,402,766</b>	<b>540,231</b>	<b>(11,745,262)</b>
Investment grants			
Mandatory provisions			
<b>SHAREHOLDERS EQUITY</b>	<b>4,459,863</b>	<b>2,630,418</b>	<b>(830,801)</b>
Earnings from issues of securities in capital			
Advances with conditions	427,380	427,715	
<b>OTHER EQUITY</b>	<b>427,380</b>	<b>427,715</b>	
Provision for risks	137,513	234,334	1,392,450
Provision for costs			
<b>PROVISIONS FOR RISKS AND COSTS</b>	<b>137,513</b>	<b>234,334</b>	<b>1,392,450</b>
<b>FINANCIAL DEBTS</b>			
Convertible bond loans			
Other bond loans			
Loans and debts with credit companies	6,157	9,601	20,765
Various loans and financial debts (including equity loans: )	3,172,545	2,318,421	2,516,568
Advances and accruals received on outstanding orders			
<b>OPERATING DEBTS</b>			
Supplier debts and related accounts	2,730,980	2,310,530	2,413,919
Fiscal and social debts	9,231,597	9,262,490	8,661,002
<b>OTHER DEBTS</b>			
Debts on fixed assets and related accounts	137,334	20,611	15,987
Other debts	94,868	124,196	249,700
<b>REGULARISATION ACCOUNTS</b>			
Pre-paid earnings	2,102,619	2,471,900	1,370,101
<b>DEBTS</b>	<b>17,476,101</b>	<b>16,517,749</b>	<b>15,248,041</b>
Liability adjustments	6,056	16,989	
<b>OVERALL TOTAL</b>	<b>22,506,913</b>	<b>19,827,204</b>	<b>15,809,691</b>

*Period Earnings in cents* 1,402,765,79

*Balance Sheet Total in cents* 22,506,913,30

• **Income statement (as a list)**

Categories	France	Exports	31/12/2004	31/12/2003	31/12/2002
Sale of goods				180,805	
Production of goods sold					
Production of services sold	36,957,883	1,310,174	38,268,057	35,364,897	37,405,517
<b>NET REVENUE</b>	<b>36,957,883</b>	<b>1,310,174</b>	<b>38,268,057</b>	<b>35,545,702</b>	<b>37,405,517</b>
Stored production					
In-house production					
Operating subsidies			181,384	17,242	6,060
Decreases in depreciation / provisions, cost transfers			910,424	2,330,232	634,199
Other earnings			1,296,962	800,916	568,484
<b>TOTAL OPERATING INCOME</b>			<b>40,656,827</b>	<b>38,694,092</b>	<b>38,614,261</b>
Purchase of goods including customs duties				214,494	352,139
Variations in inventory (goods)					
Purchase of raw materials and other supplies (and customs duties)					
Inventory variation (raw materials, supplies)					
Other purchases and external costs			9,792,604	8,063,100	8,206,874
Taxes and similar payments			1,105,220	994,841	1,203,453
Salaries and allowances			18,353,900	19,020,109	21,856,727
Social costs			9,263,629	8,686,903	10,154,021
<b>ALLOCATIONS TO RUNNING COSTS</b>					
On fixed assets: Allocations to depreciation			188,756	217,024	504,896
On fixed assets: Allocations to provisions					
On current assets: Allocations to provisions			74,471	176,172	657,525
For risks and costs Allocations to provisions			102,233	41,484	1,191,632
Other costs			356,735	675,260	26,647
<b>OPERATING COSTS</b>			<b>39,237,548</b>	<b>38,089,386</b>	<b>44,153,914</b>
<b>OPERATING PROFIT/LOSS</b>			<b>1,419,279</b>	<b>604,705</b>	<b>(5,539,653)</b>
<b>OPERATIONS IN COMMON</b>					
Profit attributed or losses transferred					
Loss borne or Profit transferred					
<b>FINANCIAL EARNINGS</b>					
Financial allocations			18,202	52,571	235,431
Other assets, receivables and capitalised asset earnings					47,242
Other interest and other such expenses				780	8,273
Decreases in provisions and transfer expenses			57,263	4,784,348	314,428
Positive exchange rate adjustments			1,202	921	
Net expenses on the sale of marketable securities			19,016	966	2,101
<b>FINANCIAL EARNINGS</b>			<b>95,684</b>	<b>4,839,586</b>	<b>607,476</b>
Allocation of depreciation and provisions			49149	4,200,105	6,171,173
Interest and similar costs			97,614	524,656	303,767
Negative exchange rate adjustments			6,176	18,874	2
Net charges on disposal of short-term investment securities					7,092
<b>FINANCIAL COSTS</b>			<b>152,939</b>	<b>4,743,636</b>	<b>6,482,035</b>
<b>FINANCIAL PROFIT/LOSS</b>			<b>(57,255)</b>	<b>95,950</b>	<b>(5,874,559)</b>
<b>EARNINGS BEFORE TAX</b>			<b>1,362,024</b>	<b>700,655</b>	<b>(11,414,212)</b>

- **Income Statement (cont.)**

Categories	31/12/2004	31/12/2003	31/12/2002
Exceptional earnings on management operations		93,332	83,032
Exceptional earnings on capital operations	245,342	51,224	80,702
Write-backs from provisions and transfers of charges		98,927	156,237
<b>EXCEPTIONAL EARNINGS</b>	<b>245,342</b>	<b>243,484</b>	<b>319,972</b>
Exceptional costs on management operations	348	2,781	162,290
Exceptional costs on capital operations	200,382	335,868	420,062
Exceptional allocation to depreciation and provisions	283,422	243,003	73,427
<b>EXCEPTIONAL COSTS</b>	<b>484,152</b>	<b>581,652</b>	<b>655,779</b>
<b>EXCEPTIONAL PROFIT/LOSS</b>	<b>(238,810)</b>	<b>(338,168)</b>	<b>(335,807)</b>
Participation of employees in the success of the company's financial results			
Taxation on profits	(279,552)	(177,743)	(4,757)
<b>TOTAL EARNINGS</b>	<b>40,997,853</b>	<b>43,777,161</b>	<b>39,541,708</b>
<b>TOTAL COSTS</b>	<b>39,595,807</b>	<b>43,236,931</b>	<b>51,286,970</b>
<b>PROFIT OR LOSS</b>	<b>1,402,766</b>	<b>540,231</b>	<b>(11,745,262)</b>

## 6.5.2 APPENDIX TO THE CORPORATE FINANCIAL STATEMENTS DATED 31 DECEMBER 2004

We are presenting to you the appendix to the balance sheet before distribution for the financial year ending on 31 December 2004 the total of which comes to 22.506.913 €, and to the income statement, presented in list form, showing total turnover of 38.268.057 € with a profit of 1.402.766 €.

The financial year ran for 12 months from 1 January 2003 to 31 December 2004.

### **IMPORTANT EVENTS DURING THE FINANCIAL YEAR**

#### **Operations on the capital**

The share capital was increased in 2004 to 969,808 € by exercise of 402,377 business creator equity warrants as well as subscription to the 16,520 shares reserved for the holders of warrants. The premiums on shares on their part were increased by 405,735 € to stand at the end of the financial year at 3,136,950 €.

On 31 December 2004, the SQLI share capital stood at 969,807.95 € consisting of 19,396,159 shares with a par value of 0.05 €.

#### **Activity and subsidiaries**

In 2004, SQLI supported its development on the increasing level of operation of its regional network in France and in Switzerland: in 2004 it recorded organic growth of sales of 7.7% and confirmed the recovery of its operating profit (1,419 K€ against 605 K€ in 2003) and of its net income (1,403 K€ compared with 540 K€ in 2003), particularly due to the continued improvement of the activity rate (88.3% compared with 87.8% in 2003).

SQLI's main development focuses are:

Develop its presence among the historical major accounts: turnover done in 2004 with the group's twenty leading customers (Airbus, Renault, Philip Morris, Sanofi-Aventis, Société Générale) increased by more than 20%, and open some new major accounts (SNCF, Groupama) aimed at being consolidated in 2005.

Propose some sectorial solutions for local authorities and for the health sector: SQLI has been collaborating for three years with health professionals on deployment of the Shared Medical File, a key element in the reform of medical insurance.

Benefit from the CMM-I quality programme: the approach is based on a set of practices to be applied in order to upgrade the development process. SQLI is the first SSII in France to have obtained a CMM-I certification, something that came in 2004.

Improve the projects' productivity in conjunction with the offshore development centre in Rabat (SQLI Maroc): the agencies based in France and in Switzerland are in charge of the upstream (specifications) and downstream (implementation) faces of certain package projects, and the Moroccan team carries out all or part of the developments.

#### **Events occurring after the close**

SQLI supports the continuation plan for Lnet Multimédia company presented to the Commercial Court of Nantes. The company plans to purchase – for one symbolic euro – the totality of the present partners' holdings, and in this way it could benefit from the Lnet establishment in Casablanca.



### **ACCOUNTING METHODS AND RULES**

The individual accounts as of 31 December 2003 have been drawn up in euros and presented in accordance with the currently accepted accounting rules and principles.

The general accounting agreements have been applied respecting the principle of prudence and in accordance with the basic hypotheses:

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

No changes in the evaluation method or in the presentation have been made in the course of the financial year.

The base method retained to evaluate elements written up in the accounts is the historic costs method.

The main methods used are as follows:

#### **1. Intangible and tangible fixed assets**

The gross value of capitalised assets corresponds to the book entry value of the items in the asset register.

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

- Software 1 year and 3 years
- General installations 8 years
- IT Equipment 2 years
- Office Equipment 5 to 8 years

The depreciation timeframe for IT equipment and software takes into account the rapid changes in the Company's hardware.

#### **2. Financial Fixed Assets**

Financial fixed assets are written to the balance sheet at historic value. They are comprised of the subsidiaries' equity investments, receivables in conjunction with these investments and deposits and sureties paid out.

At the close of each financial year, the historical value of the equity shares is compared to the market price taking account of the proportion of net assets increased for hidden capital gains and the trend in profits as well as the economic interest the companies represent for the Group. The unfavourable variations lead to provisions for the depreciation of securities and financial loans.

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 trading in its securities. The transactions carried out in its behalf by the securities dealers signing the contract are entered in the accounting under long-term investments.

Within the framework of the said contract, the company holds 14 281 of its own shares with a value of 19,843.30 €.

#### **3. Receivables**

Receivables are valued at face value. A provision for depreciation is made when the inventory value is lower than the accounting value.

The company initiated a research and development programme meeting the criteria for eligibility for a research tax credit, and it recorded the corresponding claim under assets in its balance sheet in an amount of 283,422 € For prudential reasons, an equivalent non-deductible provision was set aside on this asset, which has not been definitively earned.

On 31 December 2004, the receivable entered in the accounting in connection with research tax credits for 2003 and 2004 came to 677,388 € in view of the consolidation for taxation purposes. This receivable is covered in full by a provision.

#### 4. Long-term contracts

Turnover resulting from all-in projects is entered in the accounting in accordance with the progress method. The current services are valued at the sale price. If the amount of services performed is greater than the amount invoiced for, the difference appears in the line called "customer receivables and related accounts" in invoices to be established. Otherwise, it is posted to prepaid income.

A provision for losses upon completion is entered when the anticipated project margin is negative.

#### 5. Transactions in foreign currencies

The charges and income in foreign currencies are entered at their equivalent value on the date of the transaction. The debts, receivables and liquid assets in foreign currencies appear in the balance sheet at their equivalent value as determined by the rate at the end of the financial year.

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

On 31 December 2004, the debts, receivables and liquid assets in currencies looked as follows:

	In Dollars (USD)	In Swiss Francs (CHF)	In Moroccan Dirham (DH)	Equivalent value in EURO
Debts	-	1,810,300	499,121	1,217,878
Receivables	23,726	-	1,185,740	123,298
Short-term assets	-	-	-	-

#### 6. Short-term investment securities

The short-term investment securities are valued at the purchase price or at the market price for the latest month, if the later is less. 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 valued on 31 December 2004 at 5,644,659 €.

#### 7. Other shareholders' funds

In 1999 SQLI concluded with the COFACE (Compagnie Française d'Assurance pour le Commerce Extérieur) a contract concerning prospecting insurance for 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.

SQLI repaid 335 € in 2004. In view of the conditional nature of the future repayments and of the reduction of activity in the United States, the advances appear under "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 though uncertain but events occurred or occurring render probable.

## 9. Payroll charges

Effective on 1 January 2004, SQLI took over payment of the part of the supplementary retirement contributions previously borne by the employees. This transfer of charges was accompanied by a revaluation of net salaries paid of 1.15%, and made it possible to reduce payroll expenses for the financial year by something on the order of 230,000 €.

## 10. Stock options and Subscription Warrants

The Shareholder's meeting on 21 March 2000, 6 July 2000, 30 June 2003 and 10 June 2004 authorised the Board of Directors or the Executive Board to assign to a certain number of the Group's employees, on one or on several occasions, BSC Warrants or share subscription options.

The options and warrants allocated are detailed below:

BSC warrants issued during the 2000 to 2004 financial years			
	Plan n°1	Plan n°2	Plan n°3
Date of the meeting	21 March 2000	21 March 2000	21 March 2000
Date of the meeting of the Board of Directors or of the Executive Board	4 July 2000	27 November 2000	27 July 2001
Total number of BSC warrants authorised <sup>(1)</sup>	37,556 at the outset of which 6,031 lapsed, making 31,525 not lapsed, adjusted to 33,734 on 29 December 2003	22,955 at the outset of which 21,350 lapsed, making 1,605 not lapsed, adjusted to 1,717 on 29 December 2003	317,650 at the outset of which 39,503 lapsed, making 278,147 not lapsed, adjusted to 297,504 on 29 December 2003
Of which: Number of shares able to be subscribed to by the corporate officers of the company	0	0	0
Start of the right to exercise the stock options granted	5 July 2005	28 November 2005	28 July 2006
Expiry date of share subscription options	4 July 2007	27 November 2007	27 July 2008
Price of share subscription options (1)	5 € originally adjusted to 4.675 € on 29 December 2003	8.08185 € originally adjusted to 7.556 € on 29 December 2003	2.3885 € originally adjusted to 2.233 € on 29 December 2003
Methods of exercising share subscription options	The exercise right applies by annual tranches (2000, 2001 and 2002)	None	None
<b>Share subscription options taken up during 2000 to 2004 financial years:</b> No option was taken up during the 2000 to 2004 financial years			
<b>Share subscription options cancelled during the 2000 to 2004 financial years:</b>			
Total number of share subscription offers cancelled <sup>(2)</sup>	6,031 before adjustment of 29 December 2003, then 11,230 in 2004	21,350 before adjustment of 29 December 2003, then 535 in 2004	39,503 before adjustment of 29 December 2003, then 50,056 in 2004
<b>Share subscriptions options still to be allocated at the end of the 2004 financial year:</b> 11,912			

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

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

BSC warrants issued during the financial years from 2000 to December 2004			
	Plan no. 1	Plan no. 2	Plan no. 4
Date of the meeting	21 March 2000	6 July 2000	30 June 2003
Date of the meeting of the Board of Directors or of the Executive Board	29 September and 27 November 2000	29 September and 27 November 2000	25 July 2003 and 22 September 2003
Total number of BSC warrants authorised (1)	1,197,000	362,221	1,000,000
Of which: Number of shares able to be subscribed to by the corporate officers of the company	149,386	34,640	190,000
Number of subscription warrants allocated	1,197,000	362,221	955,000
Starting point for exercising warrants	1 <sup>st</sup> 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	142,364	134,334	70,000
Number of warrants exercised	374,377	0	28,000

1) The beneficiaries of the stock options known as bons de souscription de parts de créateur d'entreprise allocated prior to the capital increase put through on 29 December 2003 (plan 1, 2 and 4) 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..

(2) 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.

BSC warrants issued during the financial years from 2000 to December 2004		
	<b>Plan no.5</b>	<b>Plan no.6</b>
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 on 29 September 2004 Executive Board meeting on 29 September 2004
Total number of BSC warrants authorised (1)	45,000 (balance of plan n°4)	1,660,000
Of which: 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 mars 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 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
Total number of warrants cancelled	0	0
Number of warrants exercised.	0	0

**11. Taxation integration**

As of 31 December 2004, 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 mother company.

**12. Consolidation**

SQLI is the mother company of a consolidated group consisting of the subsidiaries SUDISIM, ABCIAL, CARI, SQLI CH, TECHMETRIX US 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 spread out in uniform fashion over the total duration of work of each of the company employees. The fraction corresponding to the time of service already put in on the valuation date constitutes the amount of the company's commitment to its employees.

As of 31 December 2004, the calculation assumptions are as follows: the retirement age is set at 65 years, the annual rate for revaluation of salaries is estimated at 3%, the discounting rate used industrial 5%, and the turnover and mortality tables are the ones commonly used in the computer sector.

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

- **FIXED ASSETS**

<i>Categories</i>	<b>Beginning of the financial year</b>	<b>Reevaluation</b>	<b>Acquisit., contributions</b>
SET-UP AND RESEARCH & DEVELOPMENT COSTS			
OTHER HEADINGS FOR INTANGIBLE FIXED ASSETS	<b>520,173</b>		<b>59,715</b>
Lands			
Land Buildings			
Constructions on others' land			
General installations buildings, fixtures, fittings			
Technical installations, equipment and industrial tools			
General installations , fixtures, fittings	380,017		27,072
Transport equipment	4,437		
Office, IT, equipment and furniture	1,468,445		321,943
Recyclable and various packaging			
Tangible fixed assets in progress			
Advances and instalments			
<b>TANGIBLE FIXED ASSETS</b>	<b>1,852,899</b>		<b>349,015</b>
Contributions evaluated against equivalents			
Other contributions	7,825,086		
Other assets			
Loans and other financial assets	384,133		156,892
<b>FINANCIAL FIXED ASSETS</b>	<b>8,209,219</b>		<b>156,892</b>

<b>OVERALL TOTAL</b>	<b>10,582,291</b>		<b>565,621</b>
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Categories	Payment	Transfer	End of the financial year	Initial value
SET UP AND RESEARCH & DEVELOPMENT COSTS				
OTHER HEADINGS FOR INTANGIBLE FIXED ASSETS			<b>579,887</b>	
Lands				
Land Buildings				
Constructions on others' land				
General installations buildings, fixtures, fittings				
Technical installations, equipment and industrial tools				
General installations , fixtures, fittings			407,089	
Transport equipment			4,437	
Office, IT, equipment and furniture		695,856	1,094,533	
Recyclable and various packaging				
Tangible fixed assets in progress				
Advances and instalments				
<b>TANGIBLE FIXED ASSETS</b>		<b>695,856</b>	<b>1,506,059</b>	
Contributions evaluated against equivalents				
Other contributions	33,017		7,792,069	
Other assets				
Loans and other financial assets		17,956	523,069	
<b>FINANCIAL FIXED ASSETS</b>	<b>33,017</b>	<b>17,956</b>	<b>8,315,137</b>	
<b>OVERALL TOTAL</b>	<b>33,017</b>	<b>713,812</b>	<b>10,401,084</b>	

• **AMORTISSEMENTS**

Categories	Beginning of the financial year	Depreciation allowances	Recoveries	End of the financial year
SET UP AND RESEARCH & DEVELOPMENT COSTS				
OTHER HEADINGS FOR INTANGIBLE FIXED ASSETS	<b>473,813</b>	<b>52,479</b>		<b>526,293</b>
Lands				
Land Buildings				
Constructions on others' land				
General installations buildings, fixtures, fittings				
Technical installations, equipment and industrial tools				
General installations , fixtures, fittings	148,921	48,346		197,266
Transport equipment	4,437			4,437
Office, IT, equipment and furniture	1,360,129	87,931	495,474	952,586
Recyclable and various packaging				
<b>TANGIBLE FIXED ASSETS</b>	<b>1,513,487</b>	<b>136,276</b>	<b>495,474</b>	<b>1,154,289</b>
<b>OVERALL TOTAL</b>	<b>1,987,300</b>	<b>188,756</b>	<b>495,474</b>	<b>1,680,582</b>

Breakdown of depreciation allowances	Straight-line	Reducing Balance	Exceptional	Tax-based allowances	Tax-based recovery
SET UP AND RESEARCH & DEVELOPMENT COSTS					
OTHER HEADINGS FOR INTANGIBLE FIXED ASSETS	52,479				
Lands					
Land Buildings					
Constructions on others' land					
General installations buildings, fixtures, fittings					
Technical installations, equipment and industrial tools					
General installations , fixtures, fittings	48,346				
Transport equipment					
Office, IT, equipment and furniture	87,931				
Recyclable and various packaging					
<b>FIXED ASSETS TANGIBLE</b>	<b>136,276</b>				
<b>OVERALL TOTAL</b>	<b>188,756</b>				

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**

Costs spread over several financial years	Beginning of the financial year	Increases	Depreciation Allowances	End of the financial year
Mining and oil deposits				
Investment provisions				
Provisions for price increases				
Provisions for stock price fluctuations				
Tax-based depreciation				
Foreign ventures before 01/01/92				
Foreign ventures after 01/01/92				
Provisions for installation loans				
Other regulated provisions				
<b>REGULATED PROVISIONS</b>				
Provisions for litigation	51,791		51,791	
Provisions for guarantees given to customers				
Provisions for future market losses	41,484	78,983	41,484	78,983
Provisions for fines and penalties				
Provisions for foreign exchange losses	3,694	8,344	3,694	8,344
Provisions for pensions and similar commitments				
Provisions for taxes	49,500	23,250	26,250	46,500
Provisions for renewing fixed assets				
Provisions for large repairs				
Provisions for company costs, tax costs and leave to be paid				
Other provisions for risks and costs	87,864	3687	87,864	3,687
<b>PROVISIONS FOR RISKS AND COSTS</b>	<b>234,334</b>	<b>114,263</b>	<b>211,084</b>	<b>137,513</b>
Provisions for intangible fixed assets				
Provisions for tangible fixed assets				
Provisions for securities treated on an equity basis				
Provisions on long-term securities	7,277,950			7,277,950
Provisions for other financial fixed assets	58,530	27,613	3,726	82,417
Provisions for stock and work in progress				
Provisions for customer accounts	1,062,761	74,471	601,687	535,545
Other provisions for depreciation	511,090	292,928	49,843	754,175
<b>PROVISIONS FOR DEPRECIATION</b>	<b>8,910,331</b>	<b>395,012</b>	<b>655,256</b>	<b>8,650,087</b>
<b>OVERALL TOTAL</b>	<b>9,144,665</b>	<b>509,275</b>	<b>866,340</b>	<b>8,787,600</b>
Set-up contributions and recoveries		176,704	809,077	
Financial contributions and recoveries		49,149	57,263	
Exceptional contributions and recoveries		283,422		
Depreciation of securities at the end of the financial year				

• **USE OF PROVISIONS FOR RISKS AND COSTS**

Nature of provisions	Initial amount at the start of the financial year	Contribution for the financial year	Recovery for the financial year Provision used	Recovery for the financial year Provision not used	Amount at the end of the financial year
Provisions for litigation	51,791		20,328	31,463	
Provisions for losses upon completion	41,484	78,983	41,484		78,983
Provisions for fines and penalties	3,694	8,344	3,694		8,344
Provision for contingencies equity interests		3,687			3,687
Provisions for taxes	49,500	23,250	26,250		46,500
Provision for restructuring plan (1)	87,864		87,864		0
<b>TOTAL PROVISIONS</b>	<b>234,334</b>	<b>114,263</b>	<b>179,620</b>	<b>31,463</b>	<b>137,513</b>

• **RECEIVABLES AND DEBTS**

TYPE OF RECEIVABLE	Gross Amount	1 year maximum	over 1 year
Receivables attached to holdings			
Loans	264,630	15,400	249.230
Other financial fixed assets	258,439	50,789	207.649
Doubtful or disputed customers	129,197	129,197	
Other customer receivables	8,486,393	8,486,393	
Receivables relating to securities loaned			
Staff and related accounts	7,500	7,500	
Social security and other social bodies	63,878	63,879	
Government, other groups tax on profits	723,888	23,250	700.638
State, other governmental units: value added tax	336,570	336,570	
State, other governmental units: other taxes, levies, similar payments			
State, other governmental units, sundry receivables			
Group and associates	965,931	965,931	
Various debtors	4,136,220	3,816,220	320.000
Costs set out in advance	601,525	601,525	
<b>OVERALL TOTAL</b>	<b>15,974,172</b>	<b>14,496,655</b>	<b>1.477.517</b>
Amount of loans accorded during the financial year	106,689		
Amount of repayments obtained during the financial year	1,350		
Loans and advances given to associates			

TYPE OF DEBTS	Gross Amount	1 year maximum	More than 1 year, less than 5 years	over 5 years
Convertible bond loans				
Other bond loans				
Loans and debts of 1 year maximum initially	6,157	6,157		
Loans and debts of more than 1 year initially				
Various loans and financial debts	3,172,545	3,172,545		
Suppliers and related accounts	2,730,980	2,730,980		
Staff and related accounts	3,207,924	3,207,924		
Social security and other social bodies	2,797,311	2,797,311		
Government tax on profits				
Government value added tax	3,118,679	3,118,679		
Government bonds				
Government other taxes and similar payments	107,683	107,683		
Debts on fixed assets and related accounts	137,334	137,334		
Group and associates				
Other debts	94,868	94,868		
Debts relating to borrowed securities				
Prepaid income	2,102,619	2,102,619		
<b>OVERALL TOTAL</b>	<b>17,476,101</b>	<b>17,476,101</b>		
Loans taken out during the financial year				
Loans repaid during the financial year	335			
Loans and debts entered into with associates	2,281			

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- ***COSTS PAYABLE AND EARNINGS RECEIVABLE***

**CHARGES A PAYER****STAFF**

Paid leave	1,383,743
Reduction of Time at Work	36,806
Holiday Bonuses	66,767
Bonuses	403,381
	<hr/>
	<b>1,890,697</b>

**PUBLIC SERVICE BODIES**

Continuous professional training	170,458
Training Tax	91,522
Construction investment	9,152
Handicapped Person Contribution	73,416
Additional contributions to retirement fund 2003	5,486
Social costs on Reduction of Time in Work - Bonuses	942,008
	<hr/>
	<b>1,292,042</b>

**STATE**

Professional Tax	6,000
Organic	63,188
TVTS	17,333
Professional tax	21,162
	<hr/>
	<b>107,683</b>

**EARNINGS RECEIVABLE**

Daily Social Security Allowances	21,038
Welfare indemnity	13,702
Social entities	26,534
	<hr/>
	<b>61,274</b>

• **DETAILS CONCERNING PREPAID CHARGES AND INCOME**

**COSTS SET OUT IN ADVANCE**

Catalogues and forms	34,345
Rent	389,222
Equipment	36,050
Maintenance	96,752
Insurance	1,137
Training programmes	3,738
Stickers	3,492
Maintenance	33,955
"Cv Thèque" subscription	2,834
	<b>601,525</b>

**EARNINGS SET OUT IN ADVANCE**

Service provisions invoiced in advance	2,102,619
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• **ELEMENTS RELATING TO SEVERAL BALANCE SHEET ITEMS**

Categories	Companies involved	Contributions	Common debts and receivables
<b>FIXED ASSETS</b>			
Contributions	7,792,069		
<b>CURRENT ASSETS</b>			
Customer receivables and related accounts	1,656,857		
Other receivables	931,936		
<b>DEBTS</b>			
Various loans and financial debts	3,170,264		
Suppliers and related accounts	637,468		

• **TABLE OF SUBSIDIARIES AND AFFILIATES**

Detailed information concerning each subsidiary and affiliate		Financial information			
		Capital	Shareholders' equity other than the capital	Share capital held (in %)	Net income (profit or loss for complete last financial year)
<b>1 – Subsidiaries (more than 50%)</b>					
SUDISIM	Montpellier (34)	182,939	174,989	99.95%	42,287
ABCIAL	Saint Denis (93)	37,000	187,620	99.63%	116,220
CARI	Saint Denis (93)	7,622	-252,838	100.00%	44,046
SQLI CH (1)	Lausanne (Switzerland)	64,813	2,147,597	99.80%	477,804
TECHMETRIX US (2)	Lexington (United States)	36,708	-434,347	97.50%	-37,144
SQLI MAROC (3)	Rabat (Morocco)	26,788	8,167	99.87%	5,891
SQLI SL	Madrid (Spain)	30,500	-58,000	99.84%	0
<b>2 – Affiliates (10% to 50% held)</b>					
<i>NONE</i>		<i>NONE</i>			

General information concerning all subsidiaries and affiliates	Subsidiaries		Affiliates	
	French	Foreign	French	Foreign
Book value of securities held				
- Gross:	7,623,486	168,582		
- net:	423,430	90,689	<i>NONE</i>	
Amount of loans and advances granted	787,365	144,571		
Amount of guarantees and endorsements given	150,000	0		
Amount of dividends received	0	0		

Using the following exchange rates:

(1) 1 CHF = 0.648130 EUR

(2) 1 USD = 0.734160 EUR

(3) 1 MAD = 0.089294 EUR

• **VARIATION OF SHAREHOLDERS' EQUITY**

Situation at financial year start		Balance
Shareholders' equity before distributions on prior earnings		2,630,418
Shareholders' equity after distributions on prior earnings		2,630,418
Variations during financial year		Decreases
Capital variations		20,945
Variations of premiums connected with the capital		405,735
Other variations		1,402,766
<b>BALANCE</b>		<b>1,829,445</b>
Situation at financial year end		Balance
Shareholders' equity before distribution		4,459,863

• **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	1,191,096	-1,331,368
Acquisitions of fixed assets			Disposals of fixed assets		
- Intangible fixed assets	59,714	7,695	- Intangible fixed assets		
- Tangible fixed assets	349,015	53,337	- Tangible fixed assets	243,743	51,224
- Long-term investments	154,342	4,504,634	- Long-term investments	48,422	24,977
Charges to spread out over several financial years			Increase of shareholders' equity		
Reduction of shareholders' equity			- Capital or conveyances	20,945	189,773
			- Other shareholders' equity	371,740	2,731,215
Repayment of financial debts	96,371	115,340	Increase of financial debts	1,022,372	4,819,274
<b>TOTAL APPLICATIONS</b>	<b>659,442</b>	<b>4,681,006</b>	<b>TOTAL RESOURCES</b>	<b>2,898,317</b>	<b>6,485,095</b>
<b>NET RESOURCE</b>	<b>2,238,875</b>		<b>NET APPLICATION</b>		<b>-1,804,089</b>

Variation of global net operating capital	Needs (B)	Decreases in operating capital (D)	Balance N (D - B)	Balance N - 1 (D - B)
<b>OPERATING VARIATIONS</b>				
Variation of operating assets				
- Stocks and in progress				
- Advances and downpayments paid on orders	62,725		62,725	42,437
- Customer receivables, related accounts and other receivables		145,770	145,770	728,492
Variations of trade accounts payable				
- Advances and downpayments received on orders in progress				

## Reference document 2004

- Supplier debts, related accounts and other debts		137,000	137,000	1,604,522
<b>OPERATING TOTALS</b>	<b>62,725</b>	<b>282,770</b>		
<b>A NET OPERATING VARIATION</b>			<b>220,045</b>	<b>2,375,452</b>
<b>NON-OPERATING VARIATIONS</b>				
Variations of other debtors	3,327,153		-3,327,153	-2,164,667
Variations of other creditors	13,351		-13,351	-50,772
<b>NON-OPERATING TOTALS</b>	<b>3,340,504</b>			
<b>B NON-OPERATING NET VARIATION</b>			<b>-3,340,504</b>	<b>-2,215,439</b>
<b>TOTAL [A+B] NET DECREASE OF OPERATING CAPITAL</b>			<b>-3,120,458</b>	<b>160,013</b>
<b>CASH POSITION VARIATIONS</b>				
Variations of liquid assets		885,027	885,027	-1,952,938
Variations of current bank loans, balances, credits, bank	3,443		-3,443	-11,164
<b>CASH TOTALS</b>	<b>3,443</b>	<b>885,027</b>		
<b>C NET VARIATION IN CASH POSITION?</b>			<b>881,584</b>	<b>-1,964,102</b>
<b>GLOBAL NET OPERATING CAPITAL VARIATION [A+B+C]: NET RESOURCE</b>			<b>-2,238,875</b>	<b>-1,804,089</b>

- **BREAKDOWN OF REVENUE IN €K**

Categories	France Revenue	Export Revenue	Total 31/12/2004	Total 31/12/2003	% 04 / 03
ENGINEERING	33,496	1,285	35,781	33,183	7.83%
TRAINING	1,563	25	1,588	1,417	12.07%
CONSULTING	889		889	701	26.82%
EQUIPMENT SOLD				180	-100%
STUDIES	10		10	65	-84.62%
<b>TOTAL</b>	<b>36,958</b>	<b>1,310</b>	<b>38,268</b>	<b>35,546</b>	<b>7.66%</b>

- **BREAKDOWN OF REVENUE BY GEOGRAPHICAL AREA**

CATEGORIES	REVENUE			TOTAL
	France	EEC	OUTSIDE EEC	
STUDIES	10	0	0	10
TRAINING	1,563	23	2	1,588
CONSULTING	889	0	0	889
PROJECTS	34,495	176	1,109	35,780
<b>TOTAL</b>	<b>36,957</b>	<b>199</b>	<b>1,111</b>	<b>38,268</b>

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- **OPERATING SUBSIDIES**

Nature of the subsidies	Amount
QUALEG project subsidy (1)	122,566
Subsidy for training (FAFIEC, Apprenticeship)	58,818
<b>TOTAL</b>	<b>181,384</b>

(1) SQLI is to receive a subsidy of 122,566 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 eGouvernement.

- **COST TRANSFERS**

Nature of transfers	Amount	Charged to account
Benefits in kind	78,135	
Insurance indemnities	2,015	
Contract repurchase	21,197	
<b>TOTAL</b>	<b>101,347</b>	

- **EXTRAORDINARY CHARGES AND INCOME**

Nature of charges	Amount	Charged to account
Transfers to the 2004 research tax credit provisions	283,422	
Outgoing materials	200,382	
Various	348	
<b>TOTAL</b>	<b>484,152</b>	

Nature of income	Amount	Charged to account
Disposals of materials	243,743	
<b>TOTAL</b>	<b>243,743</b>	

-

• **CHARGES AND INCOME CONCERNING PRIOR FINANCIAL YEAR**

Nature of the charges	Amount	Charged to account
Suppliers	10,282	
Rental charges	38,618	
Property tax	8,224	
Social entities	11,130	
<b>TOTAL</b>	<b>68,253</b>	

Nature of income	Amount	Charged to account
Social entities	38,960	
Rental charges	20,987	
<b>TOTAL</b>	<b>59,947</b>	

• **LEASING COMMITMENTS**

Categories	Lands	Buildings	Equipment tools	Other fixed assets	Total
<b>INITIAL VALUE</b>				<b>409,817</b>	<b>409,817</b>
<b>DEPRECIATION</b>					
Running total for previous financial years				230,122	230,122
Financial year in progress				28,577	28,577
<b>TOTAL</b>				<b>258,699</b>	<b>258,699</b>
<b>NET VALUE</b>				<b>151,118</b>	<b>151,118</b>
<b>RENTAL RIGHTS PAID</b>					
Financial year in progress				30,337	30,337
<b>TOTAL</b>				<b>30,337</b>	<b>30,337</b>
<b>RENTAL RIGHTS TO BE PAID</b>					
One year at most				58,991	58,991
At more than one year and less than 5 years				88,484	88,484
<b>TOTAL</b>				<b>147,475</b>	<b>147,475</b>
<b>RESIDUAL VALUE</b>					
Amount accounted for in this financial year				30,337	30,337

• **SITUATION CONCERNING DEFERRED AND UNREALISED TAXES**

Categories	Amount
<b>TAX DUE ON:</b>	
Regulatory provisions	
Provisions for higher prices	
<b>TOTAL INCREASES</b>	
<b>TAX PAID IN ADVANCE ON:</b>	
Temporarily non-deductible costs (to be deducted the following year):	
Others	73,697
To be deducted afterwards	
<b>TOTAL TAX RELIEF</b>	<b>73,697</b>
<b>NET DEFERRED TAX POSITION</b>	<b>(73,697)</b>

Categories	Amount
<b>TAX DUE ON:</b>	
<b>CREDIT TO BE ACCOUNTED ON:</b>	
Reportable losses (losses subject to carryover?)	10,348,905
Long-term capital losses	2,004,085
	12,352,990
<b>NET LATENT TAX POSITION</b>	<b>(12,352,990)</b>

• **AVERAGE STAFF LEVELS**

Workforce	Paid staff	Staff used in the company
Management	489	
First-line supervisors, technicians	18	
Trainees	10	
Apprentices	2	
<b>TOTAL</b>	<b>519</b>	

• **OFF BALANCE SHEET COMMITMENTS IN K€**

Categories	Off balance sheet amount
<b>Commitments given</b>	
Other commitments given	
<b>Endorsements and sureties</b>	
Indemnities in case of removal in favour of two members of the Executive Board	150
Surety granted to ABCIAL to the benefit of factoring company FACTOBAIL for an indefinite duration	150
<b>Pension commitments</b>	84
<b>TOTAL</b>	<b>384</b>
<b>Commitments received</b>	
<b>Endorsements and surety</b>	
CCF guarantee on the Saint-Denis premises expiring in June 2005	48
<b>Other commitments received</b>	
Dailly credit line	762
Equipment leasing line	345
Medium-term credit line	228
Overdraft line	150
<b>TOTAL</b>	<b>2.301</b>

• **MANAGEMENT REMUNERATION**

Categories	Total managers	Bodies		
		Administration	Management	Supervisors
Financial commitments				
Remunerations allocated	480,275		480,275	
<b>Conditions of loans accorded during the financial year:</b>				
<b>Repayments transacted during the financial year:</b>				

### **6.5.3 GENERAL STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004**

Mr Chairman,

Sir, Madam,

As a result of the mission that was given to us by your Shareholder's meeting, we present the report relating to the financial year ended 31 December 2004 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.

#### (3) OPINION ON THE ANNUAL ACCOUNTS

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

We certify that the annual accounts, which have been established according to French accounting principles, are in order and give a true picture of the results of the business activities as well as the company's financial situation and its asset base at the end of this financial year.

#### (4) JUSTIFICATION OF THE JUDGEMENTS

In application of the provisions of article L. 225-235 of the Code of Commerce relative to justification of our judgements, we bring the following elements to your attention;

- 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 methods followed by your company, we verified the appropriate nature of the accounting methods specified above and of the information supplied in the notes in 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 development of our opinion expressed in the first part of this report.

(5) VERIFICATIONS AND SPECIFIC INFORMATION

We also carried out the specific verifications provided for by law, in accordance with the professional standards applicable in France.

We have no remarks to make concerning the accuracy and the agreement with the annual financial statements of the information provided in the Executive Board's management report and in the documents sent to the shareholders concerning the financial situation and the annual financial statements.

Paris, 15 April 2005

The Auditors

CONSTANTIN ASSOCIES

FIDUCIAIRE DE LA TOUR

Jean-Marc BASTIER

Jean-Pierre PAUMARD

## 7 CORPORATE GOVERNANCE

### 7.1 COMPOSITION AND OPERATION OF THE ADMINISTRATIVE, MANAGERIAL AND SUPERVISORY ORGANS

#### 7.1.1 COMPOSITION OF THE SUPERVISORY BOARD

We provide you, in the following table, with the list of the mandates held and functions exercised in any company by each of the members of the SQLI supervisory board, during the past financial year.

Name of the corporate officer	Mandates or function	Company in which the mandate or function is exercised	Headquarters of the company
<b>Supervisory Board members</b>			
Jean Rouveyrol	Chairman of the Supervisory Bard	SQLI	268, avenue du Président Wilson 93200 La Plaine Saint-Denis
	Employment contract ("chargé de mission" in connection with the sustainable development theme).	SQLI	Idem
	Chairman of the Board of Directors	Abcial	268, avenue du Président Wilson 93200 La Plaine Saint-Denis
	Director	Sudisim	Bruyère 2000, Bât 1 650, rue Becquerel 34000 Montpellier
	President	TechMetrix US	6 new England Executive Park Suite 400 Boston USA
	Manager	Cari	268, avenue du Président Wilson 93200 La Plaine Saint-Denis
	Chairman of the Supervisory Bard	Adeuza	28 rue du Marché Commun Nantes
Roland Fitoussi	Deputy chairman of the Supervisory Bard	SQLI	La Plaine Saint-Denis
	Chairman of the Supervisory Bard	Solving International	144, avenue des Champs-Élysées 75008 Paris
	President	Solving International North America	
	Director	Bohlin & Strömberg	
	Director	Solving Iberica	
	Director	Solving Spa	
	Director	Alcor Développement	
Hervé de Beublain	Permanent representative of FD5 on the supervisory board	SQLI	La Plaine Saint-Denis
	Permanent representative of FD5, President	FDI Investissements	RCS Paris 421165267
	Permanent representative of FD5, manager	FDA Finance	RCS Paris 419696034
	Permanent representative of FD5 on the Board of Directors	Mistergooddeal	RCS 429205966 Créteil
Dominique Chambas	Director	Semac	18, rue Raymond Lefevre 94823 Ivry sur Seine
	President and Chief Executive Officer	Sodimap	18, rue Raymond Lefevre 94823 Ivry sur Seine
	Manager	Synergie Consulting	19, rue Auguste Chabrières 75015 Paris
	Deputy chairman of the Supervisory Bard	Aldata	37, rue du Colonel Pierre Avia 75015 Paris
Bernard Jacon	Manager	LVCT	31 bis allée du lac Inférieur 78 110 Le Vésinet
Marc Bucaille	Director	Integrated Network Solutions	1 avenue Athena Ottignies Louvain la Neuve

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			Belgium
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The supervisory board, meeting on 29 June 2004, 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.

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.

Hence the number of independent members stands at 3 out of 6.

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 and the decree in Council of State that are to lay down the procedures of such communication are still unavailable. Hence that information will not be supplied this year.



### 7.1.2 COMPOSITION OF THE EXECUTIVE BOARD

We hereby provide you, in the following table, with 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.

Name of the corporate officer	Mandates or function	Company in which the mandate or function is exercised	Headquarters of the company
<b>Executive Board members</b>			
Yahya El Mir	Executive Board Chairman	SQLI	La Plaine Saint-Denis
	President and Chief Executive Officer	Sudisim	Bruyère 2000, Bâtiment 1 650, rue Becquerel 34000 Montpellier
	Manager	Abcial	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
Bruno Leyssene	Executive Board Member	SQLI	La Plaine Saint Denis
	Director	Abcial	268, avenue du Président Wilson 93200 La Plaine Saint-Denis
	Director	SQLI MAROC SA	Rabat Morocco
Nicolas Rebours	Executive Board Member	SQLI SA	La Plaine Saint Denis
	Director	SQLI MAROC SA	Rabat Morocco
	Treasurer and Secretary	TechMetrix US	6 new England Executive Park Suite 400 Boston USA
	Employment contract (Chief administrative and financial officer)	SQLI SA	La Plaine Saint Denis

The Executive Board meets as often as necessary. Pursuant to the provisions of article 15 of the articles of incorporation, the most important decisions it makes are recorded in minutes.

**7.1.3 SPECIAL REPORT BY THE CHAIRMAN OF THE SUPERVISORY BOARD CONCERNING INTERNAL CONTROL**

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

***Financial year 2004***

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 2004.

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.

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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.

\*

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

Prior to the presentation of the said conditions regarding preparation and organisation of the work done by the Supervisory Board, I remind you that the Board contains an advisory member (3 of 6) pursuant to the definition offered in the Bouton report of 23 September 2002

<sup>1</sup>.

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<sup>1</sup> 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".

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

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

- ◆ At any time of the year, it may make the verifications and checks that it considers appropriate and obtain the documents it considers useful in performance of its assignment.
- ◆ This checking process is independent of the one incumbent on the auditors. It bears not only on the regularity of the accounts, but also on the opportuneness of the management acts carried out by the Executive Board without any interference in its management.

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.

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 semiannual financial statements, the semiannual management report and the management document forecasts are also presented at one of the said meetings. Other meetings may be held if the Executive Board so requests in order to obtain authorisations from the Supervisory Board, or if one of the Board member considers this opportune.

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

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

- ◆ Consideration by the Supervisory Board members of the quarterly reports submitted regularly by the Executive Board pursuant to the legal provisions (article L 225-68 of the Code of Commerce) and the articles of incorporation (article 16-2 of the articles);
- ◆ Consideration by the Supervisory Board meetings of the semiannual management reports submitted by the Executive Board every year between the end of the first half of the financial year and October 31;
- ◆ Consideration twice a year by the Supervisory Board members of the management forecast documents;

- ◆ Quarterly meeting of the Supervisory Board. Presentation of its quarterly report by the Executive Board, followed by a question and answer session at which each person present requests the explanations and details that he wishes to obtain;
- ◆ Twice a year meeting of the Supervisory Board in the presence of the Executive Board for purposes of presentation of the management forecast documents and of the report by the Executive Board analysing the said documents, a presentation that is followed by a question and answer session at which each person present requests the explanations and details that he wishes to obtain;
- ◆ Annual meeting of the Supervisory Board in the Executive Board's presence for purposes of presentation of its annual report by the Executive Board, a presentation that is followed by a question and answer session at which each person present requests the explanations and details that he wishes to obtain;
- ◆ Meetings and occasional contacts with the Executive Board members.

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

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

The Executive Board consults the Board regularly before any major decision (in the last two financial years, the events affecting the capital (reduction of the par value, capital increase...), opening or closing of establishments or of subsidiaries (closing of the Lille and Sophia agencies, opening of the subsidiary in Morocco, optional employee profit-sharing or the allocation of BSPCE (bons de souscription de parts de créateurs d'entreprise), for instance, were the object of advance consultation of the Supervisory Board by the Executive Board before the projects in question were actually launched.

### ***INTERNAL CONTROL PROCEDURES INSTALLED BY THE COMPANY***

#### ***I. Objectives of the SQLI internal control***

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

- ◆ on one hand, to see to it that the management acts or execution of operations as well as individual behaviour fall within the framework defined by the guidelines provided for the company's activities by the business organs, under the applicable laws, rules and regulations, and by the values, standards and rules internal to the business;
- ◆ on the other hand, to make sure that the accounting, financial and management information communicated to the company's business organs accurately reflects the company's activity and situation.

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

#### ***II. Presentation of the internal control organisation installed***

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

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

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

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

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

#### **A) 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<sup>2</sup>

#### Relationships with the customers:

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

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<sup>2</sup> 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).

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 €uros excluding taxes, after advance approval by the Executive Board of the purchasing commitment.***

Represent the Company at hearings in the Commercial Courts.

Relationships with the employees:

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

:

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

Various:

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

**B) Administrative organisation, particularly as concerns development and handling of the financial and accounting information**

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

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

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

Means applied: about 11 persons

The agencies manage the following functions:

- Sales administration
- Personnel management

Means applied: 10 assistants

The systems used are as follows:

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

### **C) 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.

#### ***Changeover to the IFRS:***

Only the application of the IFRS 2 standard called « Payments in shares » leads to significant adjustments by comparison with the accounting principles now followed by our Group.

The company indicated in its appendix to the consolidated financial statements for 2004 the impact both on opening and closing shareholders' equity and on the income statement, of application of the said IFRS 2 standard.

As to the opening and closing 2004 balance sheets restated to reflect the IFRS standards, the company will communicate them at the time of publication of its consolidated semiannual financial statements for 2005 after they have been closed out by the executive board.

***Customer sales cycle:***

↳ Acknowledgement of turnover

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

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

↳ Customer risk

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

↳ Follow-up on payment deadlines

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

***Supplier purchasing cycle:***

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

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

***Personnel payroll cycle:***

Hirings are done by the agency managers after approval by the Executive Board. Arriving and departing staff are monitored in a real-time Web application. The variable pay elements are proposed by the agency manager and are the object of approval by an Executive Board



member. The payroll is managed at the registered office and is the object of monthly validation by each department head (the agencies are divided into "Business Units", departments constituting elementary profit centres for which a manager reporting to the agency manager is responsible).

***Cash management:***

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

***Other risks:***

- ↳ Computer risk

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

- ↳ Legal liability of the company and of its senior managers

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

***Internal auditing players:***

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

***Relationship with the auditors:***

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

The Chairman of the Supervisory Board  
Jean Rouveyrol

**7.1.4 AUDITORS' SPECIAL REPORT CONCERNING THE REPORT ON INTERNAL CONTROL BY THE CHAIRMAN OF THE SUPERVISORY BOARD**

***AUDITORS' REPORT***

Established in application of the last paragraph of article L.225-235 of the Code of Commerce, on the report by the Chairman of the Supervisory Board of SQLI company, with respect to the internal control procedures relative to development and processing of the accounting and financial information

**Financial year ending on 31 December 2004**

To the shareholders:

As auditors of SQLI company and in application of the provisions of the last paragraph of article L.225-235 of the Code of Commerce, we hereby present our report to you on the report established by the Chairman of your company's Supervisory Board pursuant to the provisions of article L.225-68 of the Code of Commerce for the financial year ending on 31 December 2004;

On the Supervisory Board's responsibility, it is up to the management to define and implement adequate and effective internal control procedures. It is up to the Chairman to indicate in his report, in particular, the conditions regarding preparation and organisation of the work done by the Supervisory Board and the internal control procedures installed within the company.

It is up to us to provide you with the remarks called for on our part by the information given in the Chairman's report concerning the internal control procedures relative to development and processing of the accounting and financial information.

We have performed our work in accordance with the professional standards applicable in France, which require us to perform the necessary procedures to verify that the information provided to us in the Chairman's report concerning the internal control procedures relative to development and to processing of the accounting and financial information(?). Those steps consist in particular of the following:

- familiarise ourselves with the objectives and general organisation of internal control relative to the development and processing of the accounting and financial information presented in the Chairman's report;
- familiarise ourselves with the work underlying the information provided in this way in the report.

On the basis of this work, we have no remarks to make concerning the information provided about the company's internal control procedures relative to the development and processing of the accounting and financial information contained in the report by the Chairman of the Supervisory Board established in application of the provisions of the last paragraph of article L.225-68 of the Code of Commerce.

Paris, 15 April 2005

The Statutory Auditors

CONSTANTIN ASSOCIES

FIDUCIAIRE DE LA TOUR

Jean-Marc BASTIER

Jean-Pierre PAUMARD

## **7.2 COMPOSITION AND OPERATION OF THE COMMITTEES**

The supervisory board met on four occasions during financial year 2004, the independent members being present for each meeting.

### ***Compensation committee***

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, a member of the supervisory board, Hervé de Beublain, permanent representative of FD5 on the supervisory board, and Jean Rouveyrol, Chairman of the supervisory board.

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 met on several occasions during financial year 2004 to carry out its assignment, and it submitted its recommendations to the supervisory board before any modification of the remuneration paid to members of the executive board or allocation to them of business creator equity warrants.

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

The Supervisory Board made the following checks in order to assure itself of the effectiveness of the Group's internal auditing:

- Review of the internal control organisation installed, particularly as concerns the following points:

- ↳ the powers of the Executive Board and the delegations granted by it;
- ↳ the company's administrative organisation, particularly concerning the development and processing of the financial and accounting information;

↳ internal control

Moreover the members of the supervisory board maintained regular contacts with the auditors.

### 7.3 SENIOR MANAGERS WHO ARE AUTHORISED AGENTS

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

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

Name of the authorised agents	Mandates or functions	Amount of total compensation paid by SQLI	Total amount of benefits of all kinds paid by SQLI	Amount of total compensation and of benefits of all kinds paid by companies controlled by SQLI
<b>Members of the Supervisory Board</b>				
Jean Rouveyrol	Chairman of the Supervisory Board	0	0	0
	Salary of the financial communication manager	16,951	1,031	0
Roland Fitoussis	Deputy Chairman of the Supervisory Board	7000	0	0
FD5	Supervisory Board member	7000	0	0
Dominique Chambas	Supervisory Board member	7000	0	0
Bernard Jacon	Supervisory Board member	0	0	0
Marc Bucaille	Supervisory Board member	0	0	0
<b>Members of the Executive Board</b>				
Yahya El Mir	Chairman of the Executive Board	166.770	7.392	0
Bruno Leyssene	Executive Board member	140.718	7.554	0
Nicolas Rebours	Executive Board member	0	0	0
	Employment contract Chief Administrative and Financial Officer	136.618	3.241	0

The subscription options and the business creator equity warrants allocated to the authorised agents are presented in chapter 7.4.2.

Measures adopted in order to evaluate the Executive Board or measures planned for that purpose: in addition to installation of variable compensation in 2003 depending on the extent to which quantitative objectives are reached, the Supervisory Board regularly rates the Executive Board on the basis of the objectives presented by it and of the realisation reports.

The Supervisory Board laid down the rules regarding determination of the variable part of the compensation paid to the senior managers for financial year 2004, summed up in the following table:

Period	Level 1	Level 2
1 <sup>st</sup> half net income	If net income greater than 2% of consolidated turnover	If net income greater than 3% of consolidated turnover
Variable amount allocated to each Member	1.5% of Net Income	20,000€ Yahya el Mir 10,000€ Bruno Leyssene 5,000€ Nicolas Rebours
2 <sup>nd</sup> half net income	If net income greater	If net income greater than

	than 2.8% of consolidated turnover	5% of consolidated turnover
Variable amount allocated to each Member	1.5% du Résultat Net	20,000€ Yahya el Mir 10,000€ Bruno Leyssene 5,000€ Nicolas Rebours

All of the set objectives were reached.

You will find a description of the Supervisory Board's operation in the attached report by the Chairman of the Supervisory Board reporting on the conditions regarding preparation and organisation of the board's work as well as the internal control procedures installed by the company. That report is included in chapter 7.1.3 of the present reference document.

## **7.4 THE LEADING TEN EMPLOYEES NOT AUTHORISED AGENTS**

### **7.4.1 CERTIFICATION OF THE AMOUNT OF COMPENSATION**

#### ***FINANCIAL YEAR 2004***

S.A. SQLI

I the undersigned hereby certify, in application of the requirements laid down in article L 225-15 of the Code of Commerce and article 139 of the decree of 23 March 1967,

that the total amount of compensation, direct or indirect, paid to the ten most highly paid persons of our company amounted to the following for financial year 2004:

**1,086,870.97 Euros**

The present certification must be made available to the shareholders at the head office at least two weeks before the Annual Ordinary Shareholders' Meeting.

Saint Denis, 15 April 2005.

Yayha El Mir  
Executive Board Chairman

This attestation certified by the auditors concerning the ten most highly paid persons, independently of their status.

**7.4.2 SPECIAL REPORT BY THE EXECUTIVE BOARD CONCERNING THE STOCK OPTIONS**

Ladies and gentlemen,

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

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

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

**1. GENERAL TABLE CONCERNING SHARE SUBSCRIPTION OPTIONS**

<b>Stock options allocated during financial years 2000 to June 2004</b>			
	<b>Plan n°1</b>	<b>Plan n°2</b>	<b>Plan n°3</b>
Meeting date	21 March 2000	21 March 2000	21 March 2000
Date of the Board of Directors' meeting	4 July 2000	27 November 2000	27 July 2001
Total number of stock options allocated and adjustments made (2)	37,556 at the outset including 6,031 lapsed, making 31,525 unexpired adjusted to 33,734 on 29 December 2003	22,955 at the outset including 21,350 lapsed, making 1,605 unexpired adjusted to 1,717 on 29 December 2003	317,650 at the outset including 39,503 lapsed, making 278,147 unexpired adjusted to 297,504 on 29 December 2003
<b>Including:</b> number of shares able to be acquired by the company's authorised agents	0	0	0
Start of the right to exercise the allocated stock options	5 July 2005	28 November 2005	28 July 2006
Date of expiration of the stock options	4 July 2007	27 November 2007	27 July 2008
Exercise price of the stock options (2)	5 € at the outset adjusted to 4.675€ on 29 December 2003	8.08185€ at the outset adjusted to 7.556€ on 29 December 2003	2.3885€ at the outset adjusted to 2.233€ on 29 December 2003
Procedures for exercise of the stock options	The exercise right is acquired by annual tranches (2000, 2001 and 2002)	None	None
<b>Stock options exercised during financial years 2000 to 2004:</b> No options were exercised during those financial years			
<b>Stock options cancelled during financial years 2000 to 2004:</b>			
Total number of cancelled stock options (1)	6,031 before the adjustment of 29 December 2003, then 11,230 in 2004	21,350 before the adjustment of 29 December 2003 then 535 in 2004	39,503 before the adjustment of 29 December 2003 then 50,056 in 2004
<b>Stock options yet to be allocated on 31 December 2004:</b> 11,912			

<sup>1</sup> This relates to options allocated but that are known to be unexercisable.

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



**2. DETAILED TABLE CONCERNING SHARE SUBSCRIPTION OPTIONS**

<b>Stock options allocated during financial year 2000 to each of the ten company employees, not authorised agents, receiving the highest number of stock options in this way:</b>				
	<b>Number</b>	<b>Expiration date</b>	<b>Price</b>	<b>Plan N°</b>
Ahmed El Mouafik	15,000	27 November 2007	8,08185 Euros	N°2
Nestor Cachaldora	5,000	27 November 2007	8,08185 Euros	N°2
Manuel Ferly	3,314	4 July 2007	5 Euros	N°1
Stéphane Bordage	3,314	4 July 2007	5 Euros	N°1
Riadh Hadj-Azame	2,762	4 July 2007	5 Euros	N°1
Xavier Perrin	2,762	4 July 2007	5 Euros	N°1
Fabien Versavau	2,430	4 July 2007	5 Euros	N°1
Laurent Couraudon	2,430	4 July 2007	5 Euros	N°1
Sylvie Aubin	2,430	4 July 2007	5 Euros	N°1
Stéphane Donic	1,988	4 July 2007	5 Euros	N°1
Vincent Graf	1,988	4 July 2007	5 Euros	N°1
Jean-Michel Houdart	1,988	4 July 2007	5 Euros	N°1
Didier Livron	1,879	4 July 2007	5 Euros	N°1
<b>Stock options allocated during financial year 2001 to each of the ten company employees, not authorised agents, receiving the highest number of stock options in this way:</b>				
	<b>Number</b>	<b>Expiration date</b>	<b>Price</b>	<b>Plan N°</b>
Salim Aboura	23,000	27 July 2008	2.3885 Euros	N°3
Mohcine Benchekroune	10,000	27 July 2008	2.3885 Euros	N°3
Didier Leclere	10,000	27 July 2008	2.3885 Euros	N°3
Omar Mrani	10,000	27 July 2008	2.3885 Euros	N°3
Loic Burdin	9,000	27 July 2008	2.3885 Euros	N°3
Eric Galtier	8,500	27 July 2008	2.3885 Euros	N°3
David Bannerot	8,000	27 July 2008	2.3885 Euros	N°3
Bertrand Guillin	8,000	27 July 2008	2.3885 Euros	N°3
Christian Hartz	8,000	27 July 2008	2.3885 Euros	N°3
Tanguy Roche	8,000	27 July 2008	2.3885 Euros	N°3
<b>Stock options allocated during financial years 2002 and 2004 to each of the ten company employees, not authorised agents, receiving the highest number of stock options in this way: None</b>				

**3. GENERAL TABLE CONCERNING THE BSPCE STOCK OPTIONS**

<b>BSPCE allocated during financial years 2000 to 2004</b>			
	<b>Plan n°1</b>	<b>Plan n°2</b>	<b>Plan n°4</b>
Date of the meeting	21 March 2000	6 July 2000	30 June 2003
Date of the meeting of the Board of Directors or of the Executive Board	29 September and 27 November 2000	29 September and 27 November 2000	25 July 2003 and 22 September 2003
Total number of BSPCE authorised <sup>1</sup>	1,197,000	362,221	1,000,000
Of which: Number of shares able to be subscribed to by the corporate officers of the company	149,386	34,640	190,000
Number of options allocated	1,197,000	362,221	955,000
Start of exercise of the options	1 <sup>er</sup> October 2002	29 September or 27 November 2003, depending on the date of the Board of Directors' meeting	23 September 2003 for 100,000 options 25 July 2004 for 855,000 options
Expiry date of share subscription options	29 September 2005	29 September or 27 November 2005, depending on the date of the Board of Directors' meeting	24 July 2008
Exercise price of share subscription options	1.07 €	5 €	0.46 €
Methods of exercising share subscription options	The exercising right is acquired by annual tranches (1999, 2000 and 2001)	None	The exercising right is acquired by annual tranches (2004, 2005 and 2006) for 855,000 options and is immediate for 100,000 options
Total number of lapsed options	142,364	134,334	70,000
Number of warrants exercised	374,377	0	28,000

Plan n°3 submitted to the shareholders' meeting held on 26 June 2002 was not the object of any allocation as of 30 June 2003, and therefore lapsed on that date.

<sup>1</sup> The beneficiaries of the BSPCE stock options allocated prior to the capital increase put through on 29 December 2003 (plan 1, 2 and 4) will be entitled to subscribe to one new share at a price of 0.8€ for four shares created by exercise of the equity warrants.

<b>BSPCE allocated during financial years 2000 to 2004</b>		
	<b>Plan n°5</b>	<b>Plan n°6</b>
<ul style="list-style-type: none"> <li>• Date of the meeting</li> </ul>	30 June 2003	10 June 2004
<ul style="list-style-type: none"> <li>• Date of the meeting of the Board of Directors or of the Executive Board</li> </ul>	29 March 2004	Supervisory Board Meeting of 29 September 2004 Executive Board meeting of 29 September 2004
Total number of BSPCE authorised	45,000 (solde du plan n°4)	1,660,000
Of which: Number of shares able to be subscribed to by the corporate officers of the company	0	760,000
Number of options allocated	45,000	1,639,000
Start of exercise of the options	29 March 2005	29 Sept 2004 for 160,000 22 March 2005 for 395,671 29 Sept 2005 for 97,336
Expiry date of share subscription options	29 March 2009	28 September 2009
Exercise price of share subscription options	1.2190 €	1.2755 €
Methods of exercising share subscription options	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 tranche of 1/3 conditional on reaching consolidated operating profit objectives for financial years 2004 to 2006
Total number of lapsed options	0	0
Number of warrants exercised	0	0

**4. 4. DETAILED TABLE CONCERNING BSPCE**

<b>Business creator equity warrants allocated between 2000 and 2004 to authorised agents and not exercised.</b>				
	<b>Number</b>	<b>Expiry Dates</b>	<b>Price</b>	<b>No. of the scheme</b>
Bruno Leyssene	51,930	29 September 2005	1.07 Euros	N°1
Bruno Leyssene	70,000	24 July 2008	0.46 Euros	N°4
Bruno Leyssene	180,000	28 September 2009	1.2755 Euros	N°6
Yahya El Mir	34,640	27 November 2005	5 Euros	N°2
Yahya El Mir	35,000	24 July 2008	0.46 Euros	N° 4
Yahya El Mir	400,000	28 September 2009	1.2755 Euros	N°6
Nicolas Rebours	62,000	24 July 2008	0.46 Euros	N° 4
Nicolas Rebours	180,000	28 September 2009	1.2755 Euros	N°6
<b>Balance of the business creator equity warrants yet to be exercised, allocated during financial years 2000 to 2004 to each of the ten company employees not authorised agents whose number of warrants allocated in this way is the highest:</b>				
	<b>Number</b>	<b>Expiry Dates</b>	<b>Price</b>	<b>No. of the scheme</b>
Eric Chanal	61.930	29 September 2005	1.07 Euros	N°1
Eric Chanal	40.000	24 July 2008	0.46 Euros	N° 4
Eric Chanal	40.000	28 September 2009	1.2755 Euros	N°6
Didier Benet	40.930	29 September 2005	1.07 Euros	N°1
Didier Benet	40.000	24 July 2008	0.46 Euros	N° 4
Didier Benet	40.000	28 September 2009	1.2755 Euros	N°6
Salim Aboura	48.947	29 September 2005	1.07 Euros	N°1
Salim Aboura	70.000	24 July 2008	0.46 Euros	N° 4
Salim Aboura	10.000	28 September 2009	1.2755 Euros	N°6
Eric Galtier	50.000	24 July 2008	0.46 Euros	N° 4
Eric Galtier	40.000	28 September 2009	1.2755 Euros	N°6
Emmanuel Bouchet	10.000	29 September 2005	1.07 Euros	N°1
Emmanuel Bouchet	20.000	24 July 2008	0.46 Euros	N° 4
Emmanuel Bouchet	13.000	29 March 2009	1.219 Euros	N°5
Emmanuel Bouchet	40.000	28 September 2009	1.2755 Euros	N°6
Lionel Cabon	40.000	24 July 2008	0.46 Euros	N° 4
Lionel Cabon	40.000	28 September 2009	1.2755 Euros	N°6
Omar Mrani	40.000	24 July 2008	0.46 Euros	N° 4
Omar Mrani	40.000	28 September 2009	1.2755 Euros	N°6
Virginie Irsh	32.000	29 March 2009	1.219 Euros	N°5
Virginie Irsh	40.000	28 September 2009	1.2755 Euros	N°6
Alain Lepine	34.474	29 September 2005	1.07 Euros	N°1
Alain Lepine	10.000	24 July 2008	0.46 Euros	N° 4
Alain Lepine	20.000	28 September 2009	1.2755 Euros	N°6
Frédéric Bon	63.644	29 September 2005	1.07 Euros	N°1

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

The Executive Board

## **7.5 CONVENTIONS REGLEMENTEES**

CONSTANTIN ASSOCIES  
26, rue de Marignan  
75008 - PARIS

FIDUCIAIRE DE LA TOUR  
28, rue Ginoux  
75015 - PARIS

*SQLI*

*SPECIAL STATUTORY*

*AUDITORS REPORT*

*ON CONTRACTUAL AGREEMENTS*

*AS OF THE END*

*OF THE FINANCIAL YEAR 31 DECEMBER 2004*

Mr Chairman,  
Sir, Madam,

In our capacity as statutory auditors of your Company, we hereby present you our report on the contractual agreements.

### **7.5.1 AGREEMENTS AUTHORISED DURING THE FINANCIAL YEAR**

In application of article L225-88 of the French Commercial code, we have been advised of the agreements which were authorised before your Supervisory Board.

We are not required to ascertain whether any other contractual agreements exist, but to inform you, on the basis of the information provided to us, of the terms and conditions of agreements indicated to us. It is not our role to comment as to whether they are beneficial or appropriate. It is your responsibility, under the terms of article 117 of the 23 March 1967 Decree, to evaluate the benefits resulting from these agreements prior to their approval.

We conducted our work in accordance with professional standards applicable in France. These standards require us to perform the necessary procedures to verify that the information provided to us is consistent with the documentation from which it has been extracted.

**I – Allocation of "parts d'entreprise" warrants to the members of the Executive Board**

Nature and purpose

Allocation of "parts de créateurs d'entreprises" warrants to members of the Executive Board.

Procedures

Authorisation by the Supervisory Board on 28 September 2004 of allocation of:

1. 160,000 BCE broken down as follows, without any performance condition:

- ↪ 100,000 warrants to Mr Yahya EL MIR, Executive Board Chairman
- ↪ 30,000 warrants to Mr Bruno LEYSSENE, Executive Board Member
- ↪ 30,000 warrants to Mr Nicolas REBOURS, Executive Board Member

2,600,000 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:

- ↪ 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

The exercise price of the warrants is 1.2755 Euros.

For 2004, 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

**II - Trademark licensing contract with SQLI Suisse for an annual fee of 3.5% of turnover excluding taxes**

Nature and purpose

Installation of a trademark licensing contract between SQLI and SQLI Switzerland use of the SQLI trademark.

Procedures.

The fee rate was set at 3.5% of turnover excluding taxes. It can be contractually reviewed by the parties. Any modification of the said rate is to be the object of a new advance authorisation by the Supervisory Board.

Amount excluding taxes for financial year 2004: 237,065 Euros.

Member concerned  
Mr Yahya EL MIR

**III - Technology licensing contract with SQLI Switzerland for an annual fee of 3.5% of turnover excluding taxes**

Nature and purpose

Installation of a licensing contract for use of technology between SQLI and SQLI Switzerland.

Procedures.

The fee rate, set at 3.5% of turnover excluding taxes, was the object of advance authorisation by the Supervisory Board on 24 November 2004.

Amount excluding taxes for financial year: 2004: 237,065 Euros.

Member concerned

Mr Yahya EL MIR

**IV - Rider to the intragroup cash management convention signed by SQLI with the companies SUDISIM SA, SQLI Suisse SA, TECHMETRIX Inc, ABCIAL SA, CARI SARL and SQLI MAROC SA, modifying the remuneration rate for the intragroup current accounts**

Nature and purpose

An intragroup current account convention was authorised by the Board of Directors' meeting held on 27 November 2000 and was established on 29 December 2000 between SQLI and its subsidiaries.

The interest rate, previously set at 2.30% was reduced to 2.20% for the subsidiaries with the exception of SQLI Suisse (2.50%) pursuant to a decision made by the Supervisory Board on 24 November 2004. Those rates correspond to the average of the 12-month EURIBOR rates for France and to the minimum rate accepted in Switzerland for taxation purposes on an annual basis.

Procedures

The balances in the current accounts on 31 December 2004 with the various Group companies are indicated in the tables given below.

Your company accounted for as an expense, in the financial year of 2004, the following amounts:

Companies	Amount of interest in Euros	Current account balances in Euros
ABCIAL	9,859.45	485,498.84



CARI	5,882.24	243,687.82
MAROC	2,460.24	99,652.20

Your company accounted for as an expense, in the financial year of 2003, the following amounts:

Companies	Amount of interest in Euros	Current account balances in Euros
SUDISIM	10,461.15	-580,700.33
SQLI CH	45,695.25	-2,377,743.77

### Members concerned

Mr Jean ROUVEYROL  
Mr Yahya EL MIR  
Mr Bruno LEYSSENE  
Mr Nicolas REBOURS

### **7.5.2 AGREEMENTS APPROVED DURING PREVIOUS FINANCIAL YEARS WHICH ARE ONGOING IN THE COURSE OF THIS FINANCIAL YEAR**

Otherwise, in application of the 23 March 1967 Decree, we have been informed that the agreements approved during the previous financial years have been ongoing during the course of the last financial year.

#### **I - Conditions regarding indemnification of Mr Yahya EL MIR and of Mr Bruno LEYSSENE in case of their removal as Executive Board members**

##### ***1. Conclusion of an insurance contract of the Social Guarantee type for the business leader by your company***

#### Nature and purpose

Conclusion of a GSC insurance contract in order to provide them with allowances equivalent to the ASSEDIC allowances insofar as their employment contract is suspended because of their appointment as Executive Board members.

#### Procedures

Payment of a bonus of 3,650 Euros per year to Mr Yahya EL MIR and 3 416 Euros per year to Mr Bruno LEYSSENE..

##### ***2. Additional indemnification***

#### Nature and purpose

L company will also pay, to Mr Yahya EL MIR and/or Mr Bruno LEYSSENE, an amount of 75,000 Euros net in case they are removed as Executive Board members, as indemnities, whatever the time of the said removal may be.

#### **II - SQLI bail bond with Factobail**

#### Nature and purpose

SQLI has a bail bond for its ABCIAL subsidiary for all sums this company might owe to FACTOBAIL at the end of a factoring contract. This agreement is limited to a maximum amount of 300,000 Euros, pursuant to a decision of 1 October 2002.

As of 31 December 2004 the commitment comes to 150,000 Euros.

**III – Agreement on the Provision of Services**

**Price Transfer Agreement**

Nature and purpose

An agreement on the provision of services called “Price Transfer Agreement” has been established between SQLI and its subsidiaries in 2000, authorised by the Board of Directors on 27 November 2000.

This agreement sets down the principle of exhaustive invoicing between the companies of the Group for services carried out for the benefit of another company of the Group.

Terms and Conditions

In 2004, your company billed its subsidiaries for the following amounts:

Companies	Amounts (pre-tax) in Euros
ABCIAL	211,715.14
SQLI CH	1,107,887.70

In 2004, your company recorded the following invoices sent to it by its subsidiaries:

Companies	Amounts (pre-tax) in Euros
ABCIAL	1,472,573.13
SQLI CH	5,204.00
SQLI MAROC	227,926.16

**Convention concerning invoicing of the subsidiaries for central services**

Nature and purpose

Your company, which takes responsibility for the management of central services (Human Resources, management control, accounting, marketing, communication,...) invoices the relevant subsidiaries for their proportion of these expenses.

Procedures

In 2004, your company invoiced the following amounts:

Companies	Amounts (pre-tax) in Euros
ABCIAL	117,960
SQLI CH	405,677

**IV – Lease Management Agreement with SUDISIM**

Nature and purpose

On 27 November 2000, your Board of Directors authorised the signing of a lease management agreement between SQLI and SUDISIM for an amount of 44,210.21 Euros.

A lease management agreement between SQLI and SUDISIM has been set up with effect from 1 January 2000 and will finish on 31 December 2009.

Procedures

The annual rent, before tax, is made up of:

- ↳ a fixed sum of 18,293.88 Euros,
- ↳ a variable sum corresponding to 1% of revenues.

For 2004, this comes to a total of 67,674 Euros before tax.

**V – Lease Management Agreement with ABCIAL**

Nature and purpose

A lease management agreement has been set up between SQLI and its subsidiary ABCIAL concerning the Lyon premises starting on 1 January 2001 and finishing on 31 December 2010.

This company's business activities are: Studies, consultancies, and IT training.

Procedures

The annual rent, before tax, comes to:

- ↳ a fixed sum of 13 720 Euros which ABCIAL must pay to SQLI on 31 December each year,
- ↳ a variable sum corresponding to 1% of the year's revenues payable on 31 December each year.

For 2003, this comes to a total of 27,394 Euros before tax.

**VI - Mr LEFEBVRE's current account**

Nature and purpose

The interest rate payable on the current account is 4.58% per year. This rate is tax deductible for the financial year ended 31 December 2004.

Procedures

On 31 December 2004, the current account balance stood at 2,280.99 Euros.

The interest paid by your company during the course of 2004, amounted to 99.89 Euros.

**VII – Surety for SQLI MAROC with a view to rental of a car**

Nature and object

SQLI company agreed to act as guarantor on behalf of SQLI MAROC for long-term rental of a vehicle.

Procedures

Type of vehicle: XSARA PICASSO

Duration of rental: 36 months  
Rental company: ARVAL PHH  
Amount of monthly rental excluding taxes: 4,915.86 DRH H.T.  
Beginning of rental: 2004

Members concerned

Mr Yahya EL MIR  
Mr Bruno LEYSSENE  
Mr Nicolas REBOURS

We would also like to present our report on those agreements subject to article L 255-90 of the French Commercial Code.

In application of article L.255-240 of this Code, we would like to point out to you that this agreement has not been authorised beforehand by your Supervisory Board.

It is our duty therefore, on the basis of the information that has been given to us, to communicate to you the nature and the terms and conditions of this agreement as well as the circumstances as to why the authorisation procedure was not followed. It is not our role to comment as to whether they are beneficial or appropriate. It is your responsibility, under the terms of article 117 of the 23 March 1967 Decree, to evaluate the benefits resulting from this agreement prior to its approval.

We conducted our work in accordance with professional standards applicable in France. These standards require us to perform the necessary procedures to verify that the information provided to us is consistent with the documentation from which it has been extracted.

**Ratification of a convention mentioned in article L.225-90 and not previously authorised, namely, a rider to Mr Jean ROUVEYROL's employment contract reducing his compensation**

Nature and purpose

The company calls on Mr Jean ROUVEYROL's services under an employment contract as "Chargé de mission" in connection with the topic of sustainable development.

Terms and Conditions

Conclusion of an employment contract with the company was previously authorised. Mr Jean ROUVEYROL, previously remunerated as Chairman of the Supervisory Board, has not received any further remuneration in connection with his mandate since 1 October 2002.

During financial year 2004, your Chairman decided to reduce his remuneration, without advance authorisation.

His compensation, including benefits in kind, came to 17,982 Euros.

Member concerned

Jean ROUVEYROL

Paris, 15 April 2005

The Statutory Auditors

CONSTANTIN ASSOCIES

J.M. BASTIER

FIDUCIAIRE DE LA TOUR

J.P. PAUMARD

## 8 RECENT CHANGES AND PROSPECTS

### 8.1 RECENT CHANGES

#### 8.1.1 FINANCIAL COMMUNIQUÉ DATED 5 JANUARY 2005

##### *Project for takeover of LNET MULTIMEDIA*

##### *Strengthening in Morocco and in the West region*

SQLI group announced that on 17 December 2004, it offered its support for the plan for continuation of the activities carried on by the company LNET MULTIMEDIA, presented by the 2 co-managers to the Court of Appeals of Nantes. Within the framework of that plan, SQLI plans, after the acquisition of all holdings of the company's present partners for one symbolic euro, to inject 0.2 M€ into LNET MULTIMEDIA in the form of a capital increase.

LNET MULTIMEDIA company is based in France, in Poitiers and Nantes, and in Casablanca, Morocco. With 30 employees, LNET MULTIMEDIA group should post turnover in 2004 on the order of 1.4M€, and since 1995 it has relied on its strong expertise in internet technologies.

This acquisition is of a triple strategic interest by enabling SQLI:

- To speed up development of its Moroccan entity by integrating a team of 12 trained and experienced employees, moreover having a strong commercial establishment among the main local principals (ONA group, OCP, SOTORAM, Méditel, Caisse de Dépôt et de Gestion, Loterie Nationale... ). With this deal, SQLI will be relying as of 2005 on a team of more than 50 employees, thus greatly strengthening its ability to take charge, in Morocco, of part of the technological developments of projects delivered in France while benefiting from a leverage effect on a fast-growing local market.

- To strengthen its commercial presence in the West by regrouping its teams with the LNET MULTIMEDIA teams, bringing its staff in that region to 67 persons. While continuing to expand its meshwork on French territory in this way, SQLI is also acquiring some new prestigious customers thanks to this deal (Groupe PGA Motors, Giropharm, Futuroscope, Réseau CER, Crédit Agricole, Groupe Alexandre Hâtier (Hachette), Nathan, ...) as well as some local government units (Région Poitou-Charentes, Conseil Général de la Vienne, prefectures of Loire Atlantique, of the Loiret, of Maine et Loire...) and some consular chambers (CRCI de Bretagne, CRCI des Pays de la Loire, CCI d'Angers...).

- To round out the group's offering in the field of internet technologies, particularly with a reading comfort solution for the visually impaired and the blind, an offer relying on the SPIP Open Source software, and e-learning solution for the education and publishing sector, and a catalogue solution of on-line products for the medium-sized distribution sector.

This transaction, which will be submitted for approval by the Commercial Court of Nantes, should be finalised at the end of February 2005. It fits perfectly into the growth strategy pursued by SQLI, which is aimed at basing its development strongly, on one hand, on the growth of its network in France as a whole, and on the other hand on the increasing strength of its teams in Morocco. The CMM-I quality processes developed in SQLI group will also

facilitate the integration of LNET MULTIMEDIA and should enable that company to get back to profitability as of 2005.

SQLI will publish its 2004 sales figures on 15 February 2005.

### **8.1.2 FINANCIAL COMMUNIQUE DATED 16 MARCH 2005**

#### ***Acquisition of LNET MULTIMEDIA confirmed***

#### ***SQLI strengthens itself in Morocco and in Western France***

By a decision on March 9, the Commercial Court of Nantes approved the takeover by SQLI of LNET MULTIMEDIA company's activities in the form of a continuation plan. SQLI is acquiring the totality of the holdings of the in the LNET MULTIMEDIA capital in the form of a capital increase.

LNET MULTIMEDIA company is based in France, in Poitiers and Nantes, and in Casablanca, Morocco. LNET MULTIMEDIA group, w 30 employees, posted 2004 sales of 1.4 M€ and since 1995 has relied on strong expertise in the internet technologies.

SQLI will consolidate LNET MULTIMEDIA in its accounts starting on 1 March 2005. Some operational synergies will quickly be installed, particularly in Morocco, where SQLI is becoming an important local player with two establishments in Casablanca and Rabat and commercial relationships already established with the main local principals. In Western France, the LNET and SQLI teams will be grouped at one and the same site in Nantes. The LNET agency in Poitiers will also make it possible to speed development of the group's activities in the Poitou-Charentes region.

SQLI will also benefit from considerable commercial synergies with a strong development potential vis-à-vis the main LNET customers (Groupe PGA Motors, Giropharm, Réseau CER, Crédit Agricole, SEJER (Nathan Retz), groupe COFAQ), as it will not have the required resources and a broaden range of skills for handling these customers' various projects.

In addition, the high value added solution of reading comfort for persons with poor vision and the blind developed by LNET MULTIMEDIA will be distributed by all SQLI agencies, particularly to local governmental units within the framework of the new legislation connected with accessibility for the handicapped. In addition, LNET MULTIMEDIA also has strong skills in the open source SPIP software technology, developing strongly in the public sector.

All of these synergies should make a quick and successful integration possible of LNET Multimedia, which should at least break even as of 2005.

**SQLI group will issue its 2004 earnings report on 22 March 2005, after the market closes.**

### 8.1.3 FINANCIAL COMMUNIQUÉ OF 13 MAY 2005

*Continuation of dynamic growth: + 8,6% in the first quarter of 2005*

*2005 prospects confirmed*

M€	2004	2005	Variation
1 <sup>st</sup> quarter sales (unaudited figures)	11.6	12.6	+8.6%

SQLI group enjoyed a good beginning to the year 2005, in line with its expectations by generating growth of + 8.6 %, to 12.6 M€. On the basis of a constant perimeter, the organic growth comes to + 7.6 %, confirming the group's internal dynamism. The activity rate remained at a high level of 88.1 %.

This performance, representing more than a fourth of the group's annual objective, is perfectly in line with the group's development plan, which anticipates a gradual speed-up in its growth in the coming quarters.

To that end, SQLI group, as planned, emphasised in the first quarter the consolidation of its main growth sources and leverage effects, which will make it possible to improve margins. In particular, SQLI continued its CMM-I programme and should obtain level 3 certification in 2005. This means that SQLI will be able to capitalise on its lead in this field and pilot all package projects in CMM-I mode as of 2006. This strategy should enable the group to improve its margins in the medium term, while increasing customer satisfaction and loyalty.

While continuing distribution of its packaged trades offers (health, local authorities), SQLI is continuing to follow an active policy in this field by enriching its offerings with new trades solutions based on projects already successfully carried out by the group. Thus SQLI which have launched 3 new solutions before the end of June:

- The « accessibility » solution (bringing internet sites into conformity with the legal provisions concerning digital accessibility).
- The solution for « management of traceability of exposures to chemical products » (bringing industrial sites into conformity with decree n° 2001-97 of 1 February 2001).
- Decision-making tools solutions in open source mode on a buoyant market hailed by the customers.

In addition, SQLI is speeding up the deployment of its offshore centre in Rabat by implementing an ambitious recruitment policy aimed at doubling the size of its staff in Morocco. Thus staff should represent 60 to 70 employees at the end of 2005, about 10% of the group's total staff.

#### **2005 prospects confirmed**

On the basis of a financial year start in line with its expectations, SQLI is confirming its objective of increasing its business by at least 10% in 2005 while counting on improved margins for financial year 2005 as a whole compared with 2004.



After having acquired and successfully integrated Lnet Multimédia as of 1 March 2005, SQLI group intends to pursue its targeted acquisition policy in 2005, focusing its search efforts on structures characterised by high technological density that would complement the positioning held by SQLI group as an expert on new technologies.

SQLI will announce its sales figures for the 1<sup>st</sup> half of 2005 on August 10, after the market closes.

## **8.2 PROSPECTS**

At the beginning of the financial year, the group announced that it was setting a sales objective of 10% and expected a new improvement of margins for financial year 2005.

The group has maintained this target for increasing annual turnover after publication of its sales figures for the first quarter of 2005.

The group's three-year objectives, which were described at the time of presentation of the financial year 2004 results, are:

- reaching a sales level of 70 million euros, in terms of organic growth
- reaching a margin rate on the order of 10%

Moreover SQLI does not rule out external growth deals insofar as the activity of the target companies would strengthen the depth of the group's technological expertise, the projects under consideration are characterised by strong industrial synergies, and the contemplated transactions strengthen shareholders' equity.

## 9 GLOSSARY

### **BPR (Business Process Reengineering)**

Procedure analysis which enables tasks and operators to be redefined.

### **CMMI (Capability Maturity Model Integrated):**

CMM is a model which evaluates the capability of the organisation to improve the manner in which it manages, develops and changes software. It was designed by SEI (Software Engineering Institute), born of their experience and describes implementation practices to ensure that costs, deadlines and performance of the software developed are controlled.

### **CORBA (Common Object Request Broker Architecture)**

Intra-object communication software whose specifications were established by OMG which brings together more than 500 members..

### **Datamart (magasin de données)**

Datamart is a data centre which responds to all the characteristics of the datawarehouse, but with a restricted volume indicator meter. A datamart can also be built around a particular function (for example, management control), a precise subject (for example, promotion) or a reduced data granularity (for example, monthly consolidations of the last three years of the Ile-de-France region).

### **Datawarehouse (entrepôt de données)**

Data centre organised specifically to respond to decision making needs. Data from production sites are extracted, transformed and recorded in the datawarehouse to enable them to be analysed. Datawarehouse data is classed according to subject, integrated data, non-volatile data, and data aggregated in time and documented

### **Datawarehousing**

Group of IT tools, technical architectures and business organisations which is necessary for implementating a decision-making environment of the datawarehouse type.

### **DCE (Distributed Computing Environment)**

A development and working platform standardised by OSF supplying the different services inherent to a distributed system. The architecture is composed of 5 basic services.

### **DMZ (Demilitarized zone)**

This is the buffer area of a company's network which sits between the local network and the internet, behind the firewall, which corresponds to an intermediary network which groups together public services (HTTP, SMPT, FTP, DSN, etc.). Its aim is to avoid any direct connection with the internal network and to prevent any external attack from the Internet.

### **EAI**

EAI designs solutions and methods aimed at ensuring the integration of different components of the information system. It increases the flexibility and reduces the cost of maintaining inter-application interfaces.

**EIS (Executive Information System)**

Executive information system in the form of an automated spreadsheet which represent the essential indicators of a company's business immediately and synthetically. It enables the company to understand trends and identify setbacks.

**ETL (Extraction Transformation and loading)**

IT tool which extracts data from various sources (production databases, files, Internet, etc.) and tranforms and loads them into a datawarehouse.

**Flash**

Animation tool for Windows and Macintosh environments created by the Macromedia producer. It is used to set up animated and interactive graphics on websites as well as presentations or games. Flash animations are the only ones which are light enough to be transmitted on line. However, to be able to read them, the internet user must have additional application software (commonly known as a plug-in) which will enrich the functions of his navigator. It is very innovating by its possibilities to manipulate vectoral drawings, associated with time scales and sounds. Flash is a new form of artistic expression for graphics, animated drawings, videos and music.

**Framework**

Literally corresponds to the French words "charpente" or "ossature". For IT, it creates the framework in which an application will be inserted. For object orientated programming, it creates the software infrastructure which facilitates application design by using java class libraries or programme generators.

**J2EE (Java 2 Platform Enterprise Edition)**

A set of standards for companies' e-business platforms (application servers) based on the Java language.

**PGI (Progiciel de Gestion Intégré) ou ERP (Enterprise Resource Planning)**

**PGI (Progiciel de Gestion Intégré – Integrated Management Hardware) or ERP (Enterprise Resource Planning)**

A set of software which integrates the main functions necessary for flow management and company procedures (accountancy and finance, logistics, payroll and human resources, etc.) This software accesses common resources, in particular databases

**PKI (Public Key Infrastructure)**

System of numerical certificates used to check and authenticate the validity of parts involved in an electronic transaction. PKI is not yet standardised and is generally implemented by third-party bodies. PKI relies on the use of public key cryptography. This is an encryption key (sequence of symbols) stored in a directory which is accessible to all members of a network or an organisation, enabling messages to be sent in complete confidentiality to its sole owner, or authenticating the receipt of messages sent by this owner. A public key infrastructure can notably offer private life protection services, information access control, integrity, and authentication and non-repudiation services for IT applications and electronic trade transactions.

**SDP**

Project management and monitoring tool developed by the SQLI Group. This tool enables a project to be split up into phases and tasks, defining their assignment, monitoring their implementation and having a detailed project progress report.

### **TCM**

A tool for formalising management and monitoring unit, business and integration tests developed by the SQLI group for controlling the quality of software of these projects.

### **XML (eXtensible Markup Language)**

Data description standards defined by W3C. An upgrade of the SGML language, XML enables HTML document designers to define their own markers, so as to personalise the structure of the data that they want to present. While HTML specifies how the page elements are presented, XML defines what those elements contain.