

DOCUMENT DE
REFERENCE 2016



Connected Business Stories



This reference document was submitted to the Financial Markets Authority on 27 April 2017, pursuant to article 212-3 of the FMA General Rules and Regulations. It may be used in support of a financial transaction only if it is supplemented by an operation note approved by the Financial Markets Authority. The document has been signed by the issuer and commits the signatories.

The reference document also serves as the company annual financial report (AFR). A table of concordance including the information requested by this document is enclosed in Appendix 2 *"Table of concordance with the annual financial report"*.

Copies of the present reference document can be found free of charge:

- at SQLI headquarters;
- on SQLI website (www.sqli.com);
- on the French FMA website (www.amf-france.org).

Pursuant to article 28 of the EU Regulation CE N°809/2004 of the European Commission, the following information is included in this reference document:

- The consolidated accounts and related reports of the statutory auditors for years ending on 31 December 2015 and 31 December 2016, both included pages 165 to 197 and 201 to 202 of the Reference Document submitted to the FMA under number D.15-0439 on 30 April 2015 and pages 165 to 194 and 198 to 199 of the Reference Document submitted to the FMA under number D.16-0420 on 27 April 2016;
- The consolidated accounts and related reports of the statutory auditors for years ending on 31 December 2015 and 31 December 2016, both included pages 137 to 164 and 198 to 200 of the Reference Document submitted to the FMA under number D.15-0439 on 30 April 2015 and pages 137 to 164 and 195 to 197 of the Reference Document submitted to the FMA under number D.16-0420 on 27 April 2016;

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CHAPTER 1. PERSON IN CHARGE

1.1. DESIGNATION OF THE PERSON IN CHARGE

Monsieur Didier FAUQUE, Chief Executive Officer, is the person in charge of the Reference Document.

Monsieur Didier FAUQUE, Chief Executive Officer

SQLI - 268, avenue du Président Wilson - 93210 La Plaine Saint-Denis

Tel : 01 55 93 26 00 - Fax: 01 55 93 26 01

1.2. DECLARATION OF THE PERSON IN CHARGE

After having taken all reasonable measure to this end, I attest that the pieces of information presented in this reference document fairly reflect the current situation and I certify that no information likely to have a material impact on the interpretation of this document has been omitted.

I attest that, to my knowledge, the accounts are drawn up in compliance with the applicable accountancy standards and reflect faithfully the capital, the financial situation and the result of the company and its consolidated firms. All information included in the management report, whose table of concordance is included in Appendix 3 of this report, "*Table of concordance with the annual financial report*", contains a table showing the evolution of the activities, the results and the financial situation for both the company and its consolidated firms, as well as a description of the main risks and uncertainties they have to face.

The statutory auditors gave me a notice of completion of work that guarantees both the audit of the financial situation and the accounts presented in this reference document, and the reading of this very document.

La Plaine Saint-Denis, 27 April 2017.

Monsieur Didier FAUQUE

Chief Executive Officer



CHAPTER 2. STATUTORY AUDITORS

2.1. DESIGNATION OF THE STATUTORY AUDITORS

2.1.1. INCUMBENT STATUTORY AUDITORS

EY

1-2, place des Saisons - Paris, La Défense 1
92400 Courbevoie

Represented by Franck Sebag

First mandate: Appointed during the Shareholders meeting held on 20 June 2012

Mandate expiry date: Date of the Shareholders' Meeting called to assess the financial statements for the financial year ending 31 December 2017.

The firm is member of the Compagnie Régionale des Commissaires aux Comptes de Versailles.

Exco Paris Ace

5, avenue Franklin Roosevelt
75008 Paris

Represented by Alain Auvray

First mandate: 26 June 2013

Mandate expiry date: Date of the Shareholders' Meeting called to assess the financial statements for the financial year ending 31 December 2018.

The firm is member of the Paris "Compagnie Régionale des Commissaires aux Comptes".

2.1.2. AUXILIARY STATUTORY AUDITORS

Auditex

1-2, place des Saisons - Paris, La Défense 1
92400 Courbevoie

First mandate: Appointed during the Shareholders meeting held on 20 June 2012

Mandate expiry date: Date of the Shareholders' Meeting called to assess the financial statements for the financial year ending 31 December 2017.

The firm is member of the Compagnie Régionale des Commissaires aux Comptes de Versailles.

François Fouad Shoukry

5, avenue Franklin Roosevelt
75008 Paris

First mandate: 26 June 2013

Mandate expiry date: Date of the Shareholders' Meeting called to assess the financial statements for the financial year ending 31 December 2018.

The firm is member of the Paris "Compagnie Régionale des Commissaires aux Comptes".



2.2. STATUTORY AUDITORS RESIGNATION, DISMISSAL OR NON-REAPPOINTMENT

The company did not register any resignation, dismissal or removal of a statutory auditor in 2014, 2015 and 2016.

The General meeting held on 20 June 2012 appointed:

- ERNST & YOUNG ET AUTRES in replacement of CONSTANTIN & ASSOCIES, whose mandate of incumbent statutory auditor came to an end during this General meeting.
- AUDITEX, in replacement of François-Xavier AMEYE, whose mandate of auxiliary statutory auditor came to an end during this General meeting.

The General meeting held on 20 June 2012 appointed:

- Exco Paris Ace, in replacement of LA FIDUCIAIRE DE LA TOUR, whose mandate of auxiliary statutory auditor came to an end during this General meeting.
- François Fouad SHOUKRY, in replacement of Dominique BEYER, whose mandate of auxiliary statutory auditor came to an end during this General meeting.



2.3. FEES OF STATUTORY AUDITORS AND THEIR NETWORK MEMBERS

The chart presenting the statutory auditors services included in the result account and accounting for the last two financial years ended 31 December 2015 and 31 December 2016, is presented below:

Table 1. Fees of statutory auditors and their network members

	2016				2015			
	Exco Paris Ace		EY		Exco Paris Ace		EY	
	Amount in €	%	Amount in €	%	Amount in €	%	Amount in €	%
Auditing	€78,330	100 %	€183,490	100 %	€77,100	100 %	€180,697	100 %
Including Statutory Auditors, certification, assessment of individual accounts	€78,330	100 %	€183,490	100 %	€77,100	100 %	€180,697	100 %
Issuer	€63,200	81 %	€107,910	59 %	€62,200	81 %	€106,340	59 %
Fiscally integrated subsidiaries	€15,130	19 %	€75,580	41 %	€14,900	19 %	€74,357	41 %
Inc. Other diligences and services directly related to the auditors mission	€0	0 %	€0	0 %	€0	0 %	€0	0 %
Other services performed by the networks for globally integrated subsidiaries	€0	0 %	€0	0 %	€0	0 %	€0	0 %

CHAPTER 3. SELECTED FINANCIAL DATA

3.1. FINANCIAL INFORMATION IN BRIEF

SQLI and its subsidiaries are a group of companies operating in the field of IT services and Internet-based advanced applications. The group operates mainly in France, Belgium, Netherlands, Luxembourg, Switzerland, England and Morocco.

SQLI turnover for year ended 31 December 2016 amounted to 190,909 K€ against 178,981 K€ in 2015 (+6.7%).

SQLI had a very strong growth on strategic segments: e-commerce (+50%), mobility (+50%), web solutions (+40%), experience design (+20%), with a selective management of technical assistance in order to prioritize margins against volumes.

Some non-core activities have been reduced or ended, with a total growth of 6.6% (7.5% excluding media buys and 6.0% at constant scope). This growth result was obtained through a significant margin improvement.

Thanks to the sustained organic growth and the progressive improvement of operational steering indicators, the current operational profitability was significantly higher in 2016.

The operating result for year 2016 has 13,973 K€ of benefits compared with 10,843 K€ in the previous year (+28.9%).

The operating result for year 2016 has 10,749 K€ of benefits compared with 6,720 K€ in the previous year (+60.0%).

The financial year ended 31 December 2016 registered a profit of 6,212 K€ compared with a profit of 3,555 K€ in 2015, with the integration of the following items:

- other financial income and expenditure of 83 K€ (vs 100 K€ in 2015);
- a tax liability of 4,093 K€ (vs 2,472 K€ in 2015).



Table 2. Summary of the Income statement

<i>Data in thousands of euros</i>	2016	2015	2014
Turnover	190,909	178,981	161,633
Current Operating result	13,973	10,843	5,022
Operating result	10,749	6,720	4,211
Net result	6,212	3,555	2,555

For more information, see Chapter 9. "Analysis of financial situation and result"



At 31 December 2016, net non current assets amounted to 74,412 K€ vs. 67,053 K€ in the last year, an increase of 7,359 K€ mainly consisting in goodwill and other non current assets.

At 31 December 2016, current assets amounted to 93,418 K€ vs. 97,177 K€ in 2015, a decrease of 3,759 K€, mainly due to the loss of available cash flow.

At 31 December 2016, the own equity total amount was 78,752 K€ against 72,641 K€ at 31 December 2015.

Non current liabilities amounted to 11,396 K€ vs 12,131 K€ in 2015, that is a decrease mainly due to loans repayment.

Current liabilities decreased by 1,776 K€ (77,682 K€ vs 79,458 K€ in 2015). The main changes relate to the "other debts" item decrease (-3,691 K€).

Table 3. Summarized balance sheet

<i>Data in thousands of euros</i>	2016	2015	2014
Other non current assets	74,412	67,053	65,733
Goodwill	53,318	51,125	52,742
Current assets	93,418	97,177	96,522
Customer receivables and related accounts	56,132	53,124	51,695
Cash flow and cash flow equivalents	9,573	18,199	23,290
Own Equity (group share)	78,752	72,641	68,721
Other non current liabilities	11,396	12,131	8,503
Inc. Long term financial debt	7,705	7,263	5,123
Current liabilities	77,682	79,458	85,031
Inc. Other payables	51,617	55,308	52,151
Inc. Debts with suppliers and related accounts	16,914	16,723	16,567
Inc. Short term financial debt	7,140	7,263	15,897

For more information, see Chapter 10. "Cash and equity"



3.2. FINANCIAL INFORMATION ON INTERMEDIARY PERIODS.

The current reference document doesn't include any financial information on intermediary periods.

3.3. SQLISHARE

SQLI shares are listed on Euronext Paris (Category C) with the code ISIN FR0004045540. The data below comes

from Infineanals and NYSE Euronext databases.

3.3.1. MAIN STATISTICAL FIGURES

Following four capital increases registered by the Executive Officer and described in paragraph 21.1.7 "*Evolution of share capital during the year*", the share capital went from 3,685,916 shares at 31 December 2015 to 3,856,923 shares at 31 December 2016.

The total number of exchanged securities in 2016 amounts to 1,263,484 (33% of the total number of shares compared with 56% in 2015). The amount of transactions reaches 41.6 M€ vs. 48.0 M€ in 2015. In 2016, the average monthly number of exchanged securities amounts to

105,290 and the average monthly volume of transactions to 3.46 M€.

The market capitalization reaches 160.8 M€ at 31 December 2016, compared with 107.7 M€ at 31 December 2015.

The average cost of transactions based on the number of exchanged securities amounted to 32.91 € in 2016 compared with 23.08 € in 2015.

The Group shares average stock price amounted to 33.19 € in 2016 vs. 23.10 € in 2015.

3.3.2. PRICE TRENDS

The company price trends followed a positive trend during 2016, thanks to the improvement of the Group margin rates and economic outlooks, with a 43.8 % global rise between 4 January 2016 and 30 December 2016:

- At 4 January 2016: 29.00 € (opening market price)

- At 31 December 2016: 41.70 € (opening market price)
- Lowest value of year 2016 (including intraday): 26.00 € on January 7 ;
- Highest value of year 2016 (including intraday): 42.00€ on December 28;

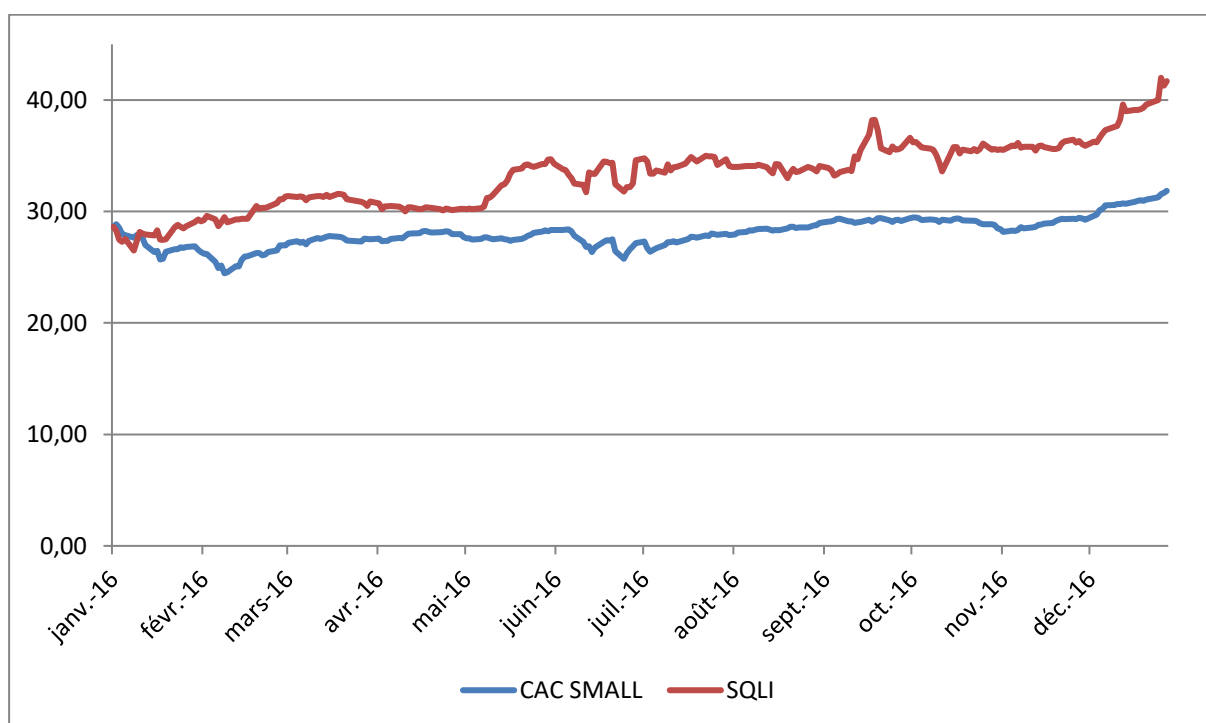


Table 4. SQLI – Stock price trend

Month	2016			2015		
	Max.	Min.	Monthly volume	Max.	Min.	Monthly volume
January	29.24	26.00	125,077	19.98	18.00	77,463
February	30.79	28.10	109,949	20.70	18.69	104,094
March	31.90	29.58	173,767	21.50	18.80	244,050
April	30.90	29.67	63,431	21.96	18.10	328,849
May	34.80	30.12	148,500	22.45	20.46	127,807
June	34.78	28.88	162,618	21.92	19.35	72,153
July	35.00	31.50	65,073	24.30	20.10	154,276
August	34.70	31.00	53,780	24.35	22.50	119,338
September	38.75	32.88	115,799	26.40	22.16	356,639
October	38.40	33.51	109,278	28.00	23.90	188,266
November	36.45	34.42	40,708	29.59	25.90	201,849
December	42.00	35.62	95,504	29.94	27.70	107,417
Full year	42.00	26.00	1,263,484	29.94	18.00	2,082,201

CAC SMALL index increased by 11.3 % during year 2016. SQLI stock price outperformed the index, increasing by 43.8 %.

Table 5. Evolution of SQLI trend compared with CAC Small



CHAPTER 4. RISK FACTORS

4.1. ACTIVITY-RELATED RISKS

4.1.1. CUSTOMERS-RELATED RISKS

While expanding its activity, SQLI tries carefully to keep both diversified customers (1,000 billed customers in 2015) and diversified business fields, in order to limit the concentration risk on a restricted number of customers.

In 2016, the importance of main SQLI customers was as follows:

- The first customer accounted for 8.1 % of the consolidated turnover;
- The first 5 customers accounted for 27.4 % of the consolidated turnover.
- The first 10 customers accounted for 38.8 % of the consolidated turnover.

The company works with a factoring company which provides credit insurance, customers

credit quality study, follow-up services and legal conflicts assistance for the main part of SQLI business in France. Furthermore, since the group works only for major accounts, the insolvency risk is limited.

Finally, the credit management and collection procedures that have been set allow the company 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).

The risks related to the execution of package projects will be presented at paragraph 4.3.1 *“Legal risks”*.

4.1.2. RECRUITMENT-RELATED RISKS

The new information and communication technologies and the specialized consulting sector are very lean in terms of human resources. In this high added-value sector, there is a big demand for qualified and specialized labor. SQLI ability to grow and to satisfy its customers' needs in the next years depends on its power in recruiting, attracting and keeping the competent persons in this very specialized field.

SQLI has to face the scarcity of available workers and the recruitment of its best candidates by its competitors and its own customers. Furthermore, in order to keep its best employees, SQLI could have to grant some pay

raises that the company won't be able to compensate immediately with a tariff raise. The group activity could then experience a deterioration, along with its results.

At last, the employment laws are very strict in France, which has an influence on the groups flexibility and its ability to adapt to a possible fall of the demand on the market. The company doesn't think it can keep a satisfying employment rate because of the economic context and the lack of flexibility of employment. If the group's activity starts to decrease, there will then be a risk of fall in the company's net result.

4.1.3. KEY PERSONS-RELATED RISKS

SQLI ability to grow depends on its power in recruiting, attracting and keeping the most talented people.

The direction thinks that the risk of having key persons leaving is limited because SQLI Group is organized into profit centers governed by



managers, who enjoy a relative freedom to supervise their organization. These responsibility and freedom for operations mean that managers are heavily involved in the running of the company, creating synergies between various profit centers (commercial synergies and skills....).

This organization favors long term managerial commitment and a network organization, by relying on other members of the group to reinforce the notion of true team. The group management checks that managers pay attention to detecting talented employees and to their career progress, so as to have potential managers available.

Table 6. Staff turnover rate per age group

Age group	2016	2015	2014
20 - 24 y.o.	11.85 %	10.53 %	6.76 %
25 - 29 y.o.	27.11 %	30.86 %	25.98 %
30 - 34 y.o.	27.01 %	27.62 %	23.55 %
35 - 39 y.o.	29.59 %	19.82 %	23.18 %
40 - 44 y.o.	25.99 %	22.33 %	13.627 %
45 - 49 y.o.	23.20 %	20.86 %	12.863 %
50 - 54 y.o.	19.05 %	17.86 %	6.127 %
55 - 59 y.o.	2 %	2.00 %	2.00 %
60 - 64 y.o.	1 %	1.00 %	1.00 %
65 y.o. and more	0 %	0.00 %	0.00 %

The above turnover rates present the ratio between all kind of departure during 2016 and the staff at 31 December 2016.

The turnover rate remains high within a very dynamic market. The Group is using different approaches to retain employees and accelerate recruitment processes in order to offset departures.



4.1.4. TECHNOLOGY-RELATED RISKS

SQLI Group operates in an environment where technology change is particularly fast moving. There is a real existing risk of major technological evolution, which could have a significant impact in SQLI results and plans.

Ever since its creation, the group has focused on helping its customers to take benefit from this technology. SQLI group has always been a precursor when it comes to adaptation and integration of new technologies.

Although SQLI group can't guarantee that it will always be able to quickly identify and build up knowledge for every change in technology,

this skill is part of the company culture and constitutes one of its strong points.

Strikingly, the group keeps on giving a big budget to R&D of new technologies every year.

The company does not tie up its R&D costs and records it as charges. They consist in staff costs of researchers and functioning costs. These costs amount to about 4.0 % of 2016 global turnover.

Further information about SQLI innovative skills is presented in Chapter 11. *"Research and Development, patents and licenses"*.

4.1.5. EXTERNAL GROWTH POLICY-RELATED RISKS

This growth strategy include the following risks : integration problems, departure of key men and partners, customer loss, occurrence or discovery of conflicts, spreads on expected results. Even if these risks are hardly

measurable, SQLI thinks that the risk of goodwill depreciation will exist (amounting to 53 M € at the end of 2016) if the profitability does not reach the expected amount.

Integration issues

It is considered as the major risk by the company's managers all the more since the group tends to favor a strong degree of integration of acquired companies, in order to boost the development of commercial, technical and administrative synergies. For each future

acquisition the company's head managers carefully assess the risk factors of an integration failure in order to complete the operations without guaranteeing the success of the integration.

Key men departure

When the acquired companies' managers or shareholders are considered as essential in the cooperation success, there are asked by SQLI to commit themselves to remaining in the group for at least two to three years after the acquisition. However, this commitment is not considered as essential when the primary goal

of these managers is to reach the objectives set regarding the earn-outs. If SQLI is covered by the commitments subscribed, the company does not have any legal resort to secure the employees' services. The risk can be important (in theory, SQLI could lose up to 100% of the staff and thus of the purchased companies).

Partners departure

Since SQLI is a services firm, its partners represent its real potential manpower. The integration of new partners in the group is thus carefully followed, and the harmonization of

working conditions is generally favorably considered.



The change of working places can also create difficulties. However as most partners work in the customer offices, the headquarters transfer does not modify their main workplace. The

announcement of pooling the interests of the companies can lead to a period of uncertainty for some partners.

Customer loss

SQLI group, the acquired companies and the targeted companies mostly work for major accounts. For a few years these customers have carried out an active referencing policy aiming to reduce the number of service providers. These acquisitions have thus been positively

considered both by the customers of SQLI and by those of recently acquired companies, as they take part in the sector consolidation wanted by the major accounts. Today, SQLI does not register any loss of major customers related to recent acquisitions.

Emergence or detection of conflicts

Even if the group carries out judicial, tax, accounting and operating due diligences on external growth transactions in order to finalize definitive agreements, an uncertainty still remains about the existence of conflicts that would not have been mentioned or translated in

the accounts. The agreements relating to the acquisitions provide consequently the conventional assets and liabilities guarantees as well as the mode of paying them if they are invoked.

Earn-out

In April 2016, SQLI purchased the English company InventCommerce and its subsidiary InventCommerce, representing an offshore production site in South Africa. The transfer agreement was concluded with an earn-out estimated at a maximum of 1,441 K€, including

1,140 K€ due in 2018 and 2019 according to the Company operating results between 1st July 2016 and 30 June 2019.



4.1.6. SUPPLIERS-RELATED RISKS

SQLI does not have any significant supplier. The company is not dependent on any supplier regarding the costs or resources. SQLI can easily change supplier if needed, and find similar products for a similar price.

The dependence upon suppliers is as follows:

- The first supplier accounts for 4.4 % in SQLI purchases.
- The first 5 suppliers account for 14.8 % in SQLI purchases,
- The first 10 suppliers account for 21.9 % in SQLI purchases,

The turnover part made by the group with its subcontractors accounts for 17.3%, due to the increase of freelance jobs and the integration of expert profiles.

Specific contracts are signed with each subcontractor, in to protect SQLI from the related risks.

Following articles L.441-6-1 and D.441-4 of the Commercial Code, we inform you that the balance of trade accounts payable to SQLI SA suppliers by due date at the end of year 2016 is presented below:

Table 7. Balance of trade accounts payable to SQLI SA suppliers by due date at the end of year 2016 (non consolidated)

<i>Data in thousands of euros</i>	Total	Accrued	Non accrued	0 to 15 years	16 to 30 years	31 to 45 years	46 to 60 years	Except deadline
Suppliers	9,957	4,073	5,884	1,320	490	3,949	125	
Fixed assets suppliers								
Total to be paid	9,957	4,073	5,884	1,320	490	3,949	125	0
Pending invoices	1,996		1,996					1,996
Group suppliers	9,102	8,654	448			448		
Total	21,055	12,727	8,328	1,320	490	4,397	125	1,996

4.1.7. COMPETITION-RELATED RISKS

SQLI Group anticipates that the competition in the sector will intensify and intends to strengthen its competitive positions by industrializing its trading approach and its positioning on high value added projects, such

as E-Commerce, mobility or User Experience Design (UX Design).



4.2. FINANCIAL RISKS

4.2.1. LIQUIDITY RISKS – FINANCING OF THE WORKING CAPITAL REQUIREMENT

The Group gross cash position amounts to 9.573 K€ (for a net debt of 5.272 M€) at 31 December 2016 with a factoring capacity (18 M€ at 31 December 2016) and overdraft lines (3 M€ at 31 December 2016) both kept intact.

Table 8. SQLI net financial debt during the last two years

(Data in thousands of euros)

	2016	2015	Trend 2016 vs. 2015
Total of gross financial debt	14,845	16,967	-2,122
Cash flow and equivalents	-9,573	-18,199	-8.626
Total of net financial debt	5,272	-1,232	-6,504

The group debt structure is detailed in paragraph 10.3.1. "*Consolidated debt*"

Covenants, early redemption and default clauses related to SQLI loans are presented in paragraph 10.4. "*Possible restrictions on the use of capital*".

Working capital requirement and credit access capacity

The invoicing is submitted to seasonal fluctuation according to the number of working days in the month, and to year fluctuation in December related to the customers annual budgets closure.

Costs register a peak on the first day of every half-year term related to pension and insurance periodic rents and costs.

The Working capital requirement reaches - 14,559 K€ in 2016 vs. -6,451 K€ in 2015.

- The extended Customers item, including pending invoices, prepaid income and provisions in the factor increased by 6,274 K€. The increase of the item accounting only for organic growth amounts to 3,941 K€. The WCR related to the RTE client which

demonstrates a strong growth but invoices on a quarterly basis explains the WCR variation of 874 K€;

- The other assets and liabilities include social debts which decreased by 1, 745 K€ (inc. 1,400 K€ related to the change of pension payments from a quarterly basis to a monthly basis) and tax debts which decreased by 1,922 K€;
- R&D tax credit and CICE credit claims redeemable after 3 years increased by 2,234 K€;
- The suppliers item remains stable (positive impact of 148 K€ WCR);
- Tax payments amount to 2,702 K€.



Table 9. Evolution of the operating working capital (ex. scope variations)

Data in thousands of euros

	Data 2016	Data 2015
Variation of customers	-3,641	-6,037
Variation of suppliers	148	89
Variation of other current assets and liabilities	-7,523	-607
(paid) reimbursed Corporate Tax	-2,702	-2,292
Variation of working capital requirement	-14,559	-6,451

At 31 December 2016, SQLI factoring capacity remains intact (available credit line of 18,000 K€ at 31 December 2016) and authorized overdraft lines of 3,000 K€.

After examination of liquidity risks, the Company considers itself as being able to meet future deadlines.

4.2.2. RATES-RELATED RISKS

In 2015, the group contracted a rate hedge in order to cover the fluctuations of variable rates within the repayment duration of the 10 M€ loan subscribed in December 2014. The hedged amount is limited to 7 M€. The company chose a fixed rate.

In 2016, the variation of instruments fair value generated a charge of 40 K€ (2015: 85 K€).

The conditions of derivative instruments related to the rate risk control at 31 December 2016 are exposed as follows :

Table 10. Hedging instruments

Bank loan of 7 M€	
Starting date	27/02/2015
Floating rates payer	LCL
Floating rate	EURIBOR 3 months + 1.50 %
SQLI Fixed rate	0.18 %
Notional amounts covered at 31 December:	
2016	4,690 K€.
2017	3,150 K€
2018	1,610 K€.
2019	
Instruments fair value at 31/12/2016	-37 K€.



The table below describes SQLI Group exposure at 31 December 2016.

Table 11. SQLI Group exposure to the rate risk

(Data in thousands of euros)

	Financial assets		Financial liabilities		Net exposure before hedging		Rate hedging instruments		Net exposure after hedging	
	Fixed rate	Floating rate	Fixed rate	Floating rate	Fixed rate	Floating rate	Fixed rate	Floating rate	Fixed rate	Floating rate
< 1 year		9,573	5,600	1,540	5,600	-8,033		1,540	5,600	-9,573
From 1 year to 2 years			889	1,540	889	1,540		1,540	889	
From 2 to 3 years			897	1,610	897	1,610		1,610	897	
From 3 to 4 years			857		857				857	
From 4 to 5 years			857		857				857	
> 5 years			1,055		1,055				1,055	
Total		9,573	10,155	4,690	10,155	-4,883		4,690	10,155	-9,573

Table 12. Analysis of the impact of interest rates variation

(Data in thousands of euros)

2016	
Impact in result bef. taxes	
Impact of 1% interest rates variation	+95
Impact of <1% interest rates variation	-95

As presented above, the company is totally protected from any floating rate related risk for all the loans contracted with floating rates.

Considering the net exposure to fluctuations of variable rates at 31 December 2016, a 1 p. increase in applicable interest rates would generate a 95 K€ increase of the result in 2017.

The cash flow amounts to 9,573 K€ at 31 December 2016.

The group cash investments, which mainly consist in interest-bearing current accounts, are exposed to the risk of floating rates decrease. Considering the amounts involved (9,573 K€ at 31 December 2016), a 1% fall of the rates of return would lead to a decrease in financial revenues expectations of about 95 K€.

The group debt structure is detailed in paragraph 10.3.1. "Consolidated debt"



4.2.3. EXCHANGE RISKS

Part of SQLI business takes place outside of the Euro zone with its subsidiaries in England, Switzerland and Morocco.

The group bears an exchange rate risk in connection with the activities in England, Switzerland, Morocco and South Africa, representing a total turnover out of the Euro zone of 28 M€ in 2016 for 190 M € of consolidated accounts (14.7% of the total

turnover). However, the exchange rate risk is very limited as all costs (mainly salaries) and revenues are carried out in the local currency.

SQLI consider that the amounts involved are non relevant and, since the currency risk is divided among different currencies, the currency positions are not hedged by currency hedging instruments.

Table 13. Exchange risks – Net position after management

(Data in thousands of euros)

	£	CHF FR	ZAR	MAD	Total
Assets	2,365	9,770	749	7,651	20,535
Liabilities	310	4,046	136	4,502	8,994
Net position before management	2,055	5,724	613	3,149	11,541
Off-Balance sheet commitments		-		-	
Net position after management	2,055	5,724	613	3,149	11,541

Table 14. Calculation of the risk of loss on currency global net position

(Data in thousands of euros)

	£	CHF FR	ZAR	MAD	Total
Impact in result bef. taxes					
1% increase of the exchange rate	20	57	6	31	115
1% decrease of the exchange rate	-20	-57	-6	-31	-115

4.2.4. EQUITY RISKS

Regarding the stock exchange quote risk, the company can only take action for its own securities, following the authorization given by

the General Assembly. The operations made in 2016 are detailed on paragraph 21.1.3. "Self owned shares and buyback programs".





4.2.5. RISKS RELATED TO OFF-BALANCE SHEET COMMITMENTS

Except for the securities granted as a guarantee for bank loans related to subsidiaries securities, the Group does not have any other off-balance sheet commitment.

Mandate termination

Monsieur Yahya El Mir resigned from all his mandates within SQLI Group during the Executive Board meeting of 29 March 2011. The Board acknowledged this decision.

The financial compensation due to Monsieur Yahya El Mir for the non competition commitment amounted to:

- Immediate payment: 604,310 € (paid in 2011);
- Deferred payment: 151,078 € in 60 monthly payments of 2,518 € from April 2011 to March 2016.

Remaining commitments coming from contract obligations

They consist exclusively in operating leasing contracts rents.

Table 15. Operating leasing contract rents

(Data in thousands of euros)

	Less than 1 year	From 1 to 5 years	More than 5 years	31/12/2016	31/12/2015
Premises	3,765	3,961	52	7,778	13,724
IT equipment	788	569		1,357	1,035
Vehicles	1,068	1,278		2,346	1,918
Operating leasing contract rents	5,621	5,808	52	11,481	16,677



Commitments received

The former shareholders of WAX INTERACTIVE LILLE granted to SQLI, until the term of the legal deadline set in the related social and tax regulations, a guarantee on assets and liabilities with an exemption of 48 K€ limited to 400 K€, with a possible surplus of 20% of the received earn-out, cross-guaranteed by a bank surety of 200 K€.

This guarantee does not include customer contracts.

The former shareholders of ECOMMERCE4U granted to SQLI, until the term of the legal deadline set in the related social and tax regulations, a guarantee on assets and liabilities

with an exemption of 3 K€ limited to 40 K€, with a possible surplus of 20% of the received earn-out.

This guarantee does not include customer contracts.

The former shareholders of INVENTCOMMERCE granted to SQLI a guarantee on assets and liabilities limited to 450 K€ for a period of 18 months starting from the transfer and of 7 years relating to tax issues. 50 K€ have been transferred to a escrow account as a guarantee for the guarantee.

Debts guaranteed by real securities

Following the reimbursement of the bond loan, the pledge of the financial securities of EOZEN Belgium, EOZEN SA and CLEAR VALUE SAS was entirely released, as well as the pledge of SQLI business amounting to 1.4 M€.

In exchange of the 10 M€ credit line contracted with a bank pool including banque Palatine, BNP Paribas, Société Générale, Caisse d'Epargne et de Prévoyance Bretagne Pays de Loire and Crédit Lyonnais, SQLI gave the banks the following guarantees:

- a pledge of all social shares of ECOMMERCE4U,

- a pledge of WAX INTERACTIVE LILLE all social shares,
- a pledge of all social shares of WAX INTERACTIVE,
- a transfer of the debt due to SQLI by WAX INTERACTIVE regarding a current account advance agreement and the related accessories. This claim amounts to 5.5 M€ at 31 December 2016.

Credit lines accepted and still intact

The Group has three credit lines of 1 M€ each, with BNP Paribas, Caisse d'Epargne and the

Banque Palatine, plus a 18 M€ factoring capacity untouched at 31 December 2016.



Current conflicts

Various legal actions have been made against the group companies from former employees or customers. SQLI made reserves according to the level of risk calculated by the management team and based on the recommendations of legal counseling. A former employee started a legal action against SQLI, requesting 0.8 M€ of damages, and four clients started another legal action against the Group, requesting 8.5 M€ of damages. SQLI considers these claims as unfounded and the only provision made was for legal charges amounting to 0.1 M€.

The damages estimated regarding the legal conflict opposing a former shareholder of EOZEN Belgium and EOZEN SA companies with the transferor shareholders and the transferred companies amount to 1.0 M€. Following a first decision in favor of the Group, the claim has been submitted to the Brussels Court of appeal in March 2017. EOZEN Belgium and EOZEN SA would be protected from the possible impact of this dispute by the guarantees subscribed with the transferors.

The provisions related to the current conflicts are detailed in note 16 of the consolidated accounts exposed in paragraph 20.3.5. *"Accounting procedures and criteria, appendix and explanations"*.

4.3. LEGAL, REGULATORY AND TAX-RELATED RISKS

4.3.1. LEGAL RISKS

SQLI Group is not subject to any specific regulation.

More than half of the company 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.

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

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

4.3.2. ENVIRONMENT-RELATED RISKS – IMPACT OF BUSINESS ON THE ENVIRONMENT

SQLI did not acknowledge any specific risk related to its activity in the industrial or environment fields, especially regarding the natural resources consumption (water, energy), the rejections in the water, the air or the soil...

Consequently, no funds or guarantee against environment risks have been created.

Given the nature of the group activity, no specific impact on the company close environment, whether good or bad, has been witnessed. In particular, the company business does not have any significant influence on the local economic development.

Social, corporate and environment-related information



It is recommended to consult the Report on social and environmental responsibility which is separately available on the Company website and dedicated to the instruction of the company shareholders before a General Meeting. This report is available on SQLI website : <http://www.sqli.com/Finance/Documents#assemblee>

A table of concordance including the topics mentioned in the Decree n°2012-557 of 24 April 2012 is included in Appendix 4. "Table of concordance regarding social, corporate and environment-related information" to the Reference Document.

4.3.3. INSURANCE-RELATED RISKS

The SQLI Group has adequate professional risk cover and is not currently implicated in any conflict related to activities not covered by its insurance policies.

Risks relating to losses due to contact termination or late payment penalties not covered by third party insurance are covered by provisions for risks and costs in the company's accounts.

The SQLI Group has a third party insurance policy with AXA company which covers any damages caused by third parties to its activities up to a maximum amount:

- of 7,500,000 € per accident implying the operating third party liability;
- of 10,000 K€ per claim and per insurance year implying the professional liability;

The third party liability of the company representatives relating to the exercising of their mandate is covered by an insurance policy with AXA; the guarantee amounts to 10,000,000 €.

The business loss risk is a major risk for which the company is not covered and whose management is ensured by the company itself. The costs of re-entry in case of loss exceeding the normal operating charges are covered by an insurance policy with AXA for an amount of 2,000,000 €.

The total amount of insurance premiums paid in 2016 amounts to 487 K€ for the Group (2015: 470 K€).

Table 16. Summary of the main effective insurance policies (France)

Risk factors	Company	Annual cost	Scope of coverage
MRE	AXA	37.3 K€	Fires, explosion, theft, additional costs
Professional third party liability	AXA	137.4 K€	Civil liability insurance, ceiling of 7500 K€ per accident Professional liability, ceiling of 10,000 K€ per accident and insurance year
Liability of corporate officers and head managers	AXA	16.8 K€	Fault or oversight on behalf of managers, guarantee of 10,000 K€ per claim
Car fleet	AXA	162.4 K€	Damages all accidents

4.3.4. DEPENDENCE UPON PATENTS AND LICENSES



The company is not dependent on any patent or license really essential to its activity. The Groups main brands (SQLI, Eozen, Alcyonix) are protected in Europe and in the United States.

All the brands belong to SQLI. There is no existing item owned by the company managers or their families. All legal forms of protection of the trademarks, domain names and the

copyright have been carried out to the benefit of SQLI or its subsidiaries.

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

4.3.5. GOVERNMENT ACTION, ECONOMICS, BUDGET, CURRENCY AND POLICY-RELATED RISKS

There is no existing risk related to government action, economics, budget, currency or policy which has does or will threaten the company, its

activities, its financial situation and profitability.

4.4. RISK REVIEW – LIST OF SIGNIFICANT RISKS

After assessing the risks which may have a significant negative impact on SQLI activity, financial situation or results, the company concluded there is no significant existing risk beyond those presented in Chapter 4. "*Risk factors*" of the Reference document.

After examination of liquidity risks, the Company considers itself as being able to meet future deadlines.

The biggest existing risks which have been detailed above in Chapter 4 "*Risk factors*" are the following:

- Competition-related risks;
- Recruitment-related risks;
- Technology-related risks;
- External growth policy-related risks?



CHAPTER 5. INFORMATION ABOUT THE ISSUER

5.1. HISTORY AND EVOLUTION OF THE COMPANY

5.1.1. CORPORATE NAME AND TRADE NAME (ARTICLE 2 OF THE COMPANY ARTICLES OF ASSOCIATION)

"The company name is : SQLI

In all reports and documents coming from the company to be given to a third party, the terms "Société Anonyme" or its initials "SA" must be written before or after the company name, along with the amount of its social capital and its SIREN and RCS registration numbers." "

5.1.2. LOCATION AND REGISTRATION NUMBER

SQLI is registered in the Bobigny Commercial Register under number 353 861 909.

5.1.3. DATE OF INCORPORATION AND DURATION (ARTICLE 5 OF THE COMPANY ARTICLES OF ASSOCIATION)

"The legal duration of the Company is fixed at 99 years as from 22 March 1990, date of registration in the French Companies register, unless it is extended or dissolved. "

5.1.4. OTHER INFORMATION RELATED TO SQLI

Headquarters, legal form, home country, address and phone number, Internet website

SQLI is a corporation (a French "Société Anonyme") run by an Executive Board.

The headquarters address, phone number and website are:

SQLI

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

Tel : 01 55 93 26 00 - Fax: 01 55 93 26 01

Website:

Regulations affecting the company activities

SQLI is a "Société anonyme" subject to the French laws and regulations and in particular to the Commercial Code (Code de Commerce) principles regarding business companies, and to the company Statutes.

Financial year (article 31 of the company Articles of association)

"The financial year starts on 1st January and ends on 31 December. "



5.1.5. MAJOR EVENTS IN THE DEVELOPMENT OF THE SQLI ACTIVITIES

SQLI, created to accompany businesses in their use of new technologies, has specialized in realizing 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.

Being positioned on the most buoyant segments of the computer services market, SQLI keeps strengthening its leading position in e-business, SAP and Business projects and solutions, with a constantly increasing amount of major accounts and a high added value offer focused on Digital expertise.

1990 - 1995: The user-server years

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

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

1995 - 1998: From user-server to the Internet

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

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

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

1999 to 2001: Acceleration of the company development in order to grow

Capital uplift thanks to the company initial public offering in 2000. The company has more than 700 customers for a turnover of 45.3 M€ in 2001.

Purchase of SUDISIM, ABCIAL, INVERSO and CARI, Opening of a subsidiary in Switzerland. Development of the regional network (Toulouse, Bordeaux, Nantes...).

2002 to 2004: New Board of directors and new development project

The founders form a new Governing team. In order to meet the customers' expectations "better, faster, and cheaper", SQLI launches the industrialization project with CMMI, which is the spearhead of the company strategy. CMMI business is at the core of this strategy and the group obtains certification CMMI 2 in 2004.

Industrialization of the technical capitalization with CMMI in order to offer turnkey contracts.

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



2005 to 2009: SQLI has become the leader of e-business projects

The industrialization strategy is going on: all agencies have obtained CMMI level 3 certification in 2006. The range of turnkey products has improved with Steering Project, a management and project regulation tool (result of the experience gained with CMMI).

Thanks to the acquisition of many companies between 2005 and 2007, SQLI asserted its leading position on the e-business French market. At 31 December 2008, 1,900 associates pool their assessments to help customers transform their information systems thanks to new technologies.

2009 - 2012

In 2009, SQLI started to follow boosting strategy to enter a more rationalizing phase by focusing on production means, optimizing the Group structure and innovating in order to increase the value offer made to the clients.

Agencies or subsidiaries which can't reach the expected business size or whose activity does not match the company objectives of increasing added value are being closed or sold. An upgrade of managing structures and headquarters costs has also been operated since 2010. After the head management transition, the group is adopting a matrix structure organized in transversal business lines (reinforcement plan for offers added value) and local agencies (rationalization of production means).

In March 2011, SQLI purchased Wax ! Interactive. This acquisition is meant to strengthen SQLI offer in Digital activities and to help developing non SAP activities in Belgium.

In 2012 and in the beginning of 2013, SQLI carried on pursuing strategical actions with the sale of 5 business segments representing 9 partners and a turnover of 1 M€.

2013 - 2016

2013 has seen the arrival of Didier Fauque as SQLI new CEO and the following creation of a new development strategy plan for the Group. In 2013, SQLI sold its Health solutions activity (IdéoSanté) following its strategy of focusing on SQLI core expertise development, which includes digital marketing and Front-office & Back-office e-business activities. This transaction is the last one in the series of transfers of complementary activities.

The Group will be organized in two complementary business branches : "Digital Commerce" (branded as WAX INTERACTIVE) and "Digital Technologies" (branded as SQLI ENTREPRISE). 2014 showed the restructuring of WAX INTERACTIVE business with the acquisition of NAXEO, ECOMMERCE4U and LSF INTERACTIVE :

In 2015, the Group continued to implement the "Ambition for 2016" plan, with the creation of performance indicators (mix digital, off/on shore, productivity, operational excellence and fixed costs). SQLI is also developing the service offer with a new consulting solution and a new Smart utilities solution. SQLI consolidate its presence with Major accounts and invests in international assistance for its customers.



The AMBITION plan ended in 2016 on a full achievement of objectives, with a turnover of 191 M€ in the end of the year and an EBITDA margin of 8.0%. SQLI carried on its international growth strategy by purchasing INVENTCOMMERCE, operating on South Africa and the United Kingdom. During the year, SQLI presented a new plan "MOVE UP 2020" including the new objectives for the years to come.

5.2. INVESTMENTS

5.2.1. MAIN INVESTMENTS MADE DURING THE YEAR

The cash flow related to consolidated investments decreased because of the contraction of fixed assets acquisitions in 2016.

Table 17. Cash flow on investment activities

(Data in thousands of euros)

	2016	2015	Trend 2016 vs. 2015
Acquisition of fixed assets	-3,135	-2,425	-710
Transfer of fixed assets	843	54	+789
Scope variation	-610	0	-610
Cash flow on investment activities	-2,891	-2,371	-531

New acquisitions

New acquisitions in 2016 include:

- The purchase of INVENTCOMMERCE at a firm price of 620 K€.

Transfers concluded during the year

In 2016, SQLI didn't do any major sale.



5.2.2. MAIN CURRENT INVESTMENTS AND FINANCING STRATEGY

The company did not plan any specific new or continued investment in 2017 and in the years to come.

Regarding its current investments, the company will use a part of its available cash flow, which amounts to 9.6 M€ on 31 December 2016.

The Group financial structure is very healthy at 31 December 2016 with:

- a factoring capacity unchanged (available credit line of 18.0 M€),
- authorized overdraft lines of 3.0 M€.

5.2.3. INVESTMENT STRATEGY AND FIRM COMMITMENTS

As explained above, SQLI main investments are related to its external growth, with the acquisition of companies and the payment of earn-outs related to former acquisitions. The group can also invest opportunistically for its internal growth.

However, and given the many acquisitions made during the last years, the company wants to consolidate its position on the purchased companies markets and to focus on their integration in order to perfect their complementarity.

The Group main firm commitments are exposed in paragraph 4.2.5. « *Risks related to off-balance sheet commitments* ». These commitments will be mainly financed with the Group own equity and net cash position.



CHAPTER 6. GENERAL SURVEY OF THE COMPANY ACTIVITIES



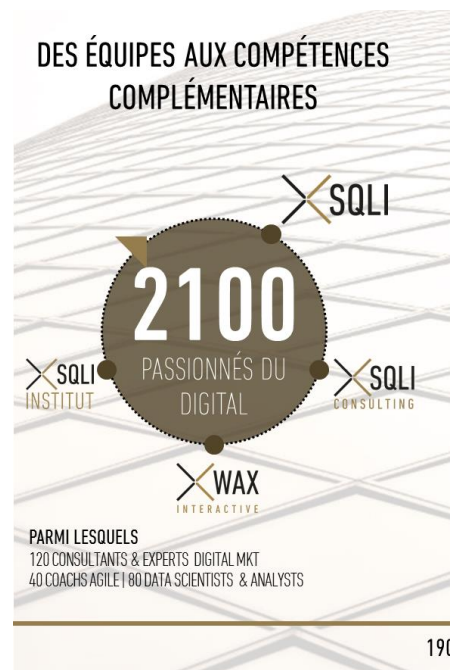
In 2016, SQLI started to implement the "Move Up 2020" plan, a four years development strategical plan (2016-2020) with the aim to reach a double digit annual growth and a current operating margin rate exceeding 12% at the end of the period.

According to this plan, SQLI aims to organize its offer in two distinct brands:

- WAX INTERACTIVE, focused on developing its customers sale business in three major fields: digital marketing, connected commerce and data intelligence, in order to improve the company performance on the market;
- SQLI ENTREPRISE, dealing with the transformation of organizations and systems in order to create new interactions between the company and its partners, suppliers and coworkers, with the objective to improve the performance of the company itself.

Two other brands are also active within the Group:

- SQLI CONSULTING
- SQLI INSTITUT



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6.1. MAIN ACTIVITIES

6.1.1. SQLI OFFER: DIGITAL TRANSFORMATION

SQLI company operates in the digital services sector.

We help companies and businesses focused on the definition, implementation and management of their digital systems in order to renew the experience offered to their customers, partners and associates.

Our mission consists in developing sales and reputation, consolidating profitability and organizational efficiency.

That's what we call the "Connected Experience":



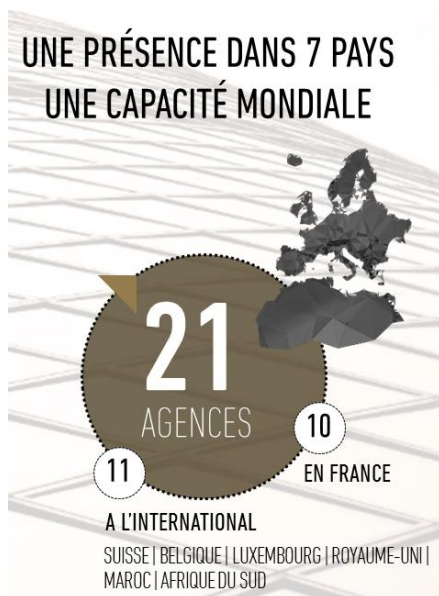
The group activity consists in two main business branches:

- WAX INTERACTIVE : how to increase the clients sale numbers and experience;
- SQLI ENTERPRISE : how to transform existing organizations and systems





European presence - international capacity



SQLI is one of the few companies relying on such an extended network in France (Paris, Lyon, Bordeaux, Nantes, Rouen, Toulouse, Lille, etc.) but also in Europe (UK, Switzerland, Belgium and Luxembourg), in Morocco and in South Africa.

SQLI presence in various locations in France and Europe allows to meet global expectations of the major national and international accounts.

The Group can rely on its strong position in France and the gradual increase of its network on dynamic markets in line with the MOVE UP 2020 development plan, allowing SQLI to consolidate its place as a reference leader in Europe.

A dual answer for a unique positioning

Digital transformation is a critical move for companies today. With digital channel being more and more diverse and generating more and more uses, economic models are totally transformed, from customer relationship to working methods within a company.

SQLI positioning is unique, which helps the company to reach its performance objectives with a global approach, relying on two strong brands:

- **WAX Interactive : powerful catalyst for brands wishing to boost sales**

WAX Interactive is a digital marketing agency offering an exhaustive panel of services and solutions designed to help brands and commercial companies with their digital transformation.

This unique offer combines marketing, technology, innovation and creativity in order to improve the efficiency and performance of user experience and develop the recognition and loyalty to the brand, thanks to three areas of expertise: "Integrated Digital Marketing", "Connected Commerce" and "Data Intelligence".



WAX Interactive designs, builds and promotes digital infrastructures on all the web and mobile platforms with a simple objective: connect in order to convince and retain consumers.

- **SQLI Enterprise : expert in transforming organizations and systems**

SQLI Enterprise is an expert in consulting and technology innovation. The company is a leading actor on the companies digital transformation market: business/IT collaboration, futurist architecture, advanced expertise on innovative technologies, all at the service of collaborative experience and digitalization of processes and services.

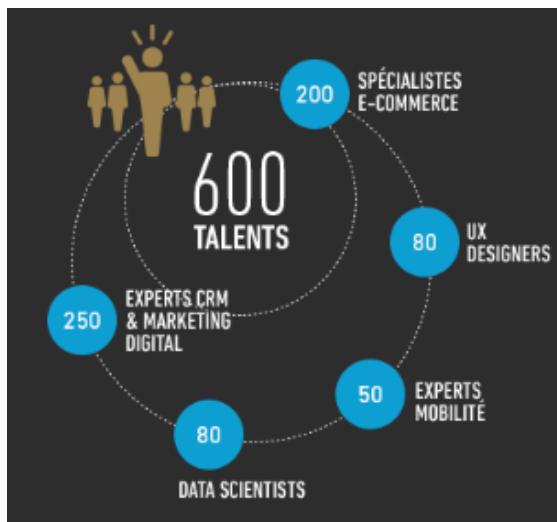
SQLI Enterprise tries to create a strong digital footprint with the implementation of digital industrialization facilities combining quality, innovation and flexibility, conception of versatile cross-channel bases, Big Data solution and counseling, mobile technologies and connected devices.



WAX INTERACTIVE: WAX INTERACTIVE : data marketing and connected commerce



The organizations awareness related to the digital revolution got a lot bigger. Just like for the evolution of uses, companies and brand wish to improve their digital value in order to boost their development and economic performance.



In this situation, convinced that the digital game

needs to focus on customer experience, WAX INTERACTIVE helps companies to boost their digital transformation and fulfill their brand objectives by relying on its experience in customer relationship job and tools: social network, e-commerce, DMP platforms and marketing tools, CRM, Big Data, BI et analytics, predictive commerce, ergonomics, mobility and new uses.

With a lot of realism and operational efficiency, WAX INTERACTIVE impertinently masters digital levels to offer a true 360° vision to the client in order to optimize commercial performance. Expert teams made of creative and highly specialized agents who work with a real passion for their job, share and innovate continuously in order to answer the client business challenges and offer the best answers, solutions and services available in this time of behavioral, social and digital marketing.

WAX INTERACTIVE offers the following services:



- CRM / E-CRM / Customer Relationship Management
- Business intelligence (BI) & Big Data
- E-commerce
- Branding strategy
- Mobility and new interfaces
- Innovation
- Training institute



SQLI ENTERPRISE

Digitalizing existing services or creating new digital services, connecting teams with themselves, their customers and partners, implementing an open and mobile-ready information system and a true data-centric strategy, creating more and more flexibility: transforming organizations and systems is a true challenge.



SQLI ENTERPRISE is the reference partner to define, implement and monitor digital transformation.

Our leitmotiv is business and IT integration applied with a cross-channel consistency:

- assistance and change monitoring to serve your business needs following a smart approach,
- assistance and IT governance to adopt disruptive technologies and most performing methodologies, in order to help you make the right choices,
- creation of digital industrialization factories combining quality, innovation

and flexibility in order to leverage your digital strength.

Our solutions make the digital integration easier by accelerating collaboration between employees, partners and suppliers, promoting innovation, improving team mobility and devices connectivity, digitalizing business processes to gain in efficiency and simplicity.

Our approach combines uses and technologies to work in a faster, more connected and more efficient way and help the company to satisfy customers needs.

SQLI ENTERPRISE key expertise is the following:

- Consulting - Governance - project portfolios - change monitoring.
- Dematerialization - Digital office - skill management - innovation management
- Services digitalization - purchases, finance, HR and governance solutions
- Enterprise Asset Management
- Digital basis - Big data - mobility

SQLI ENTERPRISE main offers are the following:

- Collaborative enterprise
- Business solutions
- Cross-channel IS
- Mobility and connected devices
- CRM
- Marketing & E-Commerce
- Innovative Service Centers



Customer references

SQLI customer references are described on the following web address:

<http://www.sqli.com/Accueil/References>



Innovation

The Energy sector presents a significant growth potential with a growth higher than 21% on the year. This field in which digital solutions transform the client offers gave SQLI the opportunity to gain presence on the block chains. More than 300 experts and designers work on major projects in this sector.



LE SAVIEZ-VOUS ?



Trophée de la Transformation Numérique 2017
1er Prix catégorie Innovation
Serious Game de consultation pour la SNCF



Digital Award 2017
1er Prix
Dispositif omnicanal Visilab (Suisse)



IT-Award SNCF 2016
1er Prix Innovation
Borne Libre Service SNCF



Digital Marketing Awards 2016
Most Performing B2B Campaign Award
Social - AG-Insurance (Belgique)



Trophée de la Transformation Numérique 2016
1er Prix catégorie Commerce
Centre commercial online Aushopping



Hackathon Val d'Isère 2015
Victoire du LAB SQLI
Mobile & réalité augmentée pour une nouvelle Expérience Client

1er Centre d'Excellence **Adobe** du marché
30 experts AEM certifiés

1er intégrateur **hybris** en France depuis **8** ans

1ère agence **UX Design** en France
+100 experts

Mobile Factory de **+20.000** /an de capacité de production

SQLI LE LAB
Une équipe de **5** experts
100% dédiés à l'innovation

+550 projets **E-Commerce & Mobile** réalisés

ASTON
L'école informatique
SQLI, c'est aussi une Ecole d'informatique
500 diplômés / an

Mise en place du plus gros **cluster Hortonworks** de France pour **ENEDIS**

40 coachs **Agile**
Formations certifiantes, Agilisation des organisations, Management Agile

6



A positioning strengthened through partnerships

The group has a privileged relationship with major technology and software actors, but also with smaller ones, offering real added value solutions to its customers. Built on lasting collaboration, its partnerships rely on a deep knowledge of solutions and of their evolution.

New partnerships are consolidating the Group ambitions in the Digital field. The agreements concluded with Adobe, Platform.sh and Lyra started to give birth to new cutting-edge projects, such as cross-platform solutions.

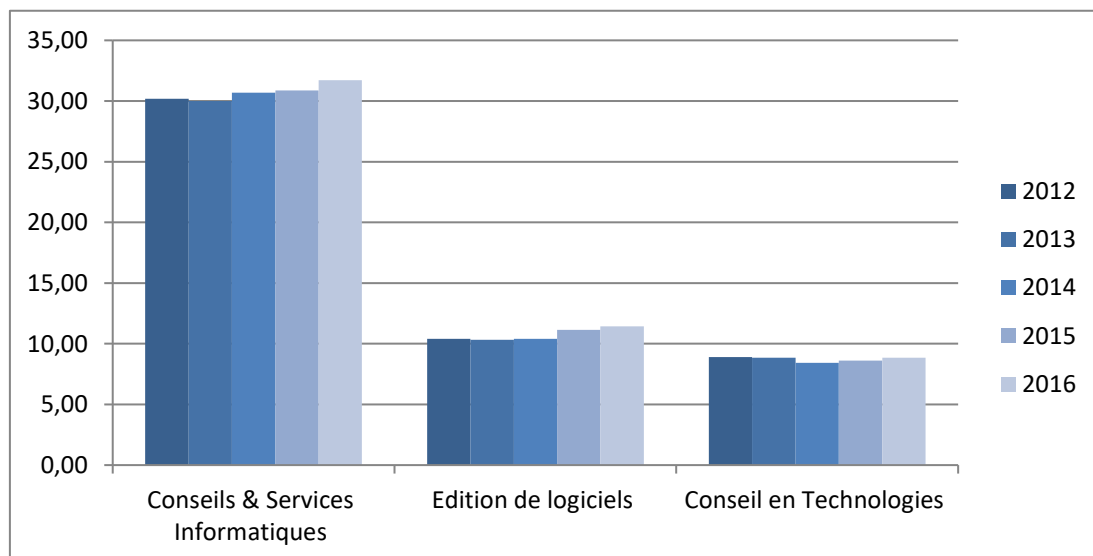


6.2. MAIN MARKETS

SQLI operates in the software and computer services market, mainly in France. The French market represents about 52 billions euros in

2016 and about 50.6 billions euros in 2015, hence an increase of about 2.8%. (Source: Syntec Numérique).

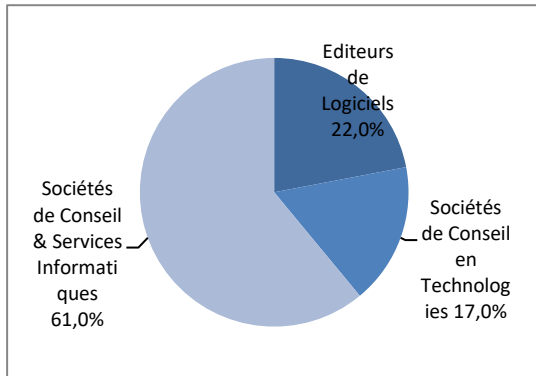
Table 18. Growth of the software and computer services market per category (Source: Syntec Numérique).



This sector is a strategic one for the French economy, representing a competitive and innovative market. The French market accounts more than 365,000 companies for three different actors: software publishers, technology consulting companies and consulting and IT services companies. In 2016, the company recruited 35,000 executives.



Table 19. Division of the market in 2016
(52 billions of euros) per actor type
(Source: Syntec Numérique).

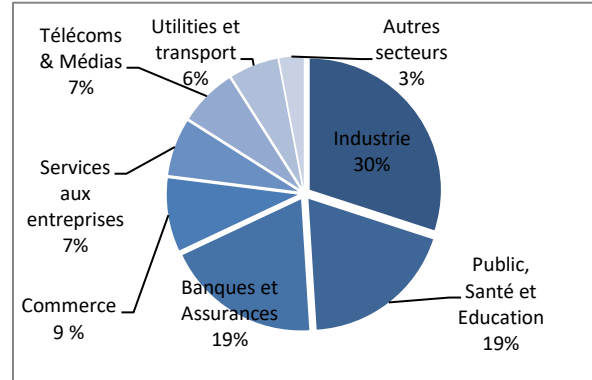


The activity sectors more active in the segments "Software" and "Computer services" are:

- the industry market which absorbs 30% of the demand,
- The "Public, health and Education" sector which accounts for 19%,

- The "banking and insurance" sector which also accounts for 19%.

Table 20. Division of the market in 2016
(52 billions of euros) per customer market (Source: Syntec Numérique).



Market prospects

in 2017, Syntec expects a 3.0 % growth for the whole sector and 2.6 % for the "Consulting and computer services" segment.

Growth expectations for 2017 are better than for 2016, thanks to:

- the consolidation of digital transformation projects;
- SMACS growth for 2017: 15.2%
- A dynamic market with multiple growth drivers (IoT / Data ...);
- The arrival of new actors and more partnerships focused on innovation;
- The increase of decisions made with or by business lines management teams.



6.3. EXCEPTIONAL EVENTS THAT INFLUENCED THE COMPANY BUSINESS

The company didn't acknowledge any particular or exceptional event having consequences on SQLI activities in 2016.

6.4. SQLI DEPENDENCE

6.4.1. UPON PATENTS, LICENSES AND OTHER TECHNOLOGY SKILLS

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

Technology-related risks are detailed in paragraph 4.1.5. *"Technology-related risks"*

and risks of dependence upon patents, licenses and other are detailed in paragraph 4.3.5. *"Dependence upon patents and licenses"*.

6.4.2. UPON INDUSTRIAL AND COMMERCIAL CONTRACTS

Customer-related risks and commercial contracts-related risks are limited, as there is no existing customer representing more than 8.1 % of SQLI turnover. Customer-related risks are detailed in paragraph 4.1.1. *"Customer-related*

risks" and the risks related to the execution of package projects will be presented at paragraph 4.3.1 *"Legal risks"*. Other information is mentioned in chapter 22. *"Major contracts"*.



6.5. THE COMPANY COMPETITIVE ENVIRONMENT

SQLI is one of the leading companies of the French market regarding digital transformation and technology, marketing, innovation consulting and technical integration.

The Group has many competitive advantages allowing to be a reference company on the market with a strong presence with Major accounts.

- **An extended agencies network:**

SQLI is one of the few companies relying on such an extended network in France (Paris, Lyon, Bordeaux, Nantes, Rouen, Toulouse, Lille) but also in Europe (UK, Switzerland, Belgium and Luxembourg), in Morocco and in South Africa.

SQLI presence in various locations in France and Europe allows to meet global expectations of the major national and international accounts.

The Group can rely on its strong position in France and the gradual increase of its European network on dynamic markets in line with the MOVE UP 2020 development plan, allowing SQLI to consolidate its place as a reference leader in Europe.

- **Onshore and Offshore centers:**

The activities controlled by the Innovation Services Centers of Bordeaux and Rabat also significantly participate in the profitable growth.

These powerful onshore/offshore industrialization sources generate new developments which combine operational and competitive performance for major accounts such as RTE or Nestlé.

- **Focus on innovation**

In order to strengthen its innovative approach, which is in line with the group unique positioning on improving the companies global performance and combining marketing and technology, SQLI decided to create a new unit dedicated to digital prospective: the LAB.

The LAB is run by a team of experts with complementary skills: Creative Technology, Innovation, strategic planning and Creative Development. These experts are strongly interested in technology innovation and the new usages which come from it.

They form the "hard core" of the LAB and their mission is to lead a community of digital experts within the Group.



6.5.1. COMPETITIVE ENVIRONMENT

Digital transformation is a critical move for companies today. This transformation must be structured and accompanied by a highly skilled partner who knows how to dress strategical and governance issues, how to deal with technological challenges, in order to offer new processes to transform the organization.

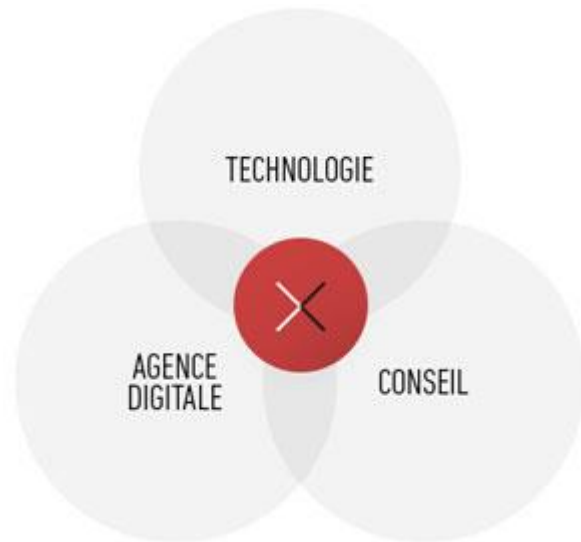
The integrated model which is linked to a combination of integrators, interactive agencies, publishers and consultants, makes this global approach of digital possible.

This association brings a unique value to the market: with the ability to transform the project vision in order to meet global strategic needs.

SQLI has a renowned expertise and a panel of skills capable of addressing various technological challenges.

SQLI skills:

- A dual complementary approach: digital agency (UX & Marketing) and integrator
- A renowned business & IT consulting expertise on the market
- A capacity for constant innovation thanks to the Lab Innovation unit
- A unique approach combining flexibility and CMMI
- An externalization capacity through onshore/offshore centers



6.5.2. PERSPECTIVES, STRATEGY AND GROUP PROJECTS

In the last years, SQLI successfully integrated 15 acquisitions which enabled the company to strengthen its leading position on the e-business French market. With a turnover exceeding 190 M€, the group size is sufficient to attract major accounts.

In 2016, SQLI continued to implement the "Ambition for 2006" plan, and prepared the transition to the "Move up 2020" plan, a four-year development strategical plan (2016-2020) with the aim to reach a double digit annual growth and a current operating margin rate exceeding 12 % at the end of the period.

This leadership was elaborated from the Group internal skills (sector-related knowledge, technology watch of SQLI Lab), the precious added value of acquisitions and strategical partnerships (Adobe, Digimind, Hybris, Magento, Microsoft and Sparkow). The Group is a reference partner in the digital transformation implementation for major accounts, in particular with e-commerce solutions, multichannel commerce, social commerce, etc.

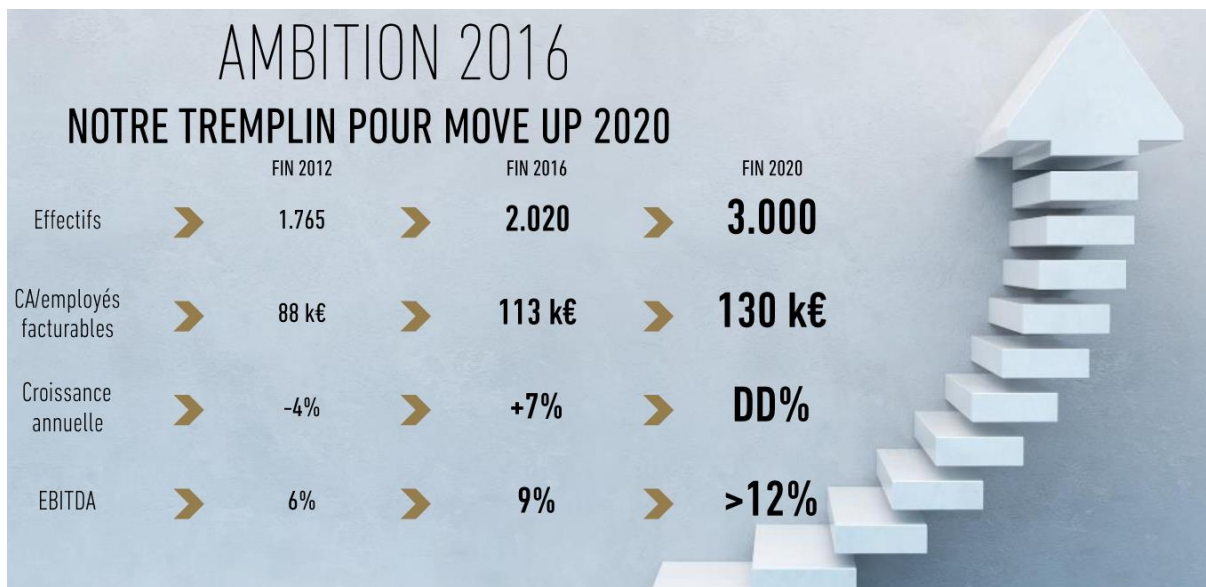
With this positioning, SQLI can help international groups (Airbus, Audemars Piguet, BNP Paribas, L'Oréal, Nestlé, Pizza Hut, Roche, Seb and others) to implement their digital strategy.

The Group plans to implement the new strategic plan Move UP 2020, as it was presented to the market last June.

This plan targets a turnover growth of more than 10% for 2017-2020, combining both organic and external growth, and a profitability improvement with an EBITDA margin exceeding 12% at the end of the period.

Dedicated growth drivers will be boosted by the increase of Major accounts contracts.

The Group also intends to actively extend its geographical presence with an external growth focused on gaining European leadership on digital applications.



CHAPTER 7. ORGANIZATION CHART

7.1. GROUP SCOPE

SQLI holdings at 31 December 2016 are the following:

Table 21. SQLI holdings

Name	Headquarters	31/12/2016		31/12/2015	
		Control %	Interest %	Control %	Interest %
SQLI SA	La Plaine Saint-Denis (93)	Consolidating Company			
ABCIAL SAS	La Plaine Saint-Denis (93)	100 %	100 %	100 %	100 %
ASTON INSTITUT SARL	Boulogne-Billancourt (92)	100 %	100 %	100 %	100 %
CLEAR VALUE SAS	La Plaine Saint-Denis (93)	100 %	100 %	100 %	100 %
ECOMMERCE4U	Roubaix (59)	100 %	100 %	100 %	100 %
EOZEN FRANCE SAS	La Plaine Saint-Denis (93)	100 %	100 %	100 %	100 %
GEIE ICE	Blagnac (31)	25 %	100 % ¹	25 %	100 % ¹
WAX INTERACTIVE	La Plaine Saint-Denis (93)	100 %	100 %	100 %	100 %
WAX INTERACTIVE LILLE	Roubaix (59)	100 %	100 %	100 %	100 %
ICONEWEB MULTIMEDIA Morocco SARL	Rabat (Morocco)	100 %	100 %	100 %	100 %
SQLI BELGIUM SA	Diegem (Belgium)	100 %	100 %	100 %	100 %
SQLI Luxembourg SA	Luxembourg (Luxembourg)	100 %	100 %	100 %	100 %
SQLI Morocco SA	Rabat (Morocco)	100 %	100 %	100 %	100 %
SQLI SA	Strassen (Luxembourg)	100 %	100 %	100 %	100 %
SQLI Switzerland SA	Renens (Switzerland)	100 %	100 %	100 %	100 %
WAX DESIGN SPRL	Laethem-Saint-Martin (Belgium)	100 %	100 %	100 %	100 %
INVENTCOMMERCE LTD	London (United Kingdom)	100 %	100 %	-	-
INVENTCOMMERCE PROPRIETARY LTD	Cape Town (South Africa)	100 %	100 %	-	-

¹ For SQLI business

With an agreement signed on 6 April 2016, SQLI purchased the the whole share capital of INVENTCOMMERCE, a company operating in the UK and in South Africa, through its wholly owned subsidiary, INVENTCOMMERCE PROPRIETARY LIMITED.

The twenty employees of InventCommerce who are specialized in cutting-edge e-

commerce platforms and operate across the entire value chain, from consulting to architecture, development and support will join the Group. Like SQLI, InventCommerce is a partner of Hybris and Magento, two technological benchmark brands in this sector.

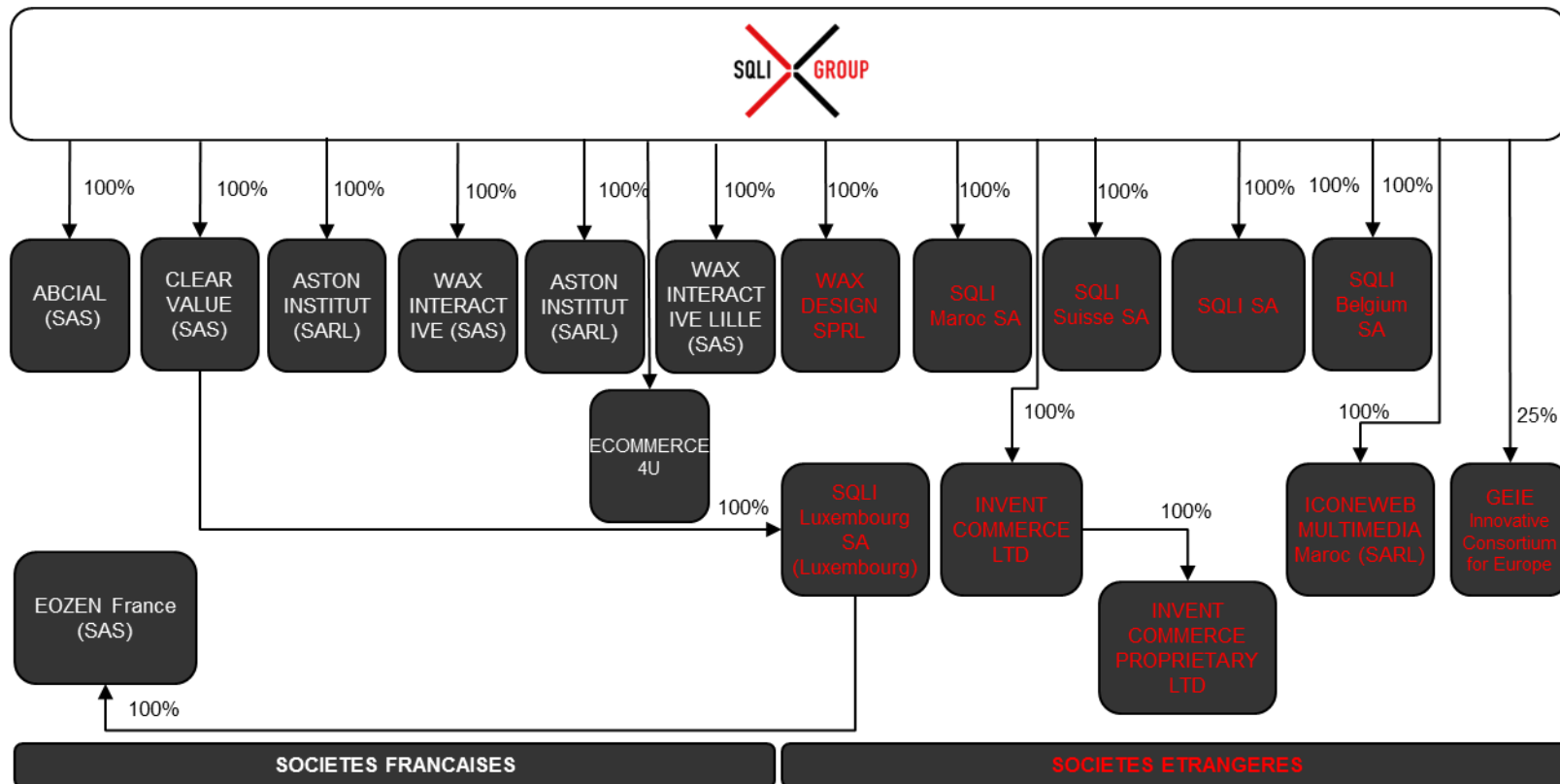


7.1.1. SCOPE VARIATIONS

The transfers and acquisitions are presented in paragraph 5.2.1. "Main investments made during the year".

7.1.2. SQLI LEGAL CHART

Table 22. SQLI Organization chart at 31 December 2016



7.2. MAIN SUBSIDIARIES

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 skills.

At 31 December 2016, the group consolidated scope included SQLI and all the companies listed below. The table presents each company contribution to the group turnover and consolidated results, excluding intra-group transactions.

Table 23. Contribution of the Group main subsidiaries

(Data in thousands of euros)

Subsidiary	2016			2015		
	Turnover	Current Operating result	Net result	Turnover	Current Operating result	Net result
SQLI	127,648	10,593	5,077	119,801	9,874	4,437
GEIE ICE	10,197	3		10,394	-12	-14
EOZEN (ex-CLEAR VALUE)		233	164	-	85	138
ASTON EDUCATION				-		
ASTON INSTITUT	3,478	898	512	2,493	300	195
WAX INTERACTIVE	7,317	-646	-1,211	8,213	-1,356	-1,724
WAX INTERACTIVE LILLE	3	148	90	884	-211	-410
ECOMMERCE4U	454	-58	-58	601	-143	-143
France	149,097	11,171	4,574	142,386	8,537	2,479
SQLI Switzerland	23,796	1,169	829	19,944	326	151
CLEAR VISION International		-21	-24	24	32	-146
SQLI Morocco	2,971	972	476	3,210	894	513
ICONEWEB Morocco		-14	-10	-	3	8
SQLI Benelux	10,703	25	-110	11,255	792	391
WAX Belgium	2,963	238	139	2,162	259	159
INVENTCOMMERCE (UK)	363	119	113			
INVENTCOMMERCE (South Africa)	1,016	314	225			
International (Exc. France)	41,812	2,802	1,638	36,595	2,306	1,076
Total	190,909	13,973	6,212	178,981	10,843	3,555

The results of international business account for 41.8 M€ in the consolidated turnover of 2016, i.e. 21.9 % of the total turnover (compared to 20.0 % in 2015).



CHAPTER 8. REAL ESTATE PROPERTY, FACTORIES AND EQUIPMENT

8.1. TANGIBLE FIXED ASSETS AND REAL ESTATE PROPERTIES FOR RENT

8.1.1. TANGIBLE FIXED ASSETS

They mainly consist in general facilities, office equipment, computer equipment and furniture.

The Group rents the majority of its premises under traditional commercial leases. The largest premises are in the Company's headquarters in Saint Denis and in Lyon. The details regarding SQLI leases are given hereafter.

SQLI plans to centralize its Paris agencies in new premises in the end of 2017. This centralization project led to the depreciation of current headquarter facilities and premises for an amount of 100 K€ at 31 December 2016.

8.1.2. REAL ESTATE PROPERTIES FOR RENT

The Group is implanted in France (Paris, Lyon, Bordeaux, Nantes, Roubaix, Lille and Toulouse), the UK (London), Switzerland (Lausanne and Geneva), Luxembourg, Belgium (Brussels), Morocco (Rabat and Oujda) and South Africa (Cape Town).

At 31 December 2016, the "premises for rent and rental costs" item amounts to 7,250 K€, compared with 7,287 K€ in the end of 2015.



The following table presents the main existing leases at 31 December 2016.

Table 24. Main existing leases (non audited data)

Location	Country	Surface area (s.m)	Annual rent 2016 (€ Tax ex.)	Annual rent 2015 (€ Tax ex.)
Saint-Denis	France	3,843	989,102	997,241
Lyon	France	2,675	418,397	476,278
Toulouse	France	1,824	212,162	190,214
Paris, France	France	1381	652,398	628,223
Bordeaux	France	1203	185,867	145,919
Nantes	France	897	115 579	116,733
Bagneux	France	630		55,835
Boulogne	France	274	94,620	94,950
Rouen	France	374	47,872	47,435
Aix	France	48	18,132	18,132
Roubaix	France	500	62,963	62,963
Lille	France	248	39,290	26,136
Arcueil	France	1,069	140,741	0
Casablanca	Morocco	234	28,695	28,374
Rabat	Morocco	1,821	263,519	228,162
Lausanne	Switzerland	559	108,427	108,427
Geneva	Switzerland	356	116,458	116,458
London	United Kingdom	70	37,884	
Cape Town	South Africa		18,757	
Diegem	Belgium	502	68,846	72,101
Sint-Martens-Latem	Belgium	180	0	44,712

8.2. ENVIRONMENTAL INFLUENCE ON SQLI USE OF TANGIBLE ASSETS

There hasn't been any consequence of the environment on SQLI activity during last years, nor is there any environment factor likely to have an impact in the future on the group's activity.

For further information, see paragraph 4.3.2. *"Environment-related risks – Impact of business on the environment"* of this Reference Document.

Social, corporate and environment-related information

It is recommended to consult the Report on social and environmental responsibility which is separately available on the Company website and dedicated to the instruction of the company

shareholders before a General Meeting. This report is available on SQLI website :

<http://www.sqli.com/Finance/Documents#assemblee>

A table of concordance including the topics mentioned in the Decree n°2012-557 of 24 April 2012 is included in Appendix 4. *"Table of concordance regarding social, corporate and environment-related information"* to the Reference Document.



CHAPTER 9. ANALYSIS OF FINANCIAL SITUATION AND RESULT

The figures below represents consolidated data.
The rules and accountancy procedures used for their drafting are detailed in paragraph 20.3.5.

"Accounting procedures and criteria, appendix and explanations".

9.1. SQLI FINANCIAL SITUATION

Consolidated Result account

Table 25. SQLI Consolidated Result account

<i>Data in thousands of euros</i>	2016	2015	Variation
Turnover	190,909	178,981	+11,928
Other earnings	5,453	5,698	-245
Used purchases	-4,438	-5,432	+994
Staff costs	-120,756	-117,870	-2886
External costs	-52,712	-45,821	-6891
Taxes and dues	-3,144	-3,047	-97
(Net) Depreciation and other operating provisions	-1,311	-1,667	+356
Other operating costs and income	-28	1	-29
Current Operating result	13,973	10,843	+3,130
Goodwill depreciation	0	0	0
Other non recurrent incomes and costs	-3,224	-4,123	+899
Operating result	10,749	6,720	+4029
Cash and cash equivalent income (charges)	55	116	-61
Total of gross financial debt	-582	-709	+127
Total of net financial debt	-527	-593	+66
Other financial income and charges	83	-100	+183
Result (bef. taxes)	10,305	6,027	+4,278
Tax liability	-4,093	-2,472	-1621
Net result (before result of activities transfered or being transfered)	6,212	3,555	+2,657
Result of activity being stopped or transferred	0	0	0
Net result	6,212	3,555	+2,657
Group share	6,212	3,555	+2,657
Minority shareholders	0	0	0

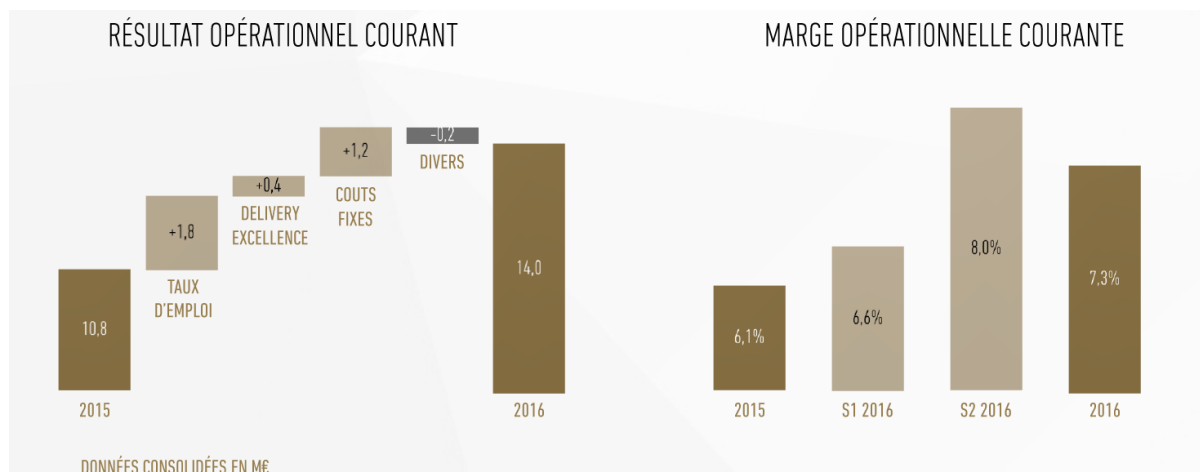


Operating result

The operating result for year 2016 has 13,973 K€ of benefits compared with 10,843 K€ in the previous year (+28.9%).

The operating result for year 2016 has 10,749 K€ of benefits compared with 6,720 K€ in the previous year (+ 60.0%).

In 2016, the average daily flow remained stable at 449 € (543 € for offshore/nearshore activities), and the activity rate is much higher at 86 % (compared with 85 % in 2015).



Financial result

The cost of consolidated net financial debt recorded a loss of 527 K€ compared to a loss of 593 K€ in 2015.

Table 26. Total of SQLI consolidated net financial debt

(Data in thousands of euros)

	2016	2015	Difference 2016 vs 2015
Revenues from loans and receivables	12	35	-23
Net earnings from VMP sales	43	81	-38
Cash and cash equivalent income	55	116	-61
Interest charges	-495	-773	-217
Factoring financing commission	-75	-21	+54
Hedging instruments for loans rates	-12	85	+73
Total of gross financial debt	-582	-709	+127
Total of net financial debt	-527	-593	+66



The other financial income and expenditure increased by 83 K€ because of the negative impact of foreign exchange variations and the discounting of long term loans and debts.

SQLI also contracted a rate hedge in order to protect the company from the fluctuations during the reimbursement of the loan.

The guarantee amounts to 4.7 M€ at 31 December 2016.

Table 27. Other financial income and charges

(Data in thousands of euros)

	2016	2015	Trend 2016 vs. 2015
Exchange rate differences	-13	-11	-2
Discounting of long term loans and debts	96	-89	185
Other financial income and charges	+83	-100	+183

Consolidated net result

The financial year ended 31 December 2016 registered a profit of 6,212 K€ compared with a profit of 3,555 K€ in 2015.

9.2. CONSOLIDATED OPERATING RESULT

9.2.1. EVOLUTION OF THE CONSOLIDATED OPERATING RESULT

Turnover

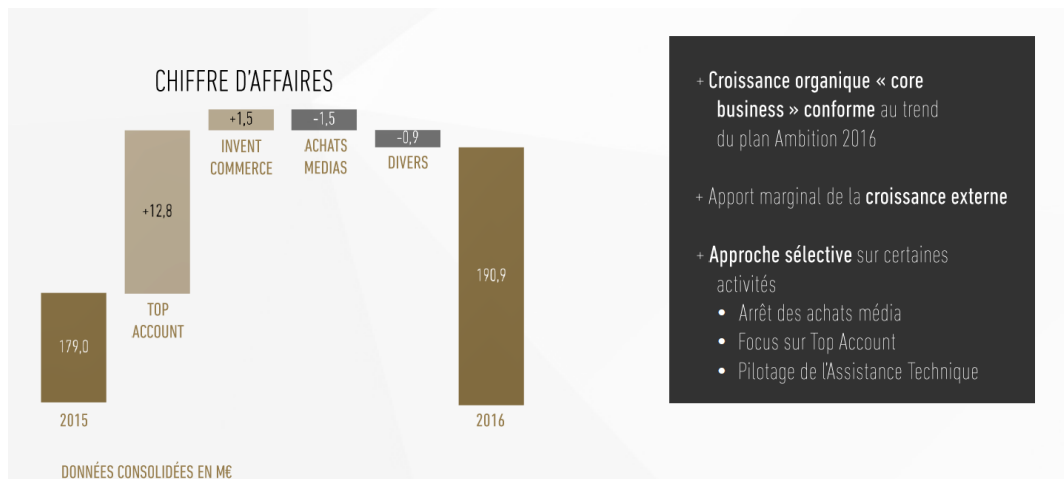
For year ending on 31 December 2016, the turnover amounted to 190,8 M€ (179 M€ in 2015).

SQLI had a very strong growth on strategic segments: e-commerce (+50%), mobility (+50%), web solutions (+40%), experience design (+20%), with a selective management of

technical assistance in order to prioritize margins against volumes.

Some non-core activities have been reduced or ended, with a total growth of 6.6% (7.5% excluding media buys and 6.0% at constant scope). This growth result was obtained through a significant margin improvement.





Operating charges

In 2016, the operating charges include staff costs for 66.3 % (69.7 % in 2015) and external costs for 28.9 % (27.1 % in 2015), amounting to a total 95.2 %.

Staff costs

Staff costs amount to 120,906 K€ against 118,103 K€ for the previous year, representing a 2.4% rise partly due to key recruitments during the period and to the integration of integrated companies staff.

The average staff number amounts to 1,949 vs 1,863 for the previous year, which represents a variation of 4.6%.

Table 28. Evolution of staff and staff costs

(Data in thousands of euros)

	2016	2015	Variation
Wages and allowance	86,624	84,015	+2,609
Social costs	34,132	33,855	+277
Participation of employees	0	0	0
Staff costs	120,756	117,870	+2,886
Provision for retirement compensations and other benefits	150	233	-83
Total Staff costs	120,906	118,103	+2,803
Average staff (trainees ex.)	1,949	1,863	+86
Staff registered at 1st January (trainees excluded)	1,875	1,910	-35
Scope variations	22	0	+22
Increase (decrease)	123	-35	+158
Staff registered at 31 December (trainees excluded)	2,020	1,875	+145



External costs

External costs increased between 2015 and 2016, with an increase of outsourcing use (+ 6,462 K€).

Table 29. Evolution of external costs

(Data in thousands of euros)

	2016	2015	Variation
Global outsourcing	32,957	26,495	+6,462
Leasing and related costs	7,250	7,287	-37
Maintenance and repairs	1,063	980	+83
Insurance premiums	487	470	+17
Various materials	296	259	+37
Staff outside the company and fees	4,305	4,193	+112
Advertising and external relationship	902	723	+179
Goods transportation	124	151	-27
Business trips, missions and receptions	3,849	3,653	+196
Mailing and telecommunication costs	943	990	-47
Bank services	215	238	-23
Other external services	321	382	-61
Total external costs	52,712	45,821	+6,891

9.2.2. MAIN FACTORS HAVING AN INFLUENCE ON THE OPERATING RESULT

During year 2016, SQLI turnover amounted to 190.8 M€ (+6.6 % compared with last year 179.0 M€ turnover).

9.2.3. MAIN CHANGES IN THE NET TURNOVER AND NET CONSOLIDATED PRODUCTS

The changes related to the company revenues are detailed above and in "Turnover" of

paragraph 9.2.1 "Evolution of the consolidated operating result"



9.2.4. GOVERNMENT ACTION, ECONOMICS, BUDGET, CURRENCY AND POLICY-RELATED RISKS

As explained in paragraph 4.3.6. "Government action, economics, budget, currency and policy-related risks", there is no existing risk related to government action, economics, budget, currency or policy which has does or will

threaten the company, its activities, its financial situation and profitability.



CHAPTER 10. CASH & EQUITY

10.1. CONSOLIDATED OWN EQUITY

At 31 December 2016, the own equity total amount was 78,752 K€ against 72,641 K€ at 31 December 2015. The 6,111 K€ variation is mainly due to:

- The year operating result amounting to 6,212 K€.
- the capital increase related to the BSAAR (2,447 K€)

which are balanced by:

- a distribution of dividends (-2 229 K€).



Table 30. Variation of shareholders' equity in the last three years

Data in thousands of euros

	Number of shares	Capital	Premium	Reserves	Year result	Translation & acturial differences	Group share	Own Equity Minority shareholders	Total
Situation at 31/12/14	3,596,998	2,878	36,013	26,304	2,555	971	68,721		68,721
Income appropriation				949	-949				
Dividend allocation					-1,606		-1,606		-1,606
Exercise of BSAAR	65,883	53	912				965		965
Group Saving Plan	23,035	18	377				395		395
Stock options allocation			37				37		37
Self-control			-30				-30		-30
Other items of comprehensive income						604			
Comprehensive income of the period					3,555	604	4,159		4,159
Situation at 31/12/15	3,685,916	2,949	37,309	27,253	3,555	1,575	72,641		72,641
Income appropriation				1,326	-1,326				
Dividend allocation					-2,229		-2,229		-2,229
Exercise of BSAAR	163,851	131	2,316				2,447		2,447
Group Saving Plan	7,156	6	200				206		206
Stock options allocation			35				35		35
Self-control			-599				-599		-599
Other				-13			-13		-13
Other items of comprehensive income									
Comprehensive income of the period					6,212	52	6,264		6,264
Assessment at 31/12/16	3,856,923	3,086	39,261	28,566	6,212	1,627	78,752		78,752

10.2. SOURCE, AMOUNT AND DESCRIPTION OF CONSOLIDATED CASH FLOW

At 31 December 2016, the Group available cash flow amounts to 4,680 K€ (2015: 16,031 K€). This decrease is due to the contraction of

financial activities cash flow and especially the repayment of loans for 5,066 K€.

Table 31. SQLI consolidated cash flow

(Data in thousands of euros)

	2016	2015	Trend 2016 vs. 2015
Cash flow due to operational activities	-2,731	1,594	-4,325
Cash flow on investment activities	-2,902	-2,371	-531
Cash flow on financing activities	-5,758	-4,998	-760
Cash flow fluctuation	-11,391	-5,775	-5,616
Cash flow and equivalent at 1st January	16,031	21,071	-5,040
Reclassification of cash position		310	-310
Effect of currency rates fluctuation	40	425	-385
Cash flow and equivalent at 31 December	4,680	16,031	-11,351



10.2.1. CONSOLIDATED OPERATING CASH FLOW

Consolidated operating cash flows decreased by 4,325 K€ with the increase of the gross financial debt (4 093 K€ vs. 709 K€ in 2015) and a strong decrease of the "Variation of other current assets and liabilities" (-6,916 K€).

Table 32. Consolidated operating cash flow

(Data in thousands of euros)

	2016	2015	Variation
Consolidated net result	6,212	3,555	+2,657
Net allowance to depreciation and provisions ⁽¹⁾	1,460	1,359	101
Calculated charges (income)	-5	-48	43
Transferred capital gain and loss	-514	-2	-512
Self-financing capacity generated by activity (ex. cost of financial debt and taxes)	7,153	4,864	+2,289
Cost of financial debt	582	709	-127
Tax liability (deferred taxes included)	4,093	2,472	1,621
Self-financing capacity generated by activity (inc. cost of financial debt and taxes)	11,828	8,045	+3,783
Variation of customers	-4,482	-3,641	-841
Variation of suppliers	148	89	59
Variation of other current assets and liabilities	-7,523	-607	-6,916
(paid) reimbursed Corporate Tax ⁽²⁾	-2,702	-2,292	-410
Cash flow due to operational activities	-2,731	1,594	-4,325

Note: ⁽¹⁾ Excluding provisions related to current assets.

⁽²⁾ Including 1,812 K€ of CVAE.



10.2.2. CONSOLIDATED INVESTMENT CASH FLOW

Cash flow on investment activities show a small increase due to scope variations. The increasing

number of fixed assets acquisitions is offset by the fixed assets transfers.

Table 33. Cash flow on investment activities

(Data in thousands of euros)

	2016	2015	Trend 2016 vs. 2015
Acquisition of fixed assets	-3,135	-2,425	-710
Transfer of fixed assets	843	54	789
Scope variation	-610	0	-610
Cash flow on investment activities	-2,902	-2,371	-531

10.2.3. CONSOLIDATED FINANCING CASH FLOW

The consolidated financing cash flows decreased by 760 K€ compared with last year.

Capital increases for the year (+1,293 K€ between 2015 and 2016) only partly offset the dividend payments to SQLI shareholders (+ 623 K€ between 2015 and 2016), the treasury shares acquisitions (+569 K€ between 2015 and 2016) and the increase of loan repayments (+820 K€ in 2016).

Table 34. Consolidated financing cash flow

(Data in thousands of euros)

	2016	2015	Trend 2016 vs. 2015
Capital Increase	2,653	1,360	1,293
Dividends paid to the shareholders of the controlling company	-2,229	-1,606	-623
Loan issue	0	0	0
Acquisition (transfer) of treasury shares	-599	-30	-569
Loan repayment	-5,066	-4,246	-820
Paid interests	-517	-476	-41
Cash flow on financing activities	-5,758	-4,998	-760



10.3. LOAN CONDITIONS AND FINANCING STRUCTURE

10.3.1. CONSOLIDATED DEBT

The financial debt amounts to 14,845 K€ at 31 December 2016, mainly comprising:

- a credit agreement contracted on 4 December 2014 between SQLI and Banque Palatine, BNP Paribas, Société Générale, Caisse d'Epargne et de Prévoyance Bretagne Pays de Loire and Crédit Lyonnais, for a maximum amount of 10,000 K€;
- a "Growth" loan of 2,500 K€ granted by BPI;
- a "Future" loan of 2,500 K€ granted by BPI;

- the funding of the state debt to BPI related to CICE 2013 and 2014, for an amount of 2,139 K€, and of the state debt to BPI related to CICE 2015 and 2016, for an amount of 2,724 K€. It bears interests calculated after the EURIBOR 1 month plus 1.20% a year.

On 20 January 2016, SQLI processed the early repayment of the last portion of the 3.4 M€ bond loan.

The loans and financial debts contracted with credit institutions have been exclusively made in euros:

Table 35. SQLI gross financial debt during the last two years

	2016	2015	Variation
<i>(Data in thousands of euros)</i>			
Repayable advances	22	43	-21
Loans toward credit institutions	7,543	9,570	-2,027
Restatement of lease contracts	115	66	49
Valuation of rate hedging instruments	25	25	0
Other non current liabilities	7,705	9,704	-1,999
Bond loan	-	1,738	-1,738
Loans toward credit institutions	1,987	1,500	487
Restatement of lease contracts	113	73	40
Received security deposits	21	21	0
Current bank lendings	4,893	2,168	2,725
Accrued interest not due	113	1,711	-1,598
Valuation of rate hedging instruments	13	52	-39
Current liabilities	7,140	7,263	-123
			0
Total of gross financial debt	14,845	16,967	-2,122



"Croissance" loan BPIFrance financement

Croissance loan fund of 2,500 K€ with Bpifrance Financement:

- Available on 13 November 2014;
- Duration: 7 years
- Fixed rate: 2.92% / year;
- The principal repayment will be made in 20 quarterly payments at the end of the month, with the capital being depreciated on a straight-line basis, after a 24 month deferred period during which only interests will be perceived.
- This loan didn't generate any security right or personal guarantee.
- This loan is attached to a hold back of 125 K€.

"Avenir" loan BPIFrance financement

Avenir loan fund of 2,500 K€ with Bpifrance Financement:

- Available on 13 November 2014;
- Duration: 10 years
- Fixed rate: 4.51 % / year;
- The principal repayment will be made in 28 quarterly payments at the end of the month, with the capital being depreciated on a straight-line basis, after a 36 month deferred period during which only interests will be perceived.
- This loan didn't generate any security right or personal guarantee.

10,000 K€ with a bank pool including banque Palatine, BNP Paribas, Société Générale, Caisse d'Epargne et de Prévoyance Bretagne Pays de Loire and Crédit Lyonnais

- The guarantee amounts to 4.690 M€ at 31 December 2016.
- a first withdrawal of 7,000 K€ was made available to SQLI on 17 December 2014;
- The credit repayment will start on 30 November 2015 and end on 30 November 2019.

Allocation date	30/11 2015	31/05 2016	30/11 2016	30/05 2017	30/11 2017	30/05 2018	30/11 2018	30/05 2019	30/11 2019
Depreciation	11 %	11 %	11 %	11 %	11 %	11 %	11 %	11 %	12 %

- Interests are due every quarter based on EURIBOR 3 month rate, increased by a margin of 1.50 to 2.40% maximum, set according to the R2 level ratio (net financial debt / restated EBITDA) :

R2 Level ratio	Margin applied to the credit
$R2 \leq 0,75$	1.50 %
$0,75 < R2 \leq 1,2$	1.75 %
$1,2 < R2 \leq 1,5$	2.00 %
$1,5 < R2$	2.40 %

These ratios have been respected at 31 December 2016.





10.3.2. DEBT MATURITY

The following chart presents SQLI debt situation according to payment deadlines.

The debt€ maturing within one year decreased by 123 K€.

For more information, see Chapter 10.4. *“Possible restrictions on the use of capital”*.

Table 36. Gross financial debt per deadline

	(Data in thousands of euros)	
	2016	2015
Due within one year	7,140	7,263
Due between 1 and 5 years	6,634	7,774
Due in more than 5 years	1 071	1,930
Total of gross financial debt	14,845	16,967

10.3.3. NET FINANCIAL DEBT

SQLI has a net financial debt of 5,272 K€ in the end of 2016, with a gross financial debt improving by 2,122 K€, and an available cash flow decreasing by 8,626 K€.

Table 37. SQLI net financial debt during the last two years

	(Data in thousands of euros)		
	2016	2015	Variation
Total of gross financial debt	14,845	16,967	-2,122
Cash flow and equivalents	-9,573	-18,199	8,626
Total of net financial debt	5,272	-1,232	6,504

10.3.4. POSSIBLE RESTRICTIONS ON CAPITAL USE

Restrictions and warranties related to banking loans

Credit agreement of 4 December 2014

a first withdrawal of 7,000 K€ was made available to SQLI on 17 December 2014;

As a security and repayment insurance, SQLI gave to the Banks the following guarantees:

- a pledge of ECOMMERCE4U all social shares,
- a pledge of the security account held in WAX INTERACTIVE LILLE books,
- a pledge of the security account held in WAX INTERACTIVE books,



- a transfer of the debt due to SQLI by WAX INTERACTIVE regarding a current account advance agreement and the related accessories.

The credit agreement includes several cases of anticipated collectability, such as:

- payment default regarding any amount due as part of the credit agreement at the maturity date of the related amount;
- failure to comply to any obligation or duty from SQLI or any of its subsidiaries (other than the payment obligation aforementioned), under the the financial documentation related to the credit (except in case of regularization in the terms and conditions described in the credit agreement),
- inaccuracy of statement of guarantee made or to be made or confirmed by SQLI or any of its subsidiary in the financial documentation related to the credit ((except in case of regularization in the terms and conditions described in the credit agreement),
- failure to comply with financial ratios (such as defined in the credit agreement) and failure to perform the verification and annual certification of these financial ratios by the statutory auditors, or delivery of an incomplete ratio certificate (statutory auditors stamp missing),

- $R1 = \text{Interest charge coverage ratio} = \frac{\text{restated EBITDA}}{\text{Cash net financial costs}} > 8$
- $R2 = \text{Leverage ratio} = \frac{\text{net financial debt}}{\text{restated EBITDA}} < 1,2$ in 2014 and then 1 in the following years
- $R4 = \text{Structure ratio} = \frac{\text{net financial debt}}{\text{Own equity}} < 0,3$
- failure to use the Credit in compliance with the credit agreement terms and conditions,
- loss of a guarantee granted as a repayment warranty regarding the funds made available under the credit agreement,
- occurrence of a negative significant event, such as defined in the credit agreement, other than those aforementioned,
- failure to comply with execution measures, decisions or verdicts (the nature of these execution measures, decisions or verdicts is detailed in the Credit agreement, along with the conditions of non-compliance leading to the anticipated collectability of the funds due under the agreement), etc.

OBSAAR

On 18 December 2015, SQLI announced the early repayment on 20 January 2016 of the last portion of the bond loan. The bond owners delegate confirmed on 23 December that this announcement caused the early repayment clause to be invalid since the contractual financial ratios had not been respected.

10.4. EXPECTED SOURCES OF FUNDING NEEDED TO MEET THE GROUP COMMITMENTS

The company declares that the firm commitments are related to significant investments and that current investments, exposed in paragraph 5.2 "*Investments*" will be respected thanks to the group available revenues amounting to 9.6 M€ on 31 December 2016.



CHAPTER 11. RESEARCH AND DEVELOPMENT, PATENTS AND LICENCES

11.1. TRADEMARKS, PATENTS, LICENSES AND INTELLECTUAL PROPERTY PROTECTION POLICY

SQLI does not have any dependence on patents or licenses essential for its activity. The Groups main brands (SQLI, Eozen, Alcyonix) are protected in Europe and in the United States.

All the brands belong to SQLI. There is no existing item owned by the company managers or their families. All legal forms of protection of the trademarks, domain names and the

copyright have been carried out to the benefit of SQLI or its subsidiaries.

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

11.2. RESEARCH & DEVELOPMENT RELATED ACTIVITY

Since it was created, SQLI always tried to support its customers in the new technologies application. SQLI group has always been a precursor when it comes to adaptation and integration of new technologies.

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

Innovating means detecting, anticipating and experimenting in order to take the best decisions and generate relevant usages. The group is also recognized for his 6MMX innovation approach: innovating in usages, methods, ideas, interfaces and technologies.

In 2016, the group carried on new research projects in the following fields: Devops, blockchain, big data, Bots, IoT, mobility and activities related to the Lincky meter.

In 2016, R&D expenses, which consisted in staff costs of researchers and functioning costs, accounted for about 4.0 % of annual turnover.

The groups expenses in 2015 for the R&D activity in compliance with the R&D tax credit criteria, generated a R&D tax claim of 2,234 K€ registered in the Assets of the balance sheet.

Furthermore, the innovative capacity of SQLI has been recognized by BPIFrance agency, being rewarded with the label of innovating company in September 2004, December 2007, April 2011 and May 2014.

labeling regarding actual or future projects implying innovative technologies for 4 kinds of operations:

- future innovations;
- new products;
- improvement of product technologies;
- customer-related innovations.

This "Innovative Company" label allows innovation funds (FCPI) to purchase SQLI shares and allocate this investment as part of its compulsory investment in innovative companies.



CHAPTER 12. INFORMATION ABOUT THE TRENDS

12.1. MAIN TRENDS WITH AN EFFECT ON BUSINESS IN 2013

At the present Reference Document date, SQLI activity remains stable.

On 16 March 2017, SQLI processed the early repayment of the 4.6 M€ balance due for the 10 M€ loan granted in 2014.

A new loan amounting to 40 M€ has been subscribed after the end of year 2016 with a bank pool including banque Palatine, BNP Paribas, BNP Paribas European SME Debt Fund, Société Générale, Caisse d'Epargne et de Prévoyance Bretagne Pays de Loire and BPI, in order to fund new acquisitions. 15 M€ have been withdrawn on 16 March 2017.

SQLI didn't register any event occurring after the accounts closure which could modify them at 31 December 2016.

12.2. FACTORS LIKELY TO AFFECT SQLI PERSPECTIVES

As far as the Group is concerned, there is no existing factor likely to have a significant impact on the company perspectives.



CHAPTER 13. PROFIT EXPECTATIONS AND ESTIMATE

SQLI chose not to include profit expectations or expectations in this report.

Details on the company strategy and projects are given in Chapter 6. *"General survey of the company activities"*.



CHAPTER 14. MANAGERIAL, GOVERNING AND SUPERVISORY ORGANS

14.1. GENERAL INFORMATION

The Executive Board decided on 7 July 2010 to separate the mandates of President of the Executive Board and CEO.

14.1.1. HEAD MANAGERS

The CEO is assisted by two Delegated Executive Officers: Nicolas Rebours, appointed by the Executive Board on 30 June 2008, and reappointed by the Board on 25 June 2014, and Thierry Chemla, appointed by the Executive Board on 14 January 2014.

Didier Fauque replaced Julien Mériaudeau as SQLI new CEO on 7 May 2013. His mandate was renewed until 31 December 2020 by decision of the Board on 28 April 2016.

At the date of the present document, the Company head managers are the following :

- Monsieur Didier FAUQUE, Chief Executive Officer;
- Monsieur Nicolas Rebours, Delegated Executive Officer (and Executive and Financial Director of SQLI).
- Monsieur Thierry Chemla, Delegated Executive Officer (and Director of SQLI Group Strategy and Development).

14.1.2. MEMBERS OF THE EXECUTIVE BOARD

At the date of the present document, the Executive Board members are :

- Monsieur Roland Fitoussi, Chairman of the Executive Board;
- Madame Véronique Reille-Soult de Dalmatie, member of the Executive Board;
- Monsieur Bernard Jacon, member of the Executive Board;
- Monsieur Hervé de Beublain, member of the Executive Board;
- Monsieur Didier Fauque, member of the Executive Board.

During the meeting of 15 May 2013, Didier Fauque was appointed as a new Board member after Julien Mériaudeau resignation. This decision was confirmed by the General Assembly of 26 June 2013.

Monsieur Roland Fitoussi has been appointed Executive Board Chairman on 14 June 2011. His mandate was renewed by decision of the Board on 25 June 2014. This decision was confirmed by the General Assembly of 25 June 2014.

Véronique Reille-Soult de Dalmatie was appointed director by the General Assembly of 25 June 2014, replacing Fabienne Conte.



At the date of the present document, The mandates and functions held by the Executive board members are the following:

Table 38. Remuneration and benefits of the Board members

First and last name of executive officers and managers	Functions	Other mandates exercised in 2011 and in the last five years
Business address	Mandate starting date	
Age and amount of held shares	Mandate ending date	
Roland Fitoussi	EB member and Chairman	Other current mandates:
Age: 72 years	Mandate starting date: Executive Board member since 30 June 2008	Président of Sethi
Number of shares 448,957	Reappointed on 25 June 2014	Manager of Immobilière Fénélon
	Chairman since 14 June 2011	Manager of HIP Fénélon
	Mandate expiry date: General meeting presiding on year ended 31 December 2019	Other mandates exercised in the last five years:
		Honorary chairman of Solving Efeso International Supervisory Board
		Executive board member of Bohlin & Strömberg
		Executive board member of Solving Iberica
		Executive board member of Solving Spa
		President of Solving International North America
		President of Solving Efeso International Board
		Executive Board member of Alcor Développement
Véronique Reille-Soult de Dalmatie	Executive Board member	Other current mandates:
Age : 52 years	Mandate starting date: 25 June 2014	President of Boutique Factory SAS
Number of owned shares: 0	Mandate expiry date: General meeting presiding on year ended 31 December 2019	Head Manager of Dentsu Aegis Network France
		Other mandates exercised in the last five years:
		President of 910*
Hervé de Beublain	Executive Board member	Other current mandates:
Age: 57 years	Mandate starting date: 14 June 2011	Member of Movies Benelux EB
Number of owned shares: 46,789	Mandate expiry date: General meeting presiding on year ended 31 December 2016	Member of Legris Industries SA Group Supervisory Board
		President of FD5 SAS, BDB SAS & Platinum Gestion
		Other mandates exercised in the last five years:
		Member of Member of Constellation Network SAS Supervisory Board



		CEO of NextStage SAS (NS) Observer of Gruau SA President of Augier Passy SAS Chairman of the Supervisory Board Fillon Participations SAS EB member of S.E.V SA EB member of PEI SA Member of Frégate SAS Strategic Committee Chairman of Fd5 SA Governing Board Member of Holding Lagoutte Supervisory Board Member of KXEN Inc. Board NS permanent representative, EB member Cabinet Roux Permanent representative, Member of Asset International Holding SAS and Accorus SAS Strategic Committees NS Permanent representative. Executive Board member Resto-in SA, First SA NS Permanent representative, Member of Alyotech SAS, Alyotech Consulting SAS, Quadriplay SAS, Inovasol SAS, Elbee SAS, HTI SAS, Hippo SA, Arma + SAS Supervisory Board
Bernard Jacon	Executive Board member	Other current mandates:
Age: 73 years	Mandate starting date: 14 June 2011	Manager of LVCT SARL
Number of owned shares: 1,753	Mandate expiry date: General meeting presiding on year ended 31 December 2016	Other mandates exercised in the last five years:
		EB member of Press Index
Didier Fauque	CEO and EB member	Other current mandates (beside SQLI group)
268, avenue du Président Wilson	Mandate starting date:	President of WADI Management SAS
93210 La Plaine Saint-Denis	CEO since 7 May 2013	Comanager of Wadi Investment SPRL
Age: 53 years	Executive Board member Cooptation on 15 May 2013 / ratification on 26 June 2013 Reappointed on 25 June 2014	Other mandates exercised in the last five years:
Number of owned shares: 9,385	Mandate expiry date:	None
	Executive Board member General meeting presiding on year ended 31 December 2019	



Table 39. Mandates and functions of Head Managers during the year

For M. Didier Fauque, see previous table.

First and last name of executive officers and managers	Functions	Other mandates exercised in 2011 and in the last five years
Business address	Mandate starting date	
Age and amount of held shares	Mandate ending date	
Nicolas Rebours	Delegated Executive Officer	Other current mandates:
268, avenue du Président Wilson	Executive and Financial Manager	None
93210 La Plaine Saint-Denis	Mandate starting date:	Other mandates exercised in the last five years:
Age: 56 years	30 June 2008	None
Number of owned shares: 0	Mandate expiry date:	
	His mandate was renewed by decision of the Board on 25 June 2014 until the date of the Shareholders' Meeting called to assess the financial statements for the financial year ending 31 December 2019.	
Thierry Chemla	Delegated Executive Officer	Other current mandates:
268, avenue du Président Wilson	Director of Strategy and Development	None
93210 La Plaine Saint-Denis	Mandate starting date:	Other mandates exercised in the last five years:
Age: 52 years	14 January 2014	None
Number of owned shares: 0	Mandate expiry date:	
	General meeting presiding on year ended 31 December 2016	

There is no existing family relationship between the members of the Executive Board.

During the last five years SQLI didn't have any Manager or Executive Officer who:

- Was convicted for fraud, accused or punished by the regulatory and statutory authorities ,
- Was involved in a bankruptcy, sequestration or liquidation as a member of the Executive, Governing or Supervisory Board, or an active partner or founder,
- Had its business activity, role or action stopped by a court, as a member of the Executive, Governing or Supervisory Board.



14.1.3. EXECUTIVE OFFICERS PROFILE

Monsieur Roland Fitoussi

Telecommunications Engineer, and graduated in Economics.

Before being an Executive officer within SQLI Executive Board, Roland Fitoussi was vice-president of SQLI Supervisory Board since 2002.

In 1980, after several years in consulting business, he created Solving International, a strategy and management consulting firm (which entered the junior stock market in 1998).

He also has other functions inside Solving International group : CEO of Solving International North America, Executive officer of Bohlin & Strömberg, and of Solving Iberica. He is also a manager in HIP Fenelon and SETHI company.

He published two books: « Gagner dans la cour des géants » (1991) and « Conquérir les marchés du XXIème siècle » (1995).

Véronique Reille-Soult de Dalmatie

Véronique Reille-Soult de Dalmatie, 51 years old, has been the founder and President of 910* since its creation. This company is the first consulting agency specialized in reputation management and interactive influence, as well as a pioneer in conversational devices and influence strategies.

She was formerly CEO of Hopscotch, a communication group of 9 companies, specialized in social web and on line influence strategies.

Being a digital communication and social networks expert, Véronique Reille-Soult de Dalmatie is regularly interviewed in large audience medias.

Monsieur Hervé de Beublain

Graduated at ESSEC (1981) and ENA (1986)

Hervé de Beublain worked within the Ministry of Industry during 4 years, first as a deputy member and then as Manager of the Economy and Finance Department of the Hydrocarbons Division. In 1990, he was appointed Deputy Director of Baring Brother before becoming

Partner of the company. He acted as a consultant regarding mergers and acquisitions in France and abroad. In 1995, he created FD5, an investment funds (60M€ of own equity today) of which he still is the President. Since 2004, Hervé De Beublain is CEO and Partner of NextStage.

Monsieur Bernard Jacon

Engineer. Graduated in Sciences.

Bernard Jacon started his career at IBM France in 1968. He became member of the Governing Board in 1988 and was put in charge of all service activities, Telecom unit and subsidiaries development. Later, he became manager of IBM business for professional services at European level during 4 years.

Then, he created his own company and worked 5 years on SSII companies bridging activity. He became member of Société PressIndex Executive Board.

He assisted in the development of various start up companies, especially within the "Entreprendre" network.





Monsieur Didier FAUQUE

Graduated from European Business School Paris.

Didier Fauque was previously CEO of IBM Global Business Services in France.

In this function, he helped developing Consulting and Integration activities from 2011.

He also served as vice-President of IBM Sectors and Systems & Technology Group.

14.1.4. HEAD MANAGERS PROFILE

For M. Didier Fauque, see previous profile.

Monsieur Nicolas Rebours

Degree from Paris IX Dauphine University and certificate of Organization and Management of Accounting Expertise.

Nicolas Rebours was graduated in 1984 at Paris IX Dauphine University (Degree of Financing and Accounting) and got a certificate of Organization and Management of Accounting Expertise in 1985. He started his career as an auditor at Pricewaterhouse Coopers firm. From 1999 to 2000 he was successively Executive and Financial manager in various AG

and Atempo software publishers among which Dorotech, Software AG and Atempo, and worked for DSL Subiteo operator until 2001 and for In-Fusio, leading company for down loadable games on mobile phones.

In 2002, he entered SQLI as a Financial and Executive officer. He became Associate manager in June 2008 after having been member of the Governing Board from June 2002 to June 2008.

Thierry Chemla

Degree from the École Nationale Supérieure d'Informatique pour l'Industrie et l'Entreprise.

After several management positions at IBM, PricewaterhouseCoopers and BNP Paribas, Thierry Chemla was appointed vice-president Sales of IBM Global Business Services in 2010 and member of IBM France Governing board, where he supervised the operating management of all Sectors and a transformation project aimed at revitalizing the commercial performance of consulting and integration teams.



14.2. CONFLICTS OF INTEREST WITHIN THE EXECUTIVE, GOVERNING AND SUPERVISORY BOARDS

Except for the elements indicated in Chapter 19 of the present reference document "*Operations with related firms*" and related to the company various regulated conventions, as exposed in paragraph 16.5 "*Report on internal control and company governance*" there is no existing risk of conflict of interest between the functions of the persons presented in paragraph 14.1. "*General information*" and their private interests and/or other functions.

There has not been any agreement or settlement concluded with customers, suppliers or others leading to the appointment of one of the persons presented in paragraph 14.1 "*General information*" as members of the Executive Board or the Governing Board.

There is no existing retain undertaking or restriction accepted by any of the persons presented above, related to the transfer of their assets in the company.



CHAPTER 15. REMUNERATION AND BENEFITS

15.1. REMUNERATION AND BENEFITS IN KIND GRANTED TO EXECUTIVE OFFICERS AND EXECUTIVE HEAD MANAGERS.

15.1.1. REMUNERATION EXECUTIVE OFFICERS

The remuneration of the Executive managers, and especially annual determination of their proportional compensation along with the attribution of free shares, is decided by the Executive Board according to their work, results, and responsibility with the objective of keeping and rewarding the good managers.

On 8 November 2011, the Executive Board decided to create a Compensation Committee, in charge of expressing recommendations regarding the compensations granted to executive officers and head managers.

Monsieur Yahya El Mir

The financial compensation due to Monsieur Yahya El Mir is presented in paragraph 4.2.5. "Risks related to off-balance sheet commitments".

Monsieur Didier FAUQUE

When the Executive Board decided to renew M. Didier Fauque CEO mandate on 28 April 2016, the Board decided to organize his remuneration as follows: a variable compensation depending on the achievement of qualitative and quantitative objectives set by the Group for 2016 and on the Group share market price.

On the 16 of March 2017, the Executive Board decided, following the previous criteria, of the amount of this variable compensation for year 2016: €127,000

On 16 September 2014, in compliance with the delegation granted by the General Assembly on 25 June 2014, the Executive Board decided to issue 215,784 shares with warrants attached (BSA), 143,856 of which have been subscribed

The data presented below is in compliance with FMA recommendations of 22 December 2008 and 17 December 2013 regarding information on Executive officers compensations to include in the reference document.

It is also in compliance with the Commercial Code regulations about the information to be given in the Management Report, with the EU Regulation n°809/2004 of 29 April 2004 and with MiddleNext guidelines.

by Wadi Investment, whose capital and voting rights are currently mainly owned by Didier Fauque.

Following the Board decision made on 28 April 2016, Didier Fauque shall have to respect a non competition undertaking for a period of 24 months in case of termination of his CEO mandate, for any reason, if SQLI decides to apply this undertaking. In compensation for the application of this undertaking, Didier Fauque would receive an allowance equal to 60% of (i) the fixed part of his remuneration and (ii) the variable part of his remuneration for the year preceding the end of his mandate. This allowance will be paid on a monthly basis during the whole period of application of the non-competition undertaking.



On 22 February 2017, the Board decided, after authorization of the General Assembly meeting of 15 June 2016, to grant Didier Fauque (i)

10,000 stock options and (ii) 1,437 free shares, as part of his compensation for year 2016.

Monsieur Nicolas Rebours

M. Nicolas Rebours compensation for his Delegated Executive Officer position was set by the Executive Board during the meeting of 29 July 2013 and confirmed when his mandate was renewed on 25 June 2014. His annual compensation amounts to 20,000 € gross and is paid every month.

Monsieur Nicolas Rebours kept the benefit from his work contract of Executive and Financial manager of the group. The Annual fixed wages of Monsieur Nicolas Rebours amounts to 151,500 euros (including vacation bonus). The variable part of his remuneration amounts to 70,000 € (gross value). The company vehicle in kind benefit amounts to 4,626 €.

Monsieur Nicolas Rebours kept the benefit from his work contract of Executive and Financial manager of the group. The Annual fixed gross wages of Monsieur Nicolas Rebours amounts to 151,593 euros (including vacation bonus of 151,700 € minus a sick leave

allowance). The variable part of his remuneration amounts to 70,000 € (gross value). The company vehicle in kind benefit amounts to 4,626 €.

After authorization of the Combined General Meeting of 25 June 2014 and following a proposal of the Compensation committee, the Board decided to grant 3,500 stock options to Nicolas Rebours on 5 November 2014 (see explanations in point 5. of the report of the Chairman and Executive Board presented in paragraph 16.6.1.).

After authorization of the Combined General Meeting of 15 June 2016, the Board decided to grant 1,500 stock options and 1,500 free shares to Nicolas Rebours in his capacity of employee (see explanations in point 5. of the report of the Chairman and Executive Board presented in paragraph 16.5.1.).



Thierry Chemla

On 14 January 2014, the Executive Board decided that Thierry Chemla would not receive any compensation for his mandate of Delegated Executive Officer.

He kept the benefit from his work contract of Executive and Financial manager of the group. M. Chemla compensation regarding his employment contract is the following: fixed wages: 186,345€ (including vacation bonus), variable part based on target achievement: 90,000 €, bonus: 120,000 €. The company vehicle in kind benefit amounts to 4,300€.

He kept the benefit from his work contract of Executive and Financial manager of the group. M. Chelma compensation, regarding his functions

On 16 September 2014, in compliance with the delegation granted by the General Assembly on 25 June 2014, the Executive Board granted 71,928 BSA to Thierry Chemla (see explanations in 7) of the Executive Board chairman's report presented in paragraph 16.5.1.)

Table 40. Remuneration, options and shares allocated to every head manager(paid amounts)

[Amount in euros]

	2016	2015
Didier Fauque - CEO since 07 May 2013		
Remuneration due for the financial year (Cf. Table 48)	681,577	564,068
Valuation of stock options granted during the financial year		
Valuation of performance shares granted during the financial year		
Total	681,577	564,068
Nicolas Rebours - Delegated Executive Officer		
Remuneration due for the financial year (Cf. Table 48)	235,719	229,288
Valuation of stock options granted during the financial year		
Valuation of performance shares granted during the financial year		
Total	235,719	229,288
Thierry Chemla - Delegated Executive Officer since 14 January 2014		
Remuneration due for the financial year (Cf. Table 48)	445,945	307,525
Valuation of stock options granted during the financial year		
Valuation of performance shares granted during the financial year		
Total	445,945	307,525
Total	1,363,241	1,100,881



Table 41. Remuneration of each head manager

	Paid in 2016	Due in 2016	Paid in 2015	Due in 2015
Didier Fauque - CEO since 07 May 2013				
Fixed remuneration	266,448	266 448	266,448	266,448
Variable remuneration	167,600	127 000	190,000	167,600
Extraordinary remuneration	186,222	0	0	186,222
Attendance fees	11 500	11 500	12,500	12,500
In-kind compensations	49 807	49 807	95,120	95,120
Total	681,577	454,755	564,068	727 890
Nicolas Rebours - Delegated Executive Officer				
Fixed remuneration	171,593	171,593	171,500	171,500
Variable remuneration	59,500	40,000	53,350	59,500
Extraordinary remuneration	0	0	0	0
Attendance fees	0	0	0	0
In-kind compensations	4,626	4,626	4,438	4,438
Total	235,719	216,219	229,288	235,438
Thierry Chemla - Delegated Executive Officer				
Fixed remuneration	186,345	184,500	181,800	181,400
Variable remuneration	255,300	86,000	121,800	255,300
Extraordinary remuneration	0	0	0	0
Attendance fees	0	0	0	0
In-kind compensations	4,300	4,300	3,925	3,925
Total	445,945	274,800	307,525	440,625
Total	1,363,241	945,774	1,100,881	1,403,953

15.1.2. REMUNERATION OF EXECUTIVE BOARD MEMBERS

Monsieur Roland Fitoussi

Regarding Monsieur Roland Fitoussi remuneration for year 2016, the Board decided to organize his compensation as follows: a variable compensation depending on the achievement of qualitative and quantitative objectives set by the Group for 2016 and on the Group share market price.

The variable amount of M. Roland Fitoussi remuneration for year 2016, calculated by the Executive Board met on 16 March 2017, following the previous criteria, is as follows: €17,640



Other EB members

The appointed members received a total amount of 70,000 € of Attendance fee in 2016 due for the period between the annual meeting of June 2015 and the annual meeting of June 2016. The distribution of this amount was decided according to the attendance rate of each member to the Board meeting and their participation to the committees.

Table 42. Distribution of attendance fees and other remunerations of the directors (regarding their director functions - paid amounts).

(In euros)

	2016	2015
Roland Fitoussi - Executive Board member	175,500	105,000
Attendance fees	11,500	12,500
Other remuneration	164,000 ¹	92,500 ²
Hervé de Beublain - Executive Board member	16,500	15,500
Attendance fees	16,500	15,500
Other remuneration	0	0
Bernard Jacon - Executive Board member	16,500	15,500
Attendance fees	16,500	15,500
Other remuneration	0	0
Didier Fauque - Executive Board member	11,500	12,500
Attendance fees	11,500	12,500
Other remuneration	0	0
Véronique Reille-Soult de Dalmatie - Executive Board member	14,000	14,000
Attendance fees	14,000	14,000
Other remuneration	0	0
Total	234,000	162,500
Attendance fees	70,000	70,000
Other remuneration	164,000	92,500

¹ M. Roland Fitoussi compensation due for year 2016 amounts to 87,640 € (excluding attendance fees) and the amounts paid are 164,000 € (excluding attendance fees).

² The amounts due regarding M. Roland Fitoussi compensation for year 2015 are 164,000 € (excluding attendance fees) and the amounts paid are 92,500 € (excluding attendance fees).



15.1.3. SHARE AND SUBSCRIPTION OPTIONS AND PERFORMANCE SHARES

Stock options

On 5 November 2014, the Executive Board granted 48,000 stock options to employees and executive managers.

The conditions of this allocation are the following:

- the options will have to be exercised before the 6th November 2019 at the latest (5 years);
- No option can be exercised before 31 December 2016;
- Anybody leaving the company before 31 December 2016 will lose his exercise right.
- The share purchase price is set to 16 €.

The allocated stock options fair value has been estimated by an independent expert to 85 K€.

This value represents a charge registered in the Group non current result and is distributed on all the acquisition period. After the cancellation of 2,500 options due to departures, this charge amounts to 37 K€ in 2015.

No option has been exercised during the year by Executive Officers and Managers.

The history of stock options allocations or share transfer is available at paragraph 17.2 “*Participation of Executive officers and managing agents in stock option*” and 17.3 “*Participation of employees in the company’s capital*”.

No allocation has been granted to directors in 2016.

On 25 June 2014, the Executive Board, exercising the authorization given by the extraordinary General Assembly of 5 November 2014, decided to grant 48,000 stock options to certain employees and to Nicolas Rebours, employee and Delegated Executive Officer.

Since the beginning of year 2017, the Executive Board, exercising the authorization given by the extraordinary General Assembly of 15 June 2016, decided on 22 February 2017, to grant (i) 10,000 stock options to Didier Fauque and (ii) a total amount of 18,000 stock options to certain employees including Nicolas Rebours, employee and Delegated Executive Officer.



The following table describes stock options allocated to Nicolas Rebours in 2014 and 2017:

Table 43. Options allocated to Head managers and Executive officers

	N° and date of plan	Nature of option	Valuation of options at fair value	Number of options granted during the period	Exercise price	Exercise period
Nicolas Rebours Delegated Executive Officer	2014 plan	Stock options	€6,211	3,500	€16.00	From 01/01/2017 to 06/11/2019
	05/11/2014					
	2017 plan	Stock options	€13,500	1,500	€32.84	From 31/12/2020 to 22/02/2024
	22/02/2017					
Didier Fauque Chief Executive Officer	2017 plan	Stock options	€91,600	10,000	€32.84	From 23/02/2019 to 22/02/2024
	22/02/2017					

The Executive Board met on 22 February 2017 didn't attach a performance condition to the exercise of all or part of Nicolas Rebours and Didier Fauque stock options, in spite of the MiddleNext Code fifth recommendation, for the following reasons:

- for Nicolas Rebours: the free options are related to his employment contract and not

to his social mandate, which proves he had the same rights as the other employees members of the stock options plan;

- for Didier Fauque: the allocation of stock options is part of his compensation for year 2016, such as decided by the Executive Board on 28 April 2016.



Free shares

No allocation of free shares has been granted to directors in 2016.

Since the beginning of year 2017, the Executive Board, exercising the authorization given by the extraordinary General Assembly of 15 June 2016, decided on 22 February 2017, to grant (i) 1,437 stock options to Didier Fauque (CEO) and (ii) a total amount of 20,100 stock options to certain employees including Nicolas Rebours, employee and Delegated Executive Officer.

Table 44. Options allocated to Head managers and Executive officers

	N° and date of plan	Number of options granted in 2017	Valuation of shares following the methods applied to consolidated accounts	Date of acquisition (identical to the date of availability)	Performance conditions
Nicolas Rebours Delegated Executive Officer	2017 plan	1,500	€60,000	1st January 2021	None
	22/02/2017				
Didier Fauque Chief Executive Officer	2017 plan	1,437	€57,480	23 February 2019	None
	22/02/2017				

The Executive Board didn't attach a performance condition to the free acquisition of all or part of Nicolas Rebours and Didier Fauque stock options, in spite of the MiddleNext Code fifth recommendation, for the following reasons:

- for Nicolas Rebours: the free options are related to his employment contract and not to his social mandate, which proves he had the same rights as the other employees members of the stock options plan;
- for Didier Fauque: the allocation of stock options is part of his compensation for year 2016, such as decided by the Executive Board on 28 April 2016.



Stock purchase warrants

According to the delegation of authority granted by the Combined General Meeting twelfth resolution on 25 June 2014, the Board issued, on 16 September 2014, 215,784 BSA including 71,928 in the BSA 1 category ("**BSA 1**"), 71,928 in the BSA 2 category ("**BSA 2**") and 71,928 in the BSA 3 category ("**BSA 3**"), divided between holders as follows:

- **Thierry Chemla** : 23,976 BSA 1 at the unit price of 1.33 €, 23,976 BSA 2 at the unit price of 1.14 € and 23,976 BSA 3 at the unit price of 0.88 €.
- **Wadi Investment**, a private limited company incorporated under Belgian law (registration number: 0536.878.865), whose majority of capital and voting rights is currently owned by Didier Fauque: 47.952 BSA 1 at the unit price of 1.33 €, 47.952 BSA 2 at the unit price of 1.14 € and 47.952 BSA 3 at the unit price of 0.88 €.

These 215,784 BSA have been subscribed by their holders on 16 September 2014.

15.1.4. SECONDARY INFORMATION

Table 45. Secondary information

	Work contract	Extra pension plan	Compensation or advantages due or likely to be due for termination or change of function	Compensation related to a non-competition clause
Didier FAUQUE, Chief Executive Officer	No	No	Yes	Yes
Nicolas Rebours - Delegated Executive Officer	Yes	No	No	No
Thierry Chemla - Delegated Executive Officer	Yes	No	No	No

Items regarding the "Compensation or advantages due or likely to be due for termination or change of function" and the "Compensation related to a non-competition clause" are presented in paragraph 15.1.1. « *Remuneration of the Executive officers* ».

Funds provisioned or recorded by SQLI or its subsidiaries and distributed as annuities, retirement of other benefits

None.



CHAPTER 16. ORGANIZATION OF EXECUTIVE AND GOVERNING BODIES

16.1. HEAD MANAGERS AND EXECUTIVE BOARD OF THE COMPANY

16.1.1. THE COMPANY GOVERNANCE

At the date of the present document, the Company head managers are the following :

- Monsieur Didier FAUQUE, Chief Executive Officer;
- Monsieur Nicolas Rebours, Delegated Executive Officer (and Executive and Financial Director of SQLI).
- Monsieur Thierry Chemla, Delegated Executive Officer (and Director of SQLI Group Strategy and Development).

Procedures related to the Company management

The provisions regarding the Company management and in particular the limits to head managers powers are presented below.

In the Articles of association

The procedures regarding the company management detailed in the company Articles of association, and especially Article 16, are

included in paragraph 21.2.2. "*Measures related to the Governing, Executive and Supervisory Boards*"

In the Internal work regulations

he procedures regarding the company management are detailed in the new Executive Board work regulations, enforced by the Executive Board on 22 September 2011 after the recomposition of the Board during the

General Meeting of 14 June 2011. They are exposed in paragraph 21.2.2. "*Measures related to the Governing, Executive and Supervisory Boards*"

16.1.2. THE COMPANY MANAGEMENT

Members of the Executive Board

The composition of the Executive Board is detailed in paragraph 14.1.2. "*Members of the Executive Board*"



Provisions related to the Board composition

The procedures regarding the company management detailed in the company Articles of association, and especially Article 14, are

included in paragraph 21.2.2. *"Measures related to the Governing, Executive and Supervisory Boards"*

16.1.3. INFORMATION ON THE EXECUTIVE BOARD COMPOSITION

Independent Executive Board member

Evaluation criteria

The criteria used to qualify and Independent Executive Board member are those of

AFEP/MEDEF corporate rules, which the Company decided to adopt.

Evaluation by the Executive Board

This Information is included in the Executive Board Chairman report presented in paragraph 16.5.1. *"Chairman report on the Executive*

Board functioning and the internal control procedures"

Number of shares held by an Executive Board member

Holding a share of the company is not compulsory anymore for the Executive Board members, following the statutes amendment

decided by the General Assembly met on 16 June 2009.

Executive managers elected by the staff

Alinea 4 of article 14. *"Executive Board"* of the company statutes are related to the Executive managers elected by the employees:

"4 –Executive managers elected by employees.

If the report presented by the Executive Board during the General Assembly stipulates, in compliance with article L.225-102 of the French Commercial Code, than the shares held by the employees of the Company and its affiliates, according to Article L.225-180, account for more than 3% of the share capital, one or more Executive managers have to be elected by the General Assembly after the suggestion of shareholder workers.

At least two months before the General Assembly, the Executive Board asks the employees to choose candidates. The Executive Board chairman receives the written suggestions of the staff in order to choose a candidate. To be receivable, the candidates have to represent at least 5% of shareholder workers. This procedure is recorded in a minute containing the number of votes for each candidate. The list of all chosen candidates is made and communicated to the Executive Board. "

At 31 December 2016, the company does not include any Director elected by the Group employees.



Observers

At 31 December 2016, the Executive Board has not appointed any observer. The company managers consider unnecessary to appoint

observers as the number independent Executive managers in the Executive Board is big enough.

Role of the Executive Board

Statutory rules regarding the Executive Board

The statutory rules regarding the Executive Board are included in paragraph 21.2.2.

"Measures related to the Governing, Executive and Supervisory Boards"

The Executive Board work regulations

The new Executive Board work regulations have been voted by the Executive Board during the meeting of 22 September 2011, within the change of governance decision, after the new composition of the Executive Board adopted by the General Assembly on 14 June 2011.

These work regulations are likely to be modified by the Executive Board following the laws and regulations and its own functioning. The work regulations aim at:

- Identifying the formation, the organization, the role and powers of the Executive Board towards the General

Assembly by completing the existing legal procedures and statutes;

- Improving the efficiency of meetings, debates, and being a reference for the periodic valuation of the Executive Board functioning;
- Integrating the management of the Company in the rules guaranteeing the respect of corporate governance principles.

The composition of the Executive Board is detailed in paragraph 21.2.2. *"Measures related to the Governing, Executive and Supervisory Boards"*

Organization of the Executive Board during the year

The preparation and organization conditions of the Board are exposed in the Chairman report included in paragraph 16.5.1. *"Chairman report*

on the Executive Board functioning and the internal control procedures"



Distribution rules of attendance fees and individual compensations

The distribution rules of attendance fees are set in the Company Articles of association (in particular article 18. « *Remuneration of the Executive Board members* »).

"Article 18 - REMUNERATION OF THE EXECUTIVE BOARD MEMBERS

"The Executive Board members are remunerated with Attendance fees whose

amount is set by the Ordinary General Assembly meetings.

Extraordinary compensations can be allocated to the Executive Board members in compliance with the law. "

The attendance fees division for 2016 and 2015 is detailed in Chapter 15: "*Remuneration and benefits*"

16.2. INFORMATIONS ON SERVICE CONTRACTS

Invoicing between SQLI and its subsidiaries or between the subsidiaries themselves mainly consist in service agreements and brand and technology royalties. These transactions are fully excluded of the consolidated accounts and considered as contracted in standard market conditions.

The contracts between the Executive and Governing Boards members and one of SQLI subsidiaries which imply advantages for these members are detailed in Chapter 19 "*Operations with related firms*" of the present reference document.

16.3. INFORMATION ON COMMITTEES

This Information is included in the Executive Board Chairman report presented in paragraph 16.5.1. "*Chairman report on the Executive*

Board functioning and the internal control procedures"

16.4. STATEMENT OF COMPLIANCE WITH THE FRENCH CORPORATE GOVERNANCE SYSTEM

As decided by the Executive Board on 21 March 2013, the Company chose to comply with MiddleNext Corporate rules for listed companies in replacement of the AFEP-MEDEF from 1st July 2013.

In compliance with article L.225-37 alinea 7 of the French Commercial Code, the Chairman report on internal control and corporate governance presented below describes the rules which have not been respected and the explanations of this decision.



16.5. REPORT ON INTERNAL CONTROL AND CORPORATE GOVERNANCE

16.5.1. CHAIRMAN REPORT ON THE EXECUTIVE BOARD FUNCTIONING AND THE INTERNAL CONTROL PROCEDURES

Madam, Sir,

Being the Chairman of the Executive Board, I present thereafter the formation, established in respect of the principle of balanced representation of men and women, of the Board and the conditions of preparation and organization of the Board functions as well as the internal control and risk management procedures of the SQLI ("SQLI" or the "Company"), in compliance with article L.225-37 alinéas 6 and followings of the French Commercial Code.

The company decided to refer to the MiddleNext corporate governance rules, which can be found on the company website and on MiddleNext. In compliance with article L.225-37 alinéa 7 of the French Commercial Code, the current report on internal control and corporate governance presented below describes the rules which have not been respected and the explanations of this decision.

The present report was drafted with the support of the drafting guide for reference documents for small and mid caps published by the Financial Market Authority on 2 December 2014 (DOC-2014-14), of the AMF DOC-2013-20 guidelines of 18 November 2013 - the AMF Report on corporate governance and VaMPs managers compensation and of AMF DOC-2015-01 guideline of 12 January 2015 regarding Presidents reports on internal control and risk management procedures - adapted to VaMPs issuers.

The diligences created for the elaboration of the President report include interviews of the Group Financial and Executive officers, interviews of Agencies managers, the intervention of an external legal consultant, the monitoring of the Audit Committee and the Executive Board.

The report has been approved by the Executive Board on 16 March 2017, and will be included in the Management report and in the 2016 Group report drafted by the Executive Board. It will be published in the conditions set by the law.

It includes an evaluation of the adequacy and efficiency of the internal control and risk management procedures presented.

In compliance with the MiddleNext corporate governance rules preamble, The Executive Board acknowledged on 22 February 2017 all the vigilance points mentioned in the MiddleNext code, such as modified in September 2016.

The data required by article L.225-100-3 of the French Commercial Code, about the company capital structure and the elements likely to have an impact in case of public offer, are published in the Executive Board Management report, in compliance with this article.

The statutory auditors will present a report regarding their observations on the internal control and risk management procedures related to the drafting and the processing of accounting and financial and accounting data, certifying that the present report include other information requested by Article L.225-37 of the French Commercial Code.



I. FORMATION OF THE EXECUTIVE BOARD

At the date of the present report, the Executive Board composition is as follows:

Mandate	Name	Mandate starting date	Mandate expiry date	Independence*
Executive Board member Chairman of the Executive Board	Roland Fitoussi	Mandate renewed on 25 June 2014	General meeting presiding on year ended 31 December 2019	Roland Fitoussi : non independent in regard with his reference shareholder position;
Executive Board member	Véronique Reille-Soult de Dalmatie	25 June 2014	General meeting presiding on year ended 31 December 2019	Independent
Executive Board member	Hervé de Beublain	14 June 2011	General meeting presiding on year ended 31 December 2016	independent.
Executive Board member	Bernard Jacon	14 June 2011	General meeting presiding on year ended 31 December 2016	independent.
Executive Board member	Didier Fauque	Mandate renewed on 25 June 2014	General meeting presiding on year ended 31 December 2019	Non independent because of his CEO mandate

The Executive Board decided on 7 July 2010 to separate the mandates of President and CEO.

Monsieur Roland Fitoussi has been appointed Executive Board Chairman on 14 June 2011. His Board member mandate was renewed by decision of the Board on 25 June 2014, and his Board Chairman mandate was also renewed by decision of the Board on 25 June 2014.

Didier Fauque has been appointed CEO on 7 May 2013. His mandate was renewed until 31 December 2020 by decision of the Board on 28 April 2016.

The CEO is assisted by two Delegated Executive Officers: (i) Nicolas Rebours, appointed by the Executive Board on 30 June 2008, and reappointed by the Board on 25 June 2014, and Thierry Chemla, appointed by the Executive Board on 14 January 2014, until the date of the Shareholders' Meeting called to assess the financial statements for the financial year ending 31 December 2019 and (ii) Thierry Chemla appointed by the Executive Board on 14 January 2014, until the date of the Shareholders' Meeting called to assess the financial statements for the financial year ending 31 December 2016.



It has been decided that Nicolas Rebours and Thierry Chemla would retain both the Delegated Executive Officer mandate and their work contract.

The independence of Executive managers has been evaluated by the Executive Board during the meeting of 22 February 2017, following the MiddleNext corporate governance code.

Even if, according to the MiddleNext Code rules, the independence criterion should be evaluated every year during the writing and approval of the President report (Recommendation n°3 presented below), the Executive Board decided to rule on this matter during the self-evaluation process included in the last meeting of 22 February (cf. infra).

Definition of MiddleNext rule of independence (Recommendation n°3) :

According to the recommendation, the Board should have at least 2 independent members.

The independence of Board members, defined by the absence of material financial, contractual or family connections that could affect the independence of the board member's judgment, relies on five criteria:

- *the Board member shall not be an employee or a Executive head manager of the Company or one of its affiliates and has not occupied these functions in the last five years;*
- *the Board member shall not be, and have been for the last two years, part of a major business relation with the company or the Group (customer, supplier, competitor, creditor, banker, etc.);*
- *the Board member shall not be a main shareholder of the Company or hold an significant portion of voting rights;*
- *the Board member shall not be closely related to a managing agent or a main shareholder of the company;*
- *the Board member shall not have been, for the last six years, a statutory auditor of the company.*

The independence criterion also implies a certain state of mind allowing to act freely and according to his own judgment and knowledge and being able to oppose the Board decisions or resign if necessary.

It requires a certain way of considering and applying one's personal obligations, focusing on ethics and loyalty values towards the company and the other Board members.

It is therefore the responsibility of the Executive Board to rule on every member independence, one by one, in compliance with the previous criteria. The independence criterion is studied during the first appointment of the Board member and every year during the writing and approval of the President report.

The Board can decide that a Board member independence is respected even if all the criteria are not met provided that this conclusion is explained and documented, and can, on the opposite, decide that a Board member independence is not observed even if all the criteria are met.



The situation of every Executive Board member is as follows:

- Roland Fitoussi : non independent because of his reference shareholder position;
- Véronique Reille-Soult de Dalmatie, independent Board member;
- Hervé de Beublain: independent Board member;
- Bernard Jacon: independent Board member;
- Monsieur Didier Fauque: not independent in regard because of his function of Executive head manager.

The independent members amount to 3 out of 5 members, which is a higher proportion than the one required by the MiddleNext corporate governance code.

The Management Report includes the list of mandates and functions of the Board members in other companies. The company respects the MiddleNext recommendations regarding the plurality of mandates.

In compliance with MiddleNext corporate governance code, the Executive Board carried out its own evaluation during the meeting of 22 February 2017, and identified its formation as balanced and able to guarantee the achievement of its mission with the required independence and objectivity to the shareholders and the market.

When being appointed, every Board member was reminded of his obligations and urged to follow the ethical standards related to his mandate and to comply with the legal rules regarding the plurality of mandates. Every Board member shall inform the Board in case of interest conflict occurring after the beginning of his mandate and shall attend regularly the Board meeting and General Assemblies ; he shall be certain of having access to useful information regarding the Board meeting agenda before taking any decision and shall respect professional secrecy.

The MiddleNext corporate governance code, such as modified in September 2016, advises that "the Executive Board should establish any procedure allowing to disclose and manage conflicts of interests, by requesting for instance to the Board members to update their statements" and that the Executive Board should review existing conflicts of interests at least once a year (Recommendation R2). These requirements have been recently added to the Corporate Governance Code and have not been yet reviewed by the Executive Board. The Board will be called to assess on this requirements in 2017.

SQLI takes into account the principle of equal representation of men and women within the Executive Board, and Véronique Reille-Soult de Dalmatie has been appointed Board member by the General Meeting of 25 June 2015, in replacement of Fabienne Conte.

This principle will be considered again during the review of the Board members mandates in 2017.

According to the Company statutes, the Executive Board members are appointed for six years. The Board considers this duration is well adapted to the Company needs. The Board members mandate duration specified in the Company statutes complies with MiddleNext corporate governance code legal procedures and recommendations. For the company, the stability of Executive managers guarantees a better understanding of the company functioning and a better quality of debates and decisions.

Following the changes adopted by the General Assembly of 14 June 2011, the mandates have now staggered terms, which prevents the entire renewal of the Board and favors continuous renewal.



II. CONDITIONS OF PREPARATION AND ORGANIZATION OF THE EXECUTIVE BOARD

1. Role of the Executive Board

Pursuant to the law, the Executive Board decides of the company activity orientations and supervises their implementation.

In compliance with the powers given by law to the shareholders assemblies, and in the limit of the social purpose of the company, the Board deals with any issue regarding the good functioning of the company.

it defines the company strategy, appoints the Executive head officers in charge with the management of the company, and chooses the organization system (unification or separation of the functions of Chairman and CEO), controls the management and the quality of information given to the shareholders and the markets through the company accounts and during important deals.

2. Role of the Executive Board Chairman

The Executive Board chairman is a non executive Chairman. Pursuant to the law, he organizes and run the Board works, reports to the Assembly and ensure the smooth operation of corporate organs.

The Executive Board didn't give him any other task except that of participating to the Audit and Strategy Committees.

3. Limitation of the CEO and the Delegated Executive Officer powers.

On 22 September 2011, the Executive Board adopted new internal rules stating that all decisions and actions regarding the following subjects must receive its approval:

- External growth operations;
- Approval and modification of annual budget (including an "investment" item);
- Any investment not included in the annual budget (*) which exceeds a global amount of 500,000 euros and any expense not included in the annual budget which exceeds a global amount of 500,000 euros (excluding recruitment operations);
- Any subsidiary creation or joint venture agreement;
- Any agreement or disposal or transfer act, with or without charge, of assets which are essential to the Company and/or its subsidiaries;
- Contracting a loan or any bond issue which would not be included in the annual budget and concluding an off-balance sheet commitment whose amount would exceed 1,000,000 euros (including liability guarantees);
- The grant of any security affecting the company and/or subsidiaries assets outside of their normal business and exceeding the annual allocation;
- Any decision leading to a modification of the Company statutes including but not limited to a change in the social form, the governance procedures, the social purpose and the nature of business;
- Any capital increase or decrease, securities issue in any category, merger, separation or partial contribution of assets regarding a company in the group;
- Any decision affecting SQLI brand by extension or restriction of its use;
- The implementation or modification of any participation, interest, stock option plan, of free shares allocation plan or of carry BSAAR.



-
- Any decision related to a change in the place of quotation for the company securities, including the withdrawal.
 - Any change in accounting procedures;

According to the Company work regulations, the following items will have to be regularly reported to the Board:

- Cash position;
- Any change in high management positions (agency managers) and any change in the terms of agreement with one of these members (including in the work contract).
- For subsidiaries managers, any change regarding:
 - Their appointment and dismissal;
 - The appointment of subsidiaries Executive Board members;
 - The powers of the Executive Boards of SQLI subsidiaries.
- Any decision leading to a modification of a subsidiary statutes including but not limited to a change in the social form, the governance procedures, the social purpose and the nature of business;

4. Preparation and organization of the Executive Board works

Executive Board

The rules of procedure of the Executive Board voted on 22 September 2011, are available at the Company headquarters and on its website: <http://www.sqli.com>.

These work regulations are likely to be modified by the Executive Board following the laws and regulations and its own functioning.

The work regulations aim at:

- Identifying the formation, the organization, the role and powers of the Executive Board towards the General Assembly by completing the existing legal procedures and statutes;
- Improving the efficiency of meetings, debates, and being a reference for the periodic valuation of the Executive Board functioning;
- Integrating the management of the Company in the rules guaranteeing the respect of corporate governance principles.

Consequently, the work regulations stipulate that the Chairman or EOs have to communicate every Board member all the documents and data needed to the achievement of their mission.

The Executive Board members receive before the meeting of the Board the documents needed to examine the items which will be debated during the meeting.

The Executive Board work regulations stipulate that for the calculation of the quorum and the majority, the presence of the Supervisory Board members is requested who can participate to the meeting by videoconference or telecommunications in compliance with the legal conditions. However the participation to the Executive Board meetings by videoconference or telecommunication is not accepted for the deals defined by articles L.232-1 et L.233-16, that is for the annual accounts and Management report drafting as well as for the consolidated accounts and group management report drafting.



The work regulations were adopted on 22 September 2011, i.e. before the Executive Board decision of 21 March 2013 to comply, from 1st July 2013, with MiddleNext corporate governance code (which has then been recently modified).

The Board might have to assess, during one of the next meetings, the necessary changes to bring to SQLI work regulations in order to make it compliant with the MiddleNext Corporate governance code which has been modified in September 2016, and in particular the recommendations n° 4 and 7 presented below.

Creation of the Board internal rules (Recommendation R7 of the MiddleNext Code)

The Code recommends to adopt Board Rules of Procedure, covering at least the following eight points:

- *role of the Board and any operations that are subject to prior authorization by the Board, if applicable;*
- *composition of the Board /independence criteria applicable to directors;*
- *definition of the missions of dedicated committees;*
- *members duties (ethics: loyalty, non-competition, disclosure of conflicts of interest and the duty to abstain, confidentiality etc.);*
- *organization of the Board (frequency of the meetings, convening, member information, use of video conference and telecommunication) and of the committees;*
- *protection procedures for executive officers: third party insurance*
- *calculation rules of the members compensation;*
- *details on the succession plan for the Head manager and key managers.*

It is also advisable to make the internal rules or a complete summary of it available on the company website with an presentation in the President report.

Information of the Board members (Recommendation R4 of the MiddleNext Code)

The company is advised to give to the Board members within a reasonable time any relevant information related to the Company news received between the Board meetings.

It is advisable to include in the internal rules the methods used to deliver this information, with the establishment of a reasonable time-frame for this delivery.



The Executive Board met 12 times in 2016, and recorded its decisions in minutes. The attendance rate of his members reached 88 %. The Executive Board Chairman presided over all the Board meetings. Each of its meetings was preceded of the communications and information defined by the work regulations.

During these meetings, the Board debated the following items: development strategy for the group, external growth projects, semi-annual and annual accounts closure, quarterly turnover closure, financial management, increase of capital for the employees, managers remuneration, preparation of the annual meeting.

Committees

The Committees are strictly consultative. They are under exclusive and collective responsibility of the Executive Board members. They report to the Executive Board which can decide of what to do according to the Committee advices.

Audit Committee

In compliance with Article L.823-19 of the French Commercial Code, the Executive Board created on the 1st September 2009 an Audit committee in charge of following the questions related to the drafting and monitoring of accounting and financial data.

In compliance with Article L.823-19 of the French Commercial Code, this Committee has the following functions:

- supervising the financial reporting process and giving recommendations to guarantee its integrity;
- checking the efficiency of internal control and risk management procedures, along with internal audit procedures, regarding the accounting and financial reports preparation and processing, without compromising its independence;
- giving recommendations to the statutory auditors whose appointment has been proposed by the General assembly or any other body with a similar duty. These recommendations submitted to the Executive Board or the Supervisory Board are prepared in compliance with Article 16 of Regulation UE n° 537/2014. A recommendation is also provided for the renewal of the auditors mandate, such as defined in Article 823-3-1;
- following the execution of the statutory auditor mission; regarding the Public interest entities, the committee takes into account the conclusions and statements of the Haut Conseil du Commissariat aux Comptes (Audit Office Control Board) relating to the evaluations made in compliance with Articles L. 821-9 and followings;
- ensuring the compliance of independence conditions by the statutory auditor, such as defined in Section 2, chapter II, Title II, Book VIII of the French Commercial code; regarding the Public interest entities, the committee takes the necessary steps to comply with paragraph 3, Article 4 of Regulation UE n° 537/2014 and ensure the compliance with the conditions mentioned in Article 6 of this Regulation;
- approving, for the Public interest entities, the execution of the services described in Article L. 822-11-2;
- reporting on a regular basis to the Executive Board or the Supervisory Board on the execution of its functions. The Committee also reports the results of the accounts certification, describing how this



task contributed to keep the integrity of the financial information and its role in the process. Every issue met in the process must be reporter as quickly as possible.



The Audit Committee members are:

- Roland Fitoussi, Board member and Chairman of the Executive Board;
- Hervé de Beublain, independent member in compliance with Middlednext Code criteria and expert in financing and accounting.

Hervé de Beublain is also chairman of the Audit Committee.

The Audit Committee met twice in 2016 with an attendance rate of 100%.

Compensation Committee

On 8 November 2011, the Executive Board decided to create a Compensation Committee, in charge of expressing recommendations regarding the compensations granted to executive officers and head managers.

M. Bernard Jacon and M. Hervé de Beublain, independent Board members, have been appointed as members of this Committee. The Audit Committee met twice in 2016 with an attendance rate of 100 %.

Strategy Committee

The Strategy Committee mission is to study the Company strategy planned by the CEO and COS and/or DEOs, in particular regarding investments and current activities, and to measure the progress of developments.

At this date, the Strategy Committee members are: Véronique Reille-Soult de Dalmatie (independent Board member), Monsieur Bernard Jacon (independent Board member) and Roland Fitoussi (Board member and Chairman of the Executive Board).

The Audit Committee met 10 times in 2016 with an attendance rate of 95 %.



III. COMPENSATIONS AND IN-KIND BENEFITS OF EXECUTIVE OFFICERS

The remuneration of the Executive managers, and especially annual determination of their proportional compensation along with the attribution of any kind of benefits, is decided by the Executive Board according to their work, results, and responsibility with the objective of keeping and rewarding the good managers.

Definition and transparency regarding the compensation of Executive managers (Recommendation n° 2 of MiddleNext Code):

The remuneration and the compensation procedures of the Executive managers should be decided by the Executive Board whose members also decide on the information they want to disclose in this matter, in compliance with legal and regulatory requirements. The evaluation of the performance condition include quantitative (financial and non financial) and qualitative criteria.

The remuneration and the compensation procedures are based on the seven principles exposed below:

- **Exhaustive:** *the determination of corporate officers' compensation must be exhaustive: fixed part, performance-related part (bonus), stock options, bonus shares, directors' fees, pension terms and particular benefits must be taken into account in assessing overall compensation.*
- **Balanced** *between the various components of the compensation: each component of the compensation must be justified and correspond to the general interest of the company.*
- **Benchmarked:** *compensation must be assessed, to the extent possible, in relation to a reference profession and market, and must be in proportion with the situation of the company, while paying attention to any inflationary effects.*
- **Consistent:** *the manager's compensation must be set in a manner that is consistent with that of the company's other managers and employees.*
- **Clear rules:** *the rules must be simple and transparent; the performance criteria used for the performance-related components of compensation or for allocating any options or bonus shares must correspond to the purposes of the company, must be demanding, explainable and, to the extent possible, sustainable. They must be detailed without compromising the confidentiality which can be necessary for some items.*
- **Measured:** *the compensation and allocation of options or bonus shares should find the right balance and take account of the general interest of the company, market practices and manager performance.*
- **Transparency:** *annual information disclosure to shareholders on the compensation of the managers must be made in accordance with the applicable regulations.*



1. Summary of the Remuneration, options and shares allocated to every head manager

Summary of the Remuneration, options and shares allocated to every head manager			
Roland Fitoussi Chairman of the Executive Board	Year N-2	Year N-1	Year N
Remuneration due for the financial year <i>(presented in table 2)</i>	159,500	105,000	175,500
Valuation of stock options granted during the financial year	SO	SO	SO
Valuation of performance shares granted during the financial year	SO	SO	SO
TOTAL	159,500	105,000	175,500
Didier Fauque Chief Executive Officer	Year N-2	Year N-1	Year N
Remuneration due for the financial year <i>(presented in table 1)</i>	579,970	564,068	681,577
Valuation of multi-year variable compensation granted during the financial year			
Valuation of stock options granted during the financial year	SO	SO	SO
Valuation of performance shares granted during the financial year	SO	SO	SO
TOTAL	579,970	564,068	681,577
Monsieur Nicolas Rebours. Delegated Executive Officer since 30/06/2008, his mandate was renewed by decision of the Board on 25 June 2014.	Year N-2	Year N-1	Year N
Remuneration due for the financial year <i>(presented in table 2)</i>	212,549	229,288	235,719
Valuation of stock options granted during the financial year	6,211	SO	SO
Valuation of performance shares granted during the financial year	SO	SO	SO
TOTAL	218,760	229,288	235,719
Thierry Chemla Delegated Executive Officer since 14 January 2014	Year N-2	Year N-1	Year N
Remuneration due for the financial year <i>(presented in table 2)</i>	233,107	307,525	445,945
Valuation of stock options granted during the financial year	SO	SO	SO
Valuation of performance shares granted during the financial year	SO	SO	SO
TOTAL	233,107	307,525	445,945



2. Summary of the Remuneration allocated to each Head manager by the Company and the

➤ Remuneration of Roland Fitoussi:

Remuneration of each head manager						
Roland Fitoussi Chairman of the Executive Board	Year N-2		Year N-1		Year N	
	Amounts due	Amounts paid	Amounts due	Amounts paid	Amounts due	Amounts paid
Fixed remuneration	70,000	70,000	70,000	70,000	70,000	70,000
Annual variable remuneration	22,500	74,500	94,000	22,500	17,640	94,000
Extraordinary remuneration	SO	SO	SO	SO	SO	SO
Attendance fees	15,000	15,000	12,500	12,500	11,500	11,500
In-kind compensations	SO	SO	SO	SO	SO	SO
TOTAL	107,500	159,500	176,500	105,000	99,140	175,500

Regarding Monsieur Roland Fitoussi remuneration for year 2016, the Board decided to organize his compensation as follows: a variable compensation depending on the achievement of qualitative and quantitative objectives set by the Group for 2016 and on the Group share market price.

The variable amount of M. Roland Fitoussi remuneration for year 2016, calculated by the Executive Board met on 16 March 2017, following the previous criteria, is as follows: €17,640



➤ Remuneration of Didier FAUQUE :

Remuneration of each head manager						
Didier Fauque Chief Executive Officer	Year N-2		Year N-1		Year N	
	Amounts due	Amounts paid	Amounts due	Amounts paid	Amounts due	Amounts paid
Fixed remuneration	266,448	266,448	266,448	266,448	266,448	266,448
Variable remuneration	190,000	306,000	167,600	190,000	127,000	167,600
Extraordinary remuneration	SO	SO	186,222	SO	SO	186,222
Multi-annual variable remuneration						
Attendance fee	5,000	5,000	12,500	12,500	11,500	11,500
Benefits in kind	2,522	2,522	95,120	95,120	49,807	49,807
TOTAL	463,970	579,970	727,890	564,068	454,755	681,577

When the Executive Board decided to renew M. Didier Fauque CEO mandate on 28 April 2016, the Board decided to set his remuneration as follows: a variable compensation depending on the achievement of qualitative and quantitative objectives set by the Group for 2016 and on the Group share market price.

On this basis:

- On 22 February 2017, the Board decided, after authorization of the General Assembly meeting of 15 June 2016, to grant Didier Fauque (i) 10,000 stock options and (ii) 1,437 free shares, as part of his compensation for year 2016.
- On 16 March 2017, the Executive Board decided, following the previous criteria, of the amount of this variable compensation for year 2016: 127,000 €

On 16 September 2014, in compliance with the delegation granted by the General Assembly on 25 June 2014, the Executive Board decided to issue 215,784 shares with warrants attached (BSA), 143,856 of which have been subscribed by Wadi Investment, whose capital and voting rights are currently mainly owned by Didier Fauque. (see explanations in 7).

Following the Board decision made on 28 April 2016, Didier Fauque shall have to respect a non competition undertaking for a period of 24 months in case of termination of his CEO mandate, for any reason, if SQLI decides to apply this undertaking. In compensation for the application of this undertaking, Didier Fauque would receive an allowance equal to 60% of (i) the fixed part of his remuneration and (ii) the variable part of his remuneration for the year preceding the end of his mandate. This allowance will be paid on a monthly basis during the whole period of application of the non-competition undertaking.



In order to comply with the MiddleNext Code, such as modified in September 2016, the following table summarizes the benefits or allowances granted to Didier Fauque:

	Work contract		Extra pension plan		Non-competition clause	
	Yes	No	Yes	No	Yes	No
Didier Fauque His CEO mandate was renewed from 7 May 2016 until 31 December 2020		X		X	<u>Duration:</u> 24 months in case of termination of his CEO mandate, for any reason. <u>Remuneration in case of activation of the non-competition clause by SQLI:</u> In compensation for the application of this undertaking, Didier Fauque would receive an allowance equal to 60% of (i) the fixed part of his remuneration and (ii) the variable part of his remuneration for the year preceding the end of his mandate. This allowance will be paid on a monthly basis during the whole period of application of the non-competition undertaking.	

➤ Remuneration of Nicolas REBOURS :

Remuneration of each head manager						
➤ Functions related to employment contracts						
Monsieur Nicolas Rebours. Executive and Financial Manager	Year N-2		Year N-1		Year N	
	Amounts due	Amounts paid	Amounts due	Amounts paid	Amounts due	Amounts paid
Fixed remuneration	151,500	151,500	151,500	151,500	151,593	151,593
Variable remuneration	51,600	38,250	59,500	53,350	40,000	59,500
Extraordinary remuneration	SO	SO	SO	SO	SO	SO
Benefits in kind	2,799	2,799	4,438	4,438	4,626	4,626
TOTAL	205,899	192,549	215,438	209,288	196,219	215,719



➤ Functions related to the Delegated Executive Officer mandate						
Monsieur Nicolas Rebour.	Year N-2		Year N-1		Year N	
	Amounts due	Amounts paid	Amounts due	Amounts paid	Amounts due	Amounts paid
Fixed remuneration	20,000	20,000	20,000	20,000	20,000	20,000
Variable remuneration	SO	SO	SO	SO	SO	SO
Extraordinary remuneration	SO	SO	SO	SO	SO	SO
Benefits in kind	SO	SO	SO	SO	SO	SO
TOTAL	20,000	20,000	20,000	20,000	20,000	20,000

M. Nicolas Rebour compensation for his Delegated Executive Officer position was set by the Executive Board during the meeting of 29 July 2013 and confirmed when his mandate was renewed on 25 June 2014. His annual compensation amounts to 20,000 € gross and is paid every month.

Monsieur Nicolas Rebour kept the benefit from his work contract of Executive and Financial manager of the group. The Annual fixed gross wages of Monsieur Nicolas Rebour amounts to 151,593 euros (including vacation bonus of 151,700 € minus a sick leave allowance). The variable part of his remuneration amounts to 70,000 € (gross value). The company vehicle in kind benefit amounts to 4.626 € for year 2014.

Furthermore:

- After authorization of the Combined General Meeting of 25 June 2014, the Board decided to grant 3,500 stock options to Nicolas Rebour on 5 November 2014 (see explanations in point 5);
- After authorization of the Combined General Meeting of 15 June 2016, the Board decided on 22 February 2017 to grant 1,500 stock options and 1,500 free shares to Nicolas Rebour in his capacity of employee (see explanations in point 4 and 5).



➤ Remuneration of Thierry Chemla:

Remuneration of each head manager						
➤ Functions related to employment contracts						
Thierry Chemla Vice-President Strategy & Development	Year N-2		Year N-1		Year N	
	Amounts due	Amounts paid	Amounts due	Amounts paid	Amounts due	Amounts paid
Fixed remuneration	181,642	181,642	181,400	181,800	184,500	186,345
Variable remuneration	121,800	49,000	255,300	121,800	86,000	255,300
Extraordinary remuneration	SO	SO	SO	SO	SO	SO
Benefits in kind	2,465	2,465	3,925	3,925	4,300	4,300
TOTAL	305,907	233,107	440,625	307,525	274,800	445,945
➤ Functions related to the Delegated Executive Officer mandate						
Thierry Chemla Delegated Executive Officer	Year N-2		Year N-1		Year N	
	Amounts due	Amounts paid	Amounts due	Amounts paid	Amounts due	Amounts paid
Fixed remuneration	SO	SO	SO	SO	SO	SO
Variable remuneration	SO	SO	SO	SO	SO	SO
Extraordinary remuneration	SO	SO	SO	SO	SO	SO
Benefits in kind	SO	SO	SO	SO	SO	SO
TOTAL	SO	SO	SO	SO	SO	SO



On 14 January 2014, the Executive Board decided that Thierry Chemla would not receive any compensation for his mandate of Delegated Executive Officer.

He kept the benefit from his work contract of Executive and Financial manager of the group. M. Chemla compensation regarding his employment contract is the following: fixed wages: 186,345 € (including vacation bonus), variable part based on target achievement: 90,000 €, bonus: 120,000 €. The company vehicle in kind benefit amounts to 4,300 € for year 2014.

On 16 September 2014, in compliance with the delegation granted by the General Assembly on 25 June 2014, the Executive Board granted 71,928 BSA to Thierry Chemla (see explanations in 7).

3. Distribution of attendance fees and other remunerations of Non Executive directors

Distribution of attendance fees and other remunerations of Non Executive directors			
Non Executive directors	Amounts paid during year 2014	Amounts paid during year 2015	Amounts paid during year 2016
Reille Soult de Damaltie			
Attendance fees	15,000	14,000	14,000
Other remuneration	SO	SO	SO
Hervé de Beublain			
Attendance fees	15,000	15,500	16,500
Other remuneration	SO	SO	SO
Bernard Jacon			
Attendance fees	20,000	15,500	16,500
Other remuneration	SO	SO	SO

The amount and distribution of attendance fees have been calculated according to the members attendance to the Board meetings and to their participation in one or more Committee(s).

4. Free shares allocated to Executive officers

- No allocation of free shares has been granted to directors in 2016.
- Since the beginning of year 2017, the Executive Board, exercising the authorization given by the extraordinary General Assembly of 15 June 2016, decided on 22 February 2017, to grant (i) 1,437 stock options to Didier Fauque (CEO) and (ii) a total amount of 20,100 stock options to certain employees including Nicolas Rebours, employee and Delegated Executive Officer.



The following table describes all free shares allocated to Didier Fauque and Nicolas Rebours from the beginning of year 2017:

Free shares allocated to each Executive officer					
Name of the Executive officer	N° and date of plan	Number of options granted in 2017	Valuation of shares following the methods applied to consolidated accounts	Date of acquisition (identical to the date of availability)	Performance conditions
Monsieur Nicolas Rebours.	2017 plan 22/02/2017	1,500	€60,000	1st January 2021	Without
Didier Fauque	2017 plan 22/02/2017	1,437	€57,480	23 February 2019	Without

The Executive Board didn't attach a performance condition to the free acquisition of all or part of Nicolas Rebours and Didier Fauque stock options, in spite of the MiddleNext Code fifth recommendation, for the following reasons:

- for Nicolas Rebours: the free options are related to his employment contract and not to his social mandate, which proves he had the same rights as the other employees members of the stock options plan;
- for Didier Fauque: the allocation of stock options is part of his compensation for year 2016, such as decided by the Executive Board on 28 April 2016.

5. Stock options allocated to Executive officers

- No allocation has been granted to directors in 2016.
- On 25 June 2014, the Executive Board, exercising the authorization given by the extraordinary General Assembly of 5 November 2014, decided to grant 48,000 stock options to certain employees and to Nicolas Rebours, employee and Delegated Executive Officer.

The following table describes stock options allocated to Nicolas Rebours in 2014:

Stock options allocated to each Executive officer during year 2014							
Name of the Executive officer	N° and date of plan	Nature of option	Valuation of options (according to the chosen method)	Number of options granted in 2014	Exercise price	Performance conditions	Exercise period
Monsieur Nicolas Rebours.	2014 plan 05/11/2014	Stock options	€6,211	3,500	€16	Without	01/01/2017 - 06/11/2019

The Executive Board didn't attach a performance condition to the exercise of all or part of Nicolas Rebours stock options, in spite of the MiddleNext Code fifth recommendation, for the following



reasons: the consented options are related to M. Rebours employment contract and not to his social mandate, which proves he had the same rights as the other employees regarding these stock options.

On 5 November 2014, the Executive Board decided that the stock options holders who exercised their options, would have to register in their own name the shares subscribed after exercising their options.

- Since the beginning of year 2017, the Executive Board, exercising the authorization given by the extraordinary General Assembly of 15 June 2016, decided on 22 February 2017, to grant (i) 10,000 stock options to Didier Fauque and (ii) a total amount of 18,000 stock options to certain employees including Nicolas Rebours, employee and Delegated Executive Officer.

The following table describes stock options allocated to Didier Fauque and Nicolas Rebours:

Stock options allocated to each Executive officer during year 2017							
Name of the Executive officer	N° and date of plan	Nature of option	Valuation of options (according to the chosen method)	Number of options granted in 2017	Exercise price	Performance conditions	Exercise period
Monsieur Nicolas Rebours.	2017 plan 22/02/2017	Stock options	€13,500	1,500	€32.84	Without	31/12/2020 – 22/02/2024
Didier Fauque	2017 plan 22/02/2017	Stock options	€91,600	10,000	€32.84	Without	31/12/2020 – 22/02/2024

The Executive Board met on 22 February 2017 didn't attach a performance condition to the exercise of all or part of Nicolas Rebours and Didier Fauque stock options, in spite of the MiddleNext Code fifth recommendation, for the following reasons:

- for Nicolas Rebours: the free options are related to his employment contract and not to his social mandate, which proves he had the same rights as the other employees members of the stock options plan;
- for Didier Fauque: the allocation of stock options is part of his compensation for year 2016, such as decided by the Executive Board on 28 April 2016.

6. Remuneration and benefits of Yahya El Mir, Chairman of SQLI Board until March 2011

Monsieur Yahya El Mir resigned from all his mandates within SQLI Group during the Executive Board meeting of 29 March 2011. The Board acknowledged this decision. The financial compensation due to Monsieur Yahya El Mir for the non competition commitment amounted to:

- Immediate payment: 604,310 € (paid in 2011);
- Deferred payment: 151,078 € in 60 monthly payments of 2,518 € from April 2011 to March 2016.



7. Stock purchase warrants

According to the delegation of authority granted by the Combined General Meeting twelfth resolution on 25 June 2014, the Board issued on 16 September 2014 215,784 BSA including 71,928 in the BSA 1 category ("**BSA 1**"), 71,928 in the BSA 2 category ("**BSA 2**") and 71,928 in the BSA 3 category ("**BSA 3**"), divided between holders as follows:

- **Thierry Chemla** : 23.976 BSA 1 at the unit price of 1.33 €, 23.976 BSA 2 at the unit price of 1.14 € and 23.976 BSA 3 at the unit price of 0.88 €.
- **Wadi Investment**, a private limited company incorporated under Belgian law (registration number: 0536.878.865), whose majority of capital and voting rights is currently owned by Didier Fauque: 47.952 BSA 1 at the unit price of 1.33 €, 47.952 BSA 2 at the unit price of 1.14 € and 47.952 BSA 3 at the unit price of 0.88 €.

These 215,784 BSA have been subscribed by their holders on 16 September 2014.

IV. PROCEDURES RELATED TO THE SHAREHOLDERS PARTICIPATION TO THE GENERAL ASSEMBLY

The company Articles of association³ do not specify any particular terms for the participation to the general meetings. The assemblies meet in the conditions pursuant to the law and the regulations, at the company headquarters.

Any shareholder is allowed to participate in General Meetings and in the deliberations either personally or by proxy, regardless the amount of shares (s)he holds, upon proof of identity as soon as her/his shares are fully paid up and registered in her/his name at least three days before the date of the Meeting, at the zero hour, Paris time, either in the securities accounts held by the company, or in the securities accounts held by the middleman in charge.

Every shareholder is allowed to vote by using a postal vote by means of a form that s/he can obtain according to the conditions laid out in the notices of meeting and convening for the General meeting.

A shareholder can only be represented by his wife/her husband, his partner in a PACS union (registered domestic partnership) or by another shareholder and any other natural or legal person given proxy rights, in compliance with the laws and regulations.

³ Available at the company headquarters, at the Bobigny Court and on the company website: <http://www.sqli.com>



In order to make the participation to assemblies easier, and in compliance with the Financial Market Authority recommendations, the General Assemblies documents are published on the company website, at least 21 days before the assembly date.

A combined General Assembly, ordinary and extraordinary, usually meets in June every year. The participation during the last three years was the following:

- Combined General Meeting of 26 June 2013: the shareholders who were present, represented or sent their vote accounted for 48,36 % of voting rights and 52.41 % of the total number of votes.
- Combined General Meeting of 25 June 2015: the shareholders who were present, represented or sent their vote accounted for 54,5 % of voting rights and 55.7 % of the total number of votes.
- Combined General Meeting of 25 June 2015: the shareholders who were present, represented or sent their vote accounted for 54,96 % of voting rights and 55.94 % of the total number of votes.



V. INTERNAL CONTROL AND RISK MANAGEMENT PROCEDURES OF THE COMPANY

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

The internal control procedures in effect in the company aim at:

- on one hand, seeing to it that the management acts or execution of operations as well as individual behavior 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, making sure that the accounting, financial and management information communicated to the company's business organs accurately reflects the company's activity and situation.
- And more globally, participating in the company activities monitoring, in the efficiency of its business actions and in the efficient use of its resources.

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.

2. Presentation of the internal control organization and the risk management

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

This configuration has led to granting substantial autonomy to the operating departments to see to proper personal management and customer relations. However, that autonomy is associated with a centralization 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 "centralized-decentralized" 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) Delegations granted by the CEO;
- b) The company's administrative organization, particularly as regards development and handling of financial and accounting information;
- c) The Internal control.

a) **Delegations granted by the CEO**

Only the CEO and the Delegated Executive Officer(s) (the "**Head managers**") can represent SQLI in its external relationships.



The Agency Managers, who assume the local functions of an establishment leader have been delegated the following powers:

Powers delegated to each agency manager⁴

Relationship with the customers:

Delegation for negotiating and signing the standard contracts in effect within SQLI company with the customers within a unit limit of 500.000 € excluding taxes.

Represent the Company at hearings in the Commercial Courts.

Relationship with suppliers:

Delegation for negotiating and signing the contracts with the suppliers within a unit limit of 5,000 € excluding taxes, after prior approval by the Board Chairman or the DEO of the purchasing commitment.

Represent the Company at hearings in the Commercial Courts.

Relationship with the staff:

Within the framework of the instructions issued by the Company's representative, a delegation in charge of:

- (i) Seeing to management of the staff for which he is responsible, with due respect for the law, rules and regulations in effect,*
- (ii) Adopting any disciplinary sanction or other necessary measure concerning the Company's employees,*
- (iii) Representing the Company in connection with redundancy or dismissal proceedings concerning the employees (preliminary interview and signature of the dismissal or redundancy notice)*
- (iv) Representing the Company in conflicts concerning the employees in the "Prud'hommes" (French Labour Court).*

⁴ SQLI activity is distributed among 10 agencies (Paris, Lyon, Toulouse, Nantes, Bordeaux, Benelux, Switzerland, Morocco) covering 19 geographical locations: (Toulouse, Bordeaux, Nantes, Lyon, Paris, Boulogne, Bagneux, Saint Denis, Rouen, Lausanne, Geneva, Brussels, Luxembourg, Rabat, Casablanca, Oujda, London and Cape Town).



- (v) *Signing the employment contracts of the new employees hired and the riders to the employment contracts of staff for which he is responsible, after advance approval by the Executive Board Chairman or the DEO,*

Various:

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

b) Administrative organization, especially concerning development and handling of the financial and accounting information

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

- Management of cash and of payment means
- Accounting
- Management control
- Delivery excellence
- Purchasing
- Human Resources department
- 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 30 people

The agencies manage the following functions:

- Sales administration
- Staff administration

Means applied: 25 assistants

The systems used are as follows:

- ERP Agresso for group Accounting/Invoicing
- CCMX for the France payroll
- Internal Web application (called APP) for monitoring the following elements:
 - Staff management (work contracts, hiring, departures, holidays...)
 - Monitoring time spent
 - Management of payment factors
 - Management control



- Computer hardware management
 - Application for the follow-up and invoicing of training (called BD)
 - BW SAP module for operational reporting

In Belgium, Luxembourg and the Netherlands, SQLI runs all its activity with an ERP SAP;

The communication of financial and accounting information is managed by the Governing Board. The Company has a schedule of repayments summarizing the periodic deadlines in terms of accounting and financial data.



c) Internal control and risk management

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
- Package project validation process

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.

A forecasting system regarding the agencies activity was implemented in order to better anticipate problems and decide of the actions to be taken. In 2013, BMR (Business Management Review) fortnightly meetings have been created between Head managers and Agency managers. The BW operational reporting system is used as a common information management database.

Consolidation:

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

Customer sales cycle:

- Acknowledgment of turnover

The project follow-up Web application is at the center 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. Delivery excellence service covers all package projects starting from pre-sale activity, through a risk review process and during the projects life in case of problem emergence signs.

Furthermore, the risk of default of contracts is controlled by a Delivery excellence function centrally monitoring and helping agencies to comply with budget and contract terms.

- Customer risk:

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

- Follow-up on deadlines:

The customer invoices are issued by the agency assistants when the file is complete (order, receipt or signed time sheet). Management of the customer accounts is provided by the registered office. Receivables on the customers late for 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 submitted to prior approval by the Agency manager and the Head managers. The purchase commitments go through a centralized follow-up process in order to guarantee the respect of the principle of costs integration in the financial year.

Payment of suppliers is processed in the head quarters after verification of payment orders communicated by the Agency managers.

Staff payroll cycle:

Hiring is done by the agency managers after approval by the Head managers. Arriving and departing staff are monitored in a real-time Web application. The variable pay elements are proposed by the agency manager and are submitted to the approval of the Human Resources department. 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 centers for which a manager reporting to the agency manager is responsible).

Cash management:

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



Other risks:

- Computer risk

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

- Legal liability of the company and its senior managers

The company is insured to cover the company's legal liability, as well as the liability of its authorized agents and delegated managers.

Internal auditing players:

The Head managers, under control of the Executive Board, see to observance of procedures by all group collaborators.

The Audit Committee follows the workings of internal control and risk management systems. It studies the significant off-balance sheet risks and commitments, receives the financial services responsible person, gives an opinion on the organization of the service and is informed of the possible changes. It must be provided with evaluation reports regarding internal control or with a periodic summary of these reports.

Relationship with the statutory 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 the Head managers. In performance of their assignment, the auditors enjoy access to any group employee.

The Executive Board controls that the statutory auditors have sufficiently processed their work at the stopping of the year accounts in order to be able to give any significant note.

3. Adequacy and efficiency of the internal control and risk management:

Being the Chairman of the Executive Board, i consider the internal control and risk management procedures as being adapted to the company and efficient enough.

VI. IMPACT OF CLIMATE CHANGE

The Company did not acknowledge any financial risk related to climate change and did not take any step to limit this risk by implementing a low carbon approach in its business branches.

The Executive Board Chairman

Roland Fitoussi



16.5.2. AUDITORS REPORT, IN COMPLIANCE WITH ARTICLE L.225-235 OF THE FRENCH COMMERCIAL CODE, ABOUT THE REPORT MADE BY THE CHAIRMAN OF SQLI EXECUTIVE BOARD

Exco Paris Ace
5, avenue Franklin Roosevelt
75008 Paris
S.A. au capital de € 2.250.400

Commissaire aux Comptes
Membre de la compagnie
régionale de Paris

ERNST & YOUNG et AOthers
1/2, place des Saisons
92400 Courbevoie - Paris-La Défense 1
S.A.S. à capital variable

Commissaire aux Comptes
Membre de la compagnie
régionale de Versailles

SQLI

Year closed on 31/12/2016

Auditors report, in compliance with article L.225-235 of the French commercial code, about the report made by the Chairman of SQLI Executive Board

Aux Actionnaires,

In application of the provisions stated by last paragraph of Article L.225-235 of the Commercial Code, we, Statutory auditors for SQLI Company, present our report aimed to check your Chairmans report on financial year 31/12/2016., drawn up in compliance with the provisions of Article L.225-68 of the Commercial Code.

It is up to the Chairman to describe the conditions of preparation and organization of the Executive Board works and the internal control procedures set by the company and to give the other information required by article L. 225-37, related to the company governance system.

Our mission is to:

- communicate the observations we made on the Chairmans report about the internal control and risk management procedures related to the compilation and the processing of financial and accountable information.
- Guarantee that the present report contains the other information required by article L. 225-37 of the French Commercial Code, information which we do not have to check ourselves.

We carried out our works in compliance with the professional standards applied in France.



It implies setting due diligences aimed to check the authenticity of the information given in the Chairmans report on the internal control and risk management procedures related with the compilation and the processing of financial and accounting information.

The applicable professional standards require the use of diligences aimed at verifying the honesty of the information given on internal control and risk management procedures related to the compilation and processing of financial and accounting information included in the Chairman's report. These diligences consist in:

- perusing the internal control and risk management procedures related to the compilation and the processing of the information, including the information given in the present report and the sources it came from;
- Perusing the works which led to the compilation of this information and of the existing documentation;
- Deciding if the major deficiencies of the internal control related to the compilation and the processing of the accounting and financial information that we noticed during our mission should be specifically underlined in the Chairman report.

On the basis of these works, we do not have any comment to make on the information related to the internal control and risk management procedures related to the compilation and the processing of financial and accountable information, of the Executive Board Chairmans report stated in compliance with the provisions of last paragraph of Article L.225-37 of the Commercial Code.

Other information

We attest that the Executive Board Chairmans report includes all the information required in article L. 225-37 of the Commercial Code.

Paris et Paris-La Défense, on 26 avril 2017

The Statutory Auditors

Exco Paris Ace

ERNST & YOUNG et AOthers

Alain Auvray

Jean-Christophe Pernet



CHAPTER 17. EMPLOYEES

17.1. STAFF

In 2016, SQLI staff number increased (2,020 employees at the end of 2016 vs. 1,875 in 2015) and the activity rate significantly increased to reach 86 % on the year (85 % in 2015).

Table 46. Variation of SQLI staff during the last 3 years

	2016	2015	Variation
Average staff (trainees ex.)	1,949	1,863	+86
Staff registered at 1st January (trainees excluded)	1,875	1,910	-35
Scope variations	22	-0	+22
Increase (decrease)	123		+123
Staff registered at 31 December (trainees excluded)	2,020	1,875	+145



RETOUR À LA CROISSANCE DES EFFECTIFS

- + **578 recrutements bruts en 2016** / Objectif de 500 recrutements fixé en début d'année
- + **Stabilisation du turn-over** et lancement du programme **Best place to work** / Enrichissement de l'expérience collaborateurs
- + **25,4% de sous-traitance additionnelle en 2016 par rapport à 2015** / Adaptation des ressources, intégration de profils experts aux offres et gestion accrue des freelances (Millennials)



17.2. PARTICIPATION OF EXECUTIVE OFFICERS AND MANAGING AGENTS IN STOCK OPTION

17.2.1. PARTICIPATION

The number of shares granted to the executive officers at 31 December 2015 are presented in the following table:

Table 47. Shares of Executive officers and head managers

	31/12/2016				31/12/2015			
	Number of shares	% of capital	Number of voting rights	% of voting rights	Number of shares	% of capital	Number of voting rights	% of voting rights
Roland Fitoussi ⁽¹⁾	448,957	11.6 %	791,093	17.4 %	422,634	11.5 %	667,431	15.0 %
Hervé de Beublain ⁽²⁾	46,789	1.2 %	92,652	2.0 %	60,634	1.6 %	106,497	2.4 %
Didier Fauque	9,385	0.3 %	9,385	0.2 %	9,385	0.3 %	9,385	0.2 %
Véronique Reille-Soult de Dalmatie	0	0.0 %	0	0.0 %	0	0.0 %	0	0.0 %
Bernard Jacon	1,753	0.0 %	3,420	0.1 %	4,277	0.1 %	6,677	0.2 %
Nicolas Rebours	53	0.0 %	106	0.0 %	53	0.0 %	53	0.0 %
Thierry Chemla	0	0.0 %	0	0.0 %	0	0.0 %	0	0.0 %
Total	506,937	13.1 %	896,656	19.6 %	496,983	13.5 %	790,043	17.8 %

Notes: ⁽¹⁾ Through Hip Fenelon and Sethi companies. Number of registered shares and bearer shares.

⁽²⁾ Through FD5 company.



17.2.2. FREE SHARES ALLOCATED TO EXECUTIVE OFFICERS AND MANAGERS

After the accounts closure for 2016, the Board decided on 22 February 2017, after authorization of the General Assembly meeting of 15 June 2016, to grant Didier Fauque (i) 10,000 stock options and (ii) 1,437 free shares, as part of his compensation for year 2016.

After authorization of the Combined General Meeting of 15 June 2016, the Board decided on 22 February 2017 to grant 1,500 stock options and 1,500 free shares to Nicolas Rebours in his capacity of employee.

17.2.3. STOCK OPTIONS AND BCE GRANTED TO THE COMPANY EXECUTIVE OFFICERS AND MANAGERS

BSA

According to the delegation of authority granted by the Combined General Meeting twelfth resolution on 25 June 2014, the Board issued, on 16 September 2014, 215,784 BSA including 71,928 in the BSA 1 category ("**BSA 1**"), 71,928 in the BSA 2 category ("**BSA 2**") and 71,928 in the BSA 3 category ("**BSA 3**"), divided between holders as follows:

- **Thierry Chemla**: 23.976 BSA 1 at the unit price of 1.33 €, 23.976 BSA 2 at the unit price of 1.14 € and 23.976 BSA 3 at the unit price of 0.88 €.
- **Wadi Investment**, a private limited company incorporated under Belgian law (registration number: 0536.878.865), whose majority of capital and voting rights is currently owned by Didier Fauque: 47.952 BSA 1 at the unit price of 1.33 €, 47.952 BSA 2 at the unit price of 1.14 € and 47.952 BSA 3 at the unit price of 0.88 €.

These 215,784 BSA have been subscribed by their holders on 16 September 2014.

The main characteristics of the 215,784 BSA are as follows:

- One BSA gives the right to subscribe one share (under adjustment conditions protecting the BSA holder rights),
- BSA can be exercised during three years from the second anniversary of the date of issue by the Board. At the end of this 3 years period, BSA become purely and simply void,
- By way of derogation, BSA can be immediately exercisable under condition of performance such as detailed here after, in case of public offering.
- BSA can be transfered for a period of two years following the date of issue by the Board.
- By way of derogation, BSA can be immediately transfered in case of public offering.
- BSA exercise is submitted to a performance condition of SQLI share stock market price which will differ according to the BSA category they belong to, in a way allowing that:
 - 71,928 BSA ("**BSA 1**" category) can be exercised, partly or as a whole, during the exercise period, provided that, since the date of issue set by the Board, SQLI share stock market price reached 35 € at the closing time of at least one trading day;
 - 71,928 BSA ("**BSA 2**" category) can be exercised, partly or as a whole, during the exercise period, provided that, since the date of issue set by the Board, SQLI share stock market price reached 35 € at the closing time of at least one trading day;



- 71,928 BSA ("BSA 3" category) can be exercised, partly or as a whole, during the exercise period, provided that, since the date of issue set by the Board, SQLI share stock market price reached 35 € at the closing time of at least one trading day;
- BSA unit price was set to 1.33 € for category BSA 1, 1.14 € for category BSA 2 and 0.88 € for category BSA 3, on the basis of an independent expert report.
- BSA exercise unit price (Exercise price) was set to 19.90 €, which corresponds to 110% of SQLI stock market price average on Euronext Paris S.A, as decided by the General Meeting of 25 June 2014, during the 20 trading days preceding the publication of the independent expert;
- BSA are nominative and their admission on a regulated market is not required by the Company.

Stock options

On 5 November 2014, the Executive Board granted 48,000 stock options to employees and executive managers.

The conditions of this allocation are the following:

- the options will have to be exercised before the 6 November 2019 at the latest (5 years);
- No option can be exercised before 31 December 2016;
- Anybody leaving the company before 31 December 2016 will lose his exercise right.
- The share purchase price is set to 16 €.

The allocated stock options fair value has been estimated by an independent expert to 85 K€. This value represents a charge registered in the Group non current result and is distributed on all the acquisition period. After the cancellation of 1,500 options due to departures, this charge amounts to 35 K€ in 2016.



17.3. PARTICIPATION OF EMPLOYEES IN SQLI CAPITAL

17.3.1. FREE SHARES

In 2015 and 2016, no new free shares allocation plan has been made. At 31 December 2016, there was no remaining free share to be allocated.

Group Saving Plan (PEG)

At the the end of the year, through the Group Saving Plan, the employees held 2.0 % of SQLI capital and 2.9 % of voting rights.

On 21 December 2016, the Delegated Executive Officer registered the subscription of

7,156 shares by the employees members of the "PEE" Group Saving plan, such as indicated in paragraph 21.1.7. *"Evolution of share capital during the year"*.

Participation of employees to the fruit of expansion

A holding agreement for companies which are part of the Economic and Social Unity has been concluded during the first half of 2009.

At the the end of the year, the participation of employees to the fruits of the group's expansion and those of the companies related according to Article 225-180 of the Commercial Code, amounted to zero.

17.3.2. STOCK OPTIONS AND WARRANTS FOR SUBSCRIPTION TO BUSINESS CREATOR SHARES

Stock options and BSPCE allocated to the Executive Officers, managers, managing agents, and employees

Information related to shares allocations and BSPCE granted to Head managers and Executive Officers are exposed in paragraph 17.2.3. *"Stock options and BCE granted to the company executive officers and managers"*

BSPCE granted to managing agents and employees by the

related companies according to article L. 225-180 of the Commercial Code

There has not been any stock option, security, or credit granted to the employees, managing agents or head managers related to the functions or mandates exercised within the group, neither by companies which are linked to SQLI pursuant to article L.225-180 of the Commercial code, nor by companies controlled by the group pursuant to article L.233-16 of the Commercial Code.



CHAPTER 18. MAIN SHAREHOLDERS

18.1. DISTRIBUTION OF CAPITAL

18.1.1. SHAREHOLDERS AT 31 DECEMBER 2016

At 31 December 2016, according to the statements related to crossings of thresholds made towards the Financial Market Authority and the company, the main shareholders of the company are the following:

Table 48. SQLI main shareholders at 31 December 2016

	Shares	% of capital	Voting rights	% of voting rights
Nominative shareholders	1,000,020	27.1 %	1,695,898	38.2 %
Roland Fitoussi (Sethi , HIP)	448,957	11.6 %	791,093	17.4 %
Didier FAUQUE	9,385	0.3 %	9,385	0.2 %
Bernard Jacon	1,753	0.0 %	3,420	0.1 %
FD5 (and family de Beublain)	46,789	1.6 %	92,652	2.0 %
Total of the Executive Board	506,884	13.1 %	896,550	19.7 %
Laurent de Roover	48,372	1.3 %	96,744	2.2 %
Thomas Rocmans	48,372	1.3 %	96,744	2.2 %
X-Chain Holding	48,372	1.3 %	96,744	2.2 %
Patrick Lacarrière Family	39,240	1.1 %	78,480	1.8 %
Employed shareholders (PEG)	78,485	2.0 %	132,539	2.9 %
Other nominative shareholders	76,423	2.0 %	152,068	3.3 %
Self-control	78,617	2.0 %	60,104	0.0 %
Other	2,932,102	76.0 %	2,932,102	64.5 %
Alto Invest	15,973	0.4 %	15,973	0.4 %
Financière Arbevel¹	290,337	7.5 %	290,337	6.4 %
Sycomore²	213,248	5.5 %	213,248	4.7 %
Moneta³	135,115	3.5 %	135,115	3.0 %
Otus Capital⁴	237,118	6.1 %	237,118	5.2 %
Total	3,856,923	100.0 %	4,548,287	100.0 %

¹ (Source: Statement of 23 April 2015)

² (Source: Statement of 25 November 2015)

³ (Source: Statement of 13 January 2016)

⁴ (Source: Statement of 5 September 2016)



The company does not register any other shareholder who would own personally or in unison 5% or more of the capital or the voting rights.



18.1.2. SHAREHOLDERS AT 31 DECEMBER 2015

Table 49. Main shareholders of SQLI at 31 December 2015

	Shares	% of capital	Voting rights	% of voting rights
Nominative shareholders	1,000,020	27.1 %	1,695,898	38.2 %
Roland Fitoussi ⁽¹⁾	422,634	11.47 %	667,431	15.00 %
Hervé de Beublain ⁽²⁾	60,634	1.65 %	106,497	2.40 %
Bernard Jacon	4,277	0.12 %	6,677	0.15 %
Didier FAUQUE	9,385	0.25 %	9,385	0.21 %
Laurent de Roover	48,372	1.31 %	96,744	2.18 %
Thomas Rocmans	48,372	1.31 %	96,744	2.18 %
X-Chain Holding	48,372	1.31 %	96,744	2.18 %
JINKGO SPF SARL	41,414	1.12 %	82,828	1.87 %
Patrick Lacarrière Family	39,240	1.06 %	78,480	1.77 %
Yahya El Mir	5,000	0.14 %	10,000	0.23 %
Employed shareholders (PEG)	84,056	2.28 %	136,695	3.08 %
Other nominative shareholders	188,264	5.11 %	307,673	6.94 %
Self-control	60,104	1.63 %	60,104	1.35 %
Other	2,625,792	71.24 %	2,680,044	60.42 %
Financière Arbevel	272,988	7.41 %	272,988	6.15 %
Sycomore	206,016	5.59 %	206,016	4.64 %
Moneta	180,000	4.88 %	180,000	4.06 %
SOCADIF	52,302	1.42 %	52,302	1.18 %
Alto Invest	47,006	1.28 %	47,006	1.06 %
Total	3,685,916	100.00 %	4,436,046	100.00 %

Notes: ⁽¹⁾ Through Hip Fenelon and Sethi companies.

⁽²⁾ Through FD5 company, in which he is the main managing agent and shareholder



18.1.3. SHAREHOLDERS AT 31 DECEMBER 2014

Table 50. Main shareholders of SQLI at 31 December 2014

	Shares	% of capital	Voting rights	% of voting rights
Nominative shareholders	1,101,930	30.6 %	1,966,677	44.1 %
Roland Fitoussi ⁽¹⁾	342,136	9.51 %	537,469	12.05 %
Hervé de Beublain ⁽²⁾	45,863	1.28 %	91,726	2.06 %
Bernard Jacon	4,740	0.13 %	9,480	0.21 %
Aurinvest	153,868	4.28 %	307,736	6.90 %
Laurent de Roover	48,372	1.34 %	96,744	2.17 %
Thomas Rocmans	48,372	1.34 %	96,744	2.17 %
X-Chain Holding	48,372	1.34 %	96,744	2.17 %
JINKGO SPF SARL	41,414	1.15 %	82,828	1.86 %
Patrick Lacarrière Family	39,240	1.09 %	78,480	1.76 %
Yahya El Mir	20,000	0.56 %	40,000	0.90 %
Employed shareholders (PEG)	74,069	2.06 %	111,104	2.49 %
Other nominative shareholders	235,484	6.55 %	417,623	9.36 %
Self-control	61,405	1.71 %	61,405	1.38 %
Other	2,433,663	67.66 %	2,433,663	54.55 %
Socadif	150,000	4.17 %	150,000	3.36 %
Alto Invest	93,614	2.60 %	93,614	2.10 %
Total	3,596,998	100.00 %	4,461,754	100.00 %

Notes: ⁽¹⁾ Through Hip Fenelon and Sethi companies.

⁽²⁾ Through FD5 company, in which he is the main managing agent and shareholder



18.1.4. STATEMENTS ON CROSSING OF THRESHOLDS DURING THE LAST THREE YEARS

During the last three years, the following statements of crossings of thresholds have been made towards the Financial Market Authority and presented to the company:

Table 51. Statements of threshold crossings of SQLI capital during the last three years

Reference	Date of statement	Date of application	Statement of intention	Type	Threshold	Transaction	Related companies or persons	Number of shares	% of capital	Number of voting rights	% of voting rights
216C1973	05/09/2016	02/09/2016	No	Increase	5 %	Acquisition on the market	Otus Capital Management Limited	234,082	6.21 %	234,082	5.27 %
216C1582	05/07/2016	30/06/2016	No	Decrease	5 %	Transfer on the market	Moneta AM	175,000	4.75 %	175,000	3.94 %
216C1473	23/06/2016	22/06/2016	No	Decrease	5 %	Transfer on the market	Moneta AM	217,711	5.91 %	217,711	4.91 %
216C0428	08/02/2016	22/01/2016	No	Increase	5 %	Acquisition on the market	Moneta AM	228,688	6.23 %	228,688	5.18 %
216C0152	14/01/2016	12/01/2016	No	Increase	5 %	Acquisition on the market	Moneta AM	187,554	5.11 %	187,554	4.24 %
215C1798	25/11/2015	23/11/2015	No	Increase	5 %	Acquisition on the market	Sycomore AM	252,673	6.88 %	252,673	5.72 %
215C1466	21/10/2015	16/10/2015	No	Increase	5 %	Acquisition on the market	Sycomore AM	201,707	5.50 %	201,707	4.56 %
215C1096	21/07/2015	17/07/2015	No	Decrease	5 %	Transfer on the market	Aurinvest	100,000	2.77 %	200,000	4.49 %
215C0504	23/04/2015	22/04/2015	No	Increase	5 %	Acquisition on the market	Financière Arbevel	207,128	5.74 %	207,128	4.65 %
214C1974	25/09/2014	22/09/2014	No	Decrease	5 %	Transfer on the market	Aurinvest	178,868	4.97 %	357,736	7.95 %

18.2. MAIN SHAREHOLDERS VOTING RIGHTS

On 21 March 2000, the Combined General Assembly decided to create double voting rights, recorded in the Company statutes.

Article 26, included in Statutes is exposed below.

Article 26 - QUORUM - VOTE

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

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

2. The voting rights related to capital share or bonus share is proportional to the percentage of capital represented. Each share gives one voting right.

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

- To all the totally paid-in shares which will be proved to have been owned by

the same shareholder for at least three (3) years;

- To the registered shares given to a shareholder, in case of capital increase through reserves incorporation, profit or issue premium, for the old shares he benefits from.

The double voting right expires for any share that was subject to a conversion to the holder or a transfer. However the transfers due to inheritance or family donation to a relative do not lead to a termination of the voting rights nor stop the three years deadline.

The possible merger or separation of the company does not have any effect on double voting rights which can be exercised within the purchasing company if allowed by its Articles of association.

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

18.3. OWNERSHIP OR CONTROL OF SQLI

As explained in paragraph 18.1.1. "*Shareholders at 31 December 2016*", the company capital is divided between many shareholders ; None of them owns more than 10% of the capital or voting rights. Therefore, no shareholder can control the decisions related to the company during the General Assemblies meetings.



18.4. AGREEMENT LIKELY TO ALTER THE CONTROL OF THE COMPANY

18.4.1. SHAREHOLDERS AGREEMENTS AND OTHER

There is not any existing agreement between shareholders or other related to SQLI share capital and likely to lead to changes in the company management.

According to article L. 225-100-3 of the Commercial Code. Following this article, the company guarantees that:

- There is no existing restriction on the exercise of voting rights and share transfer, nor is there any clause in the conventions registered by the company in application of Article L.233-11 ;
- There is no existing holder of any securities having special control rights
- There is no existing control measure in the employees share system when the control rights are not exercised by the employees
- There is no existing agreement between shareholders known by the company which could generate restrictions to the shares transfer and the exercise of voting rights.
- The rules applied to the nomination and substitution of the Executive Board members, and to the modification of the company statutes are those requester by the law.
- The Executive Board has been authorized by the General meeting to make some issues or repurchase of shares. A table presenting the current delegations authorized by the General Assembly to the Executive Board members regarding the capital increases and showing the use of these delegations in 2010 is included in the present report.
- There is no existing agreement contracted by the company which would be modified or would end in case of change in the company management.



CHAPTER 19. OPERATIONS WITH RELATED FIRMS

19.1. DESCRIPTION OF CONVENTIONS

The information regarding deals with related firms is detailed in the "*Statutory auditors report on regulated agreements*". The company did not record any other regulated convention or deal than those exposed below.

19.2. STATUTORY AUDITORS' REPORT ON REGULATED AGREEMENTS AND COMMITMENTS

Exco Paris Ace
5, avenue Franklin Roosevelt
75008 Paris
S.A. au capital de € 2.250.400

Membre de la compagnie
régionale de Paris

ERNST & YOUNG et AOthers
1/2, place des Saisons
92400 Courbevoie - Paris-La Défense 1
S.A.S. à capital variable

Membre de la compagnie
régionale de Versailles

SQLI

General meeting générale presiding on year closed on 31 décembre 2016

Statutory auditors' report on regulated agreements and commitments réglementés

Aux Actionnaires,

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

Our mission is to inform you, on the basis of the information provided to us, of the terms, conditions, specificities, and main characteristics, as well as the reasons for the company's interest, of the conventions and regulated commitments indicated to us or discovered during our mission achievement. It is not our role to comment as to whether they are beneficial or appropriate. It is your responsibility, selon les termes de l'article R. 225-31 du Code de commerce, to evaluate the benefits resulting from these agreements prior to their approval.

Furthermore, it is our mission, when applicable, to give you the information, mentioned in R. 225-31 du Code de commerce, related to the execution during the past year of conventions and commitments already approved by the General Assembly.

We conducted our work in accordance with professional standards applicable in France. Ces diligences ont consisté à vérifier la concordance des informations qui nous ont été données avec les documents de base dont elles sont issues.



Conventions and commitments submitted to the General Meeting approval

In application of article L. 225-40 of the French Commercial Code we have been advised des conventions et engagements suivants qui of the agreements which were authorized before your conseil d'administration.

1. With LVCT

Person in charge:

Bernard Jacon, Executive Board member of your company and Head manager of LVCT.

Nature and object:

The Executive Board met on 15 December 2015 concluded a assistance service agreement between SQLI and LVCT.

Conditions:

LVCT commits to provide SQLI, following the requests submitted by your company, assistance services related to the implementation of the execution strategy for external growth operations.

In payment for these services, LVCT will receive a compensation whose terms and amounts will be fixed by mutual agreement, depending on the type of task entrusted by SQLI to LVCT as part of the Convention. Regarding the first task given to LVCT under the Convention, which is related to the presentation of targets, it has already been decided that LVCT would receive, within 30 days from the date of issue of the invoice, a payment of 30,000 € (before taxes) for the meetings already organized and those to be organized before 31 December 2016. The invoice shall include the meetings already organized by LVCT at the date of issue.

The Convention will be effective from the date of signature and for a period of one year.

The Convention has been signed on 28 January 2016 and the 30,000 € invoice (before taxes) issued on 1st February 2016.

Explanations of the interest of the agreement for the Company

The Executive Board explained this agreement as follows:

The conclusion of this agreement is a great opportunity in line with the social interests of the company which can benefit from the skills, proven experience and network of Bernard Jacon, CEO of LVCT, in the fields of NGE and IT, in order to promote the development of execution strategy for external growth operations.

2. 2) With M. Didier Fauque, CEO of your company:

Nature and object:

Agreement regarding pension, health and social security schemes, allocation of free shares and non-competition clause following the renewal of his Board member mandate by the Executive Board on 28 April 2016.



Conditions:

The company agreed to take the following commitments towards M. Didier Fauque, for his CEO mandate:

- a) Commitment in terms of pension and social security benefits
 - Commitment in terms of pension, health and social security benefits contracted by the Company for the Executive managers;
 - Social guarantee for company managers and executives (GSC); "formule 70" , for a maximal period of twenty-four months.
- b) Allocation of free shares
 - Allocation every year of a number of free shares amounting to 20,00 €/C, C being the stock market price of your company at 31 December of the reporting year.
 - In 2016, 1,437 shares have been allocated.
- c) Non-competition clause
 - In case of termination of Didier Fauque CEO mandate, for any reason, the company will be allowed to forbid him to take the function of CEO, consultant or employee in any company in the same business field in France, for a period of twenty-four months.
 - This non-competition clause, if activated by the company, will give right to a compensation of 60% of:
 - (i) his annual fixed wages
 - (ii) the variable remuneration for the financial year preceding Didier Fauque departure, to be paid every month during the period of application of the non-competition clause. The variable amount is 120,000 €/ year.

Explanations of the interest of the agreement for the Company

The Executive Board explained this agreement as follows:

Didier Fauque mandate renewal is submitted to the validation of the conditions and commitments exposed in this document, which integrate the recommendations of the Compensation committee related to his compensation.

3. With Thierry Chemla, Delegated Executive Officer of your company:**Nature and object:**

On 21 July 2016, the Executive Board approved the amendment of Thierry Chemla employment contract in order to extend his extra bonus.

Conditions:

Thierry Chemla will receive until 31 December 2020, an extra bonus consisting in a specific target premium related to SQLI performance, for an annual amount of 20,000 €.

This commitment is to be confirmed by the signing of a covenant included in Thierry Chemla employment contract.



Explanations of the interest of the agreement for the Company

The Executive Board explained this agreement as follows:

The extension of this extra bonus has been unanimously approved, with the same terms and conditions, in recognition of the excellent work accomplished by Thierry Chemla and in order to encourage his efforts and motivation in his work.

Conventions and commitments already approved by the General Meeting

En application de l'article R. 225-30 du Code de commerce, we have been informed that the agreements approved des conventions et engagements suivants, déjà approuvés by l'assemblée générale during the previous financial years have been ongoing during the course of the last financial year.

1. 2) With M. Didier Fauque, CEO of your company:

Nature and object:

Commitments regarding layoff compensations, non-competition allowance and health Company schemes for the period between 1st January and 7 May 2016 (end of his first mandate).

Conditions:

The company agreed to pay M. Didier Fauque, for his CEO mandate, the following amounts:

- a termination allowance of 430,000 euros (gross) with deduction of the amounts due for the non-competitive obligation, as described above, if the termination is due to a revocation, a requested resignation or a non-renewal of CEO function during a period of 18 months starting from 7 May 2013 until 6 November 2014, and as long as there hasn't been any downgrading of the group main indicators and in compliance with Article L. 225-42-1 of the French Commercial Code.
- On 28 November 2013, the Executive Board added that this allowance will not be granted if SQLI COR, as specified in the consolidated accounts for year closed on 31 December 2013 by SQLI Executive Board ("Consolidated accounts 2013") (or in the semi-annual consolidated accounts of 30 June 2014 if these semi-annual accounts have been closed by the Executive Board at the effective date of termination of the CEO mandate ("Semi-annual consolidated accounts 2014"), is lower than 2.90 % of the turnover, as stated in the Consolidated accounts 2013 or in the Semi-annual consolidated accounts 2014 (if the semi-annual accounts have been closed by the Executive Board at the effective date of termination of the CEO mandate). Consequently, point 7 of the document entitled "Mandate of M. Didier Fauque dated 7 May 2013" was added by means of a supplementary agreement;
- If the CEO mandate was to be revoked before 30 April 2014, a monthly compensation will be paid until 30 April 2014, regarding M. Fauque non-competitive obligation, equal to:
 - (i) 100 % of his annual fixed wages and
 - (ii) 1/12 of the variable remuneration for the financial year preceding the CEO revocation.



- If the company extends the non-competitive obligation for 12 months after 1st May 2014, a monthly compensation equal to 60 % of
 - (i) his annual fixed wages and
 - (ii) the variable remuneration for the financial year preceding the CEO departure will be paid every month during this period.
- the benefit of pension, health and social security Company schemes for managers and from a life-insurance contract with fixed contributions subscribed by SQLI for the company employees (Article 83 of French Code Général des Impôts).

SQLI didn't implement any of this provisions in 2016.

2. With M. Yahya El Mir, former Chairman and CEO of your company

Nature and object:

The Executive Board authorized on 30 June 2008 the contraction of a non-competition obligation by Monsieur Yahya El Mir in exchange of a compensation given by the company.

Conditions:

This non-competition obligation prevents Monsieur Yahya El Mir for a duration of 5 years starting with the termination of his functions in the group, decided for any possible reason (retirement, dismissal, termination of the mandate...) from:

- I. showing any direct or indirect interest, for himself or a third party, as an employee or managing agent, for the competitors of the company listed in the study made in January 2008 by Pierre Audoin Consultants, or for the companies controlled by or controlling these competitors, according to Article L.233-3 of the Commercial Code;
- II. purchasing, directly or indirectly, holdings in a competitive firm capital for more than 2 % in shares or voting rights, except if this acquisition is due to an agreement between SQLI and the company.

This non-competitive obligation is geographically limited to France, Belgium, Switzerland, Luxembourg, Morocco and Canada ; and is limited to SQLI activities.

In exchange this obligation, the company will give him financial compensation paid during five years and equal to 60 % of his total gross remuneration (fixed, variable and in-kind benefits), granted for the last twelve months of activity within the group. This compensation amounts then to 300 % of his total gross remuneration (fixed, variable and in-kind benefits) granted for the last twelve months of activity within the group. The compensation will be paid as follows :

- 80% will be paid in one time within the 30 days following the termination of his function in the group ;
- 20 % will be paid in sixty monthly payments.



In case of violation of the non-competitive obligation by Monsieur Yahya El Mir, the company will be liberated from any obligation to pay the compensations described above. The compensations already paid will be acquired by Monsieur Yahya El Mir, who will have to give back a percentage of the paid compensations, corresponding to the months remaining between the date of the violation and the ending date of the obligation.

SQLI company registered and charge of 7,554 € for the year related to this agreement.

Paris et Paris-La Défense, on 26 avril 2017

The Statutory Auditors

Exco Paris Ace

ERNST & YOUNG et AOthers

Alain Auvray

Jean-Christophe Pernet



CHAPTER 20. FINANCIAL INFORMATION ABOUT THE GROUP ASSETS, ITS FINANCIAL SITUATION AND THE ISSUER RESULTS

20.1. HISTORICAL FINANCIAL STATEMENT - BALANCE SHEET AND SOCIAL ACCOUNTS

20.1.1. BALANCE SHEET

In euros	Net at 31.12.2016	Notes	Net at 31.12.2015
ASSETS			
Intangible fixed assets	23 931 221	1	23 580 397
Tangible fixed assets	2 822 502	2	2 068 664
Financial assets	45 651 176	3	42 067 143
CAPITAL ASSETS	72 404 899		67 716 204
Advances and deposits paid on order	0		0
Customers and related accounts	30/06/147	4	45 364 302
Other receivables	36 390 539	5	31 332 162
Cash position	2 850 387	7	10 683 560
Deferred charges	1 895 710	8	1 226 401
CURRENT ASSETS	89 506 783		88 606 425
Translation differences - Assets	4,498		3,762
TOTAL OF ASSETS	161 916 180		156 326 391
LIABILITIES			
Capital	3 085 538		2 948 733
Issue, merger and transfer related premium	36 827 489		34 310 995
Legal provision	294,873		290,338
Regulated reserve	272,850		272,850
Retained earnings	20 594 078		14 099 719
Profit (loss) of the year	5 464 843		8 728 178
Regulated provisions	614,719	11	564,231
OWN EQUITY	67 154 390	9	61 215 044
Advances with conditions	22,426		43,176
OTHER OWN FUNDS	22,426	10	43,176
Provisions for risks	285,743		302,589
Provisions for charges	42,001		19,075
PROVISIONS FOR RISKS AND CHARGES	327,744	12	321,664
Other bond loans	0	13	3 400 000
Loans and debts with credit institutions	14 599 455	14	13 429 189
Other payables and financial loans	15 209 638	15	14 303 141
Advances and deposits paid on order in progress	0		0
Debts with suppliers and related accounts	21 055 401		19 335 716
Tax and social debts	34 180 371	16	35 302 946
Debts on fixed assets	23,845	17	2,369
Other payables	4 577 956	18	3 936 865
Unearned revenues	4 663 799	20	5 036 281
DEBTS	94 310 465		94 746 507
Translation differences - liabilities	101,155		0
TOTAL OF LIABILITIES	161 916 180		156 326 391

The appendix attached is included in the financial statements.



20.1.2. SOCIAL ACCOUNTS

In euros	Net at 31.12.2016	Notes	Net at 31.12.2015
Turnover	140 472 302	21	131 906 429
Capitalized production	354,387	22	85,126
Operating subsidies	265,470		719,784
Recovery on depreciation and provisions	251,117	30	404,908
Transfer of costs	543,273	33	569,613
Other income	4 379 366	23	5 846 514
OPERATING INCOME	146 265 915		139 532 374
Other external purchases and costs	47 248 630	24	40 507 293
Taxes and dues	4 050 301	25	4 069 514
Wages and allowance	61 834 383		61 419 565
Social costs	27 040 624		27 139 701
Allowance for depreciation and provisions:			
on fixed assets : allowance for depreciation	862,602	1 and 2	688,243
on outstanding assets: Allowance to provisions	0	30	402,472
For risks and charges: Allowance to provisions	220,126	30	196,723
Other charges	90,672		523,764
OPERATING CHARGES	141 347 338		134 947 275
OPERATING PROFIT (LOSS)	4 918 577		4 585 099
Financial income	628,876		3 284 114
Financial charges	852,040		637,951
FINANCIAL PROFIT (LOSS)	(223 164)	26	2 646 163
CURRENT PROFIT (LOSS) BEFORE TAXES	4 695 413		7 231 262
Extraordinary income	1 035 709		1,382,573
Extraordinary charges	1 129 391		492,724
EXTRAORDINARY PROFIT (LOSS)	(93 682)	29	889,849
CORPORATE TAX	(863,112)	31	(607,067)
NET PROFIT (LOSS)	5 464 843		8 728 178



20.1.3. ACCOUNTING PROCEDURES AND CRITERIA, APPENDIX AND EXPLANATIONS

A. Activity

Created in 1990, SQLI is the reference partner for companies operating a digital transition of their customer processes and all the internal services related. With a unique positioning covering marketing and technology, SQLI uses a global approach to meet the needs of developing sales and reputation (digital and social marketing, customer experience, e-Commerce, data intelligence), and productivity and internal efficiency goals (digitalization of operations, collaborative activity, mobility and connected devices, CRM...)

The company is at the head of a group operating in France, Belgium, Netherlands, Luxembourg, Switzerland and Morocco.

SQLI is listed on NYSE Euronext Paris, compartiment C (ISIN FR0011289040).

B. Important events during the year

The three years development strategy plan ("Ambition for 2006") started in 2014 targeted a double digit annual growth (including acquisitions) and a current operating margin rate between 8 and 10% at the end of the period. The plan objectives have been globally reached, with a current operational result of 8% in the 2H of 2016 and a growth (mainly organic) of 6.6% in 2016, excluding the acquisition projects which have not been realized.

In June 2016, SQLI presented a new strategy plan, named Move Up 2020, with the aim of making from SQLI the European leader of connected experience. SQLI wants to become the first partner of major companies who want to develop digital and customer experience. This plan includes demanding development objectives in order to carry on the value creation started with Ambition for 2006.

Move Up 2020 must help SQLI to generate more than 300 M€ of revenues in 2020 (190.9 M€ in 2016) and gain more than 4 points of EBITDA margin, reaching 12% (7.9% in 2016).

In 2016, SQLI had a very strong growth on strategic segments: e-commerce (+50%), mobility (+50%), web solutions (+40%), experience design (+20%), with a selective management of technical assistance in order to prioritize margins against volumes.

Some non-core activities have been reduced or ended, with a total growth of 6.6% for the year (7.5% excluding media buys and 6% at constant scope). This growth result was obtained through a significant margin improvement.

New growth drivers

New partnerships are consolidating the Group ambitions in the Digital field. The agreements concluded with Adobe, Platform.sh and Lyra started to give birth to new cutting-edge projects, such as cross-platform solutions. These new partnerships participated in the increase of orders registered in the 4Q 2016.

The Energy sector presents a significant growth potential with a growth higher than 21% on the year. This field in which digital solutions transform the client offers counts more than 300 experts and developers working on major projects, which gave SQLI the opportunity to gain presence on the block chains.

In 2016, SQLI purchased NVENTCOMMERCE company, which has a sales office in London and an English-speaking Offshore production base in Cape Town, South Africa. Since its creation in 2011, this company developed e-commerce platforms for major accounts such as Danone, Dr. Martens, Pearson, Shell, in the UK and in other European countries.

Good start for Move Up 2020

The Group is on schedule for the implementation of the new strategy plan. The dedicated growth drivers will be boosted by the increase of Major accounts contracts. The profitability-related action plans have all been elaborated and assigned to the managers, such as two experienced managers, Eric Doladille, who joined the group in September 2016 to run the Innovative Service Center (onshore and offshore centers) in charge of the deployment and maintenance of big projects, and Dominique Marichal, who will supervise all Delivery Excellence projects from February 2017.



The last quarter of 2016 and first results of 2017 show good signs for the launch of Move Up 2020. The Group also intends to actively extend its geographical presence with an external growth focused on gaining European leadership on digital applications.

C. Events recorded after the accounts closing

There has been no significant event registered after the accounts closure which could alter the accounts presented thereafter.

D. Accounting rules and procedures

The annual accounts have been drawn up in euro and presented in accordance with the currently accepted accounting rules and principles, applicable on 16 March 2017, date of closure by the Executive Board.

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

- continuity of operation,
- consistent accounting methods,
- independence of each financial year,

and respect of global rules for the elaboration and presentation of annual accounts.

The basic method retained to evaluate the booked elements is the historical costs method.

Changes in the accounting procedures

There hasn't been any change in the accounting procedures during the year.

Changes in accounting estimates

There hasn't been any change in the accounting procedures during the year.

The main procedures are the following:

a. Intangible fixed assets

The intangible fixed assets are registered at their acquisition cost.

The businesses are recorded at their acquisition cost (excluding incidental expenses who are recorded as charges for the year).

The technical excess coming from the universal transfer of assets of a subsidiary is registered in intangible assets. It is booked in the underlying assets related to the underlying gains registered during the UTA operations which generated this technical excess. If need be, the excess representing the loss or "real mali" is registered in financial costs.

The technical excess is depreciated following the same rules and conditions as those regarding the related underlying assets.

Businesses and technical excess are submitted to a test of loss of value at least once a year or more frequently if there are existing losses of value.

The company does not tie up its R&D costs and records it as charges. They consist in staff costs of researchers and functioning costs.

b. Tangible fixed assets

Tangible assets are registered at their acquisition cost. In application of the CRC regulation N° 2004-06, the management chooses not to incorporate the costs of loans into the value of the fixed assets.

According to the rules defined by the CRC regulation N° 2002-10, the fixed assets must be broke down into individualized elements with a different duration of use. We did not identify in our capital assets liable to be the object of a breakdown by component.

Thus the depreciation is calculated using the straight-line method (L) in accordance with the expected life cycle of the asset, as follows:

- General premises: L on 8 years
- IT equipment: L on 2 years
- Office equipment: L on 5 years
- Transport equipment: L on 4 years



c. Securities

The securities are registered at their acquisition price. Price supplements of acquisition prices are estimated and represent a part of this acquisition price.

In application of the CRC regulation N° 2004-06, acquisition fees brought before 2006 represent part of the acquisition cost. The costs incurred from 2006 are spread on 5 years by means of an accelerated depreciation which starts with the securities acquisition date.

At the end of each financial year, the historical value of the equity shares is compared to the going value. The going value of a security is proportionally related to net assets increased (adjusted with gains and losses), to the expected trend of results and to the participation economic interest for the group.

The unfavorable variations are the object of provisions for depreciation of securities.

d. Other financial assets

The 20 years loans granted by the company on its obligation to participate to the construction are capitalized according to the OAT 10 year-rate.

The company concludes a liquidity contract in accordance with the AFEI charter in order to promote the liquidity of transactions and the regularity of its securities payments. The transactions carried out in its name by the securities dealer who signed the contract are recorded in the long-term investments. When not available, the funds kept by the financial intermediate represent fixed receivables.

The own shares are evaluated on the basis of their last stock price known at the financial year closing date.

e. Receivables

Receivables are valued at face value. A provision for depreciation is made if there is a risk of non-recovery.

The group outsources the management of its customer claims covering credit-insurance, as well as recovery and refinancing management. The company assigned these claims within the framework of factoring agreements. With the exception of claims for foreign customers or customers living in the DOM TOM, 100% of customers claims are transferred to the factor and registered in the category "Other claims". This heading is totally payable.

The groups expenses for the R&D activity, meeting the criteria requested for eligibility to tax credit, generated a R&D tax credit whose corresponding claim is registered in the Assets of the balance sheet, unless it is partly or totally booked as taxes due for the financial year.

As a precaution, a non-deductible provision was assigned to this asset, which was not definitively earned. This provision will be maintained during a period of 3 years, notwithstanding the repayments registered in the meantime.

In case of assignment to the corporate tax or in case of early repayment of the loan, the provision for depreciation is taken back and a similar provision is booked in liabilities.

Besides, a convention on current accounts has been signed within the group between SQLI and the related companies, which controls the cash flow resulting from the economic and financial relationship between themselves.

In this context, SQLI established a statement of current accounts and calculated the interests due on the basis of the average credit balance during last semesters. Interest scales calculated are capitalized on the last day of the related semester.

The remuneration rate of current accounts is equal to the average of EURIBOR 12 months rate.

f. Short-term investment securities

The short-term investment securities are booked at the purchase price or at the market price for the latest month, if the latter is lower. For the unlisted securities, if the balance sheet value is less than the likely trading value, a provision is set aside for depreciation. The company transfers and sells its portfolio investment tangible securities in the end of the financial year.

g. Cash flow

A convention of centralization of the group cash flow has been signed with la Société Générale on 23 May 2006. It provides a centralization of the cash flow of companies which participate in the convention, on SQLI the controlling company.

In this way, the net day positions of the participating companies accounts, (debt or credit) are leveled on the controlling company accounts. The interest paid and owned are calculated day by day according to the centralized position of the group cash position.



h. Recognition principle of the turnover

Cost plus contracts – the product of cost plus contracts is recognized according to the project advancement. The services already performed but not yet invoiced as booked as pending invoices.

Package contracts - Turnover resulting from package services 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 invoices to be established. Otherwise, it is recorded as prepaid income.

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

i. Regulated provisions

These provisions do not correspond to normal provisions but are recorded in application of legal measures. They are created following a mechanism similar to the one for other provisions, but their tax system is submitted to this accounting system.

The amortization of securities acquisition cost last five years from the date of acquisition.

j. Note 13 :Provisions for risks and charges

The provisions for risks and charges are recorded when the object of the risks and charges is clearly defined but the execution is uncertain but likely to occur because of current events.

k. Transactions in foreign currencies

The charges and income in foreign currencies are entered at their equivalent value on the date of the transaction. The payables, 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 "translation differences". The differences resulting from the conversion of liquid assets in foreign currencies are registered in the category "exchange loss" of the income statement.

l. Tax situation of the group concerning corporate tax

SQLI is the controlling company of an integrated group for taxation purposes including the following companies in 2016: ABCIAL, CLEAR VALUE SAS, EOZEN France, WAX INTERACTIVE Lille, ECOMMERCE4U, WAX INTERACTIVE and ASTON INSTITUT.

The tax charges are borne by the integrated companies (subsidiaries and parent), as in the absence of taxation integration. The tax savings made by the group are retained by the parent company.

The company records the payable tax charge. The R&D, family and training tax credit are retreated from the tax charge.

m. Benefits after employment

The advantages after employment covered by provisions are related to commitments for retirement compensations, which are fixed allowances calculated according to the number of years of service and the annual wages at the date of retirement. They don't generate any provision in the accounts.



E. Other information

The information is given in euros

1 FINANCIAL ASSETS

	31/12/2015	UTA	Acquisitions Allowance	Transfers Write-backs	31/12/2016
Software	1 633 355		410,073		2 043 428
Purchased goodwill	23 471 498				23 471 498
Gross value	25 104 853	0	410,073		25 514 926
Less depreciation	1 524 456		59,249		1 583 705
Less provisions	0				0
Net Value	23 580 397	0	350,824	0	23 931 221

Purchased companies business is recorded as follows:

	31/12/2015	UTA	Acquisitions Allowance	Transfers Write-backs	31/12/2016
ASTON	8,956,600				8,956,600
ASTON EDUCATION	2 150 492				2 150 492
PROCEA	1,438,183				1,438,183
SYSDEO	5,199,597				5,199,597
<i>Including:</i>					
NAGORA TECHNOLOGIE business	323,844				323,844
OBJECTIVA business	593,340				593,340
SHAFT	198,200				198,200
AMPHAZ	2,122,553				2,122,553
ICONEWEB	1 407 845				1 407 845
URBANYS	1,524,570				1,524,570
ECLAPS	35,268				35,268
NAGA CONSEIL	437,925				437,925
Other	265				265
Net value of businesses	23 471 498	0	0	0	23 471 498

In the last years, SQLI took over SYSDEO, ASTON, PROCEA, SUDISIM, ICONEWEB, URBANYS, ALCYONIX NAGA CONSEIL and ASTON EDUCATION. These companies businesses are from then totally integrated into SQLI scope and it is nearly impossible to identify the turnover or margin related to each of these businesses. The two main companies (ASTON and SYSDEO) allowed SQLI to grow to a consistent size (from 44 m€ in 2005 to 74 m€ in 2006) and to keep its referencing contracts with the major accounts despite the decrease of ICT services firms. The justification for the goodwill value of these six companies has been tested with discounted cash flow procedure applied to SQLI.

In order to certify the main elements of SQLI goodwill global valuation approach, the recoverable values are set from the updated net cash flows, with consideration of the terminal value, based on an infinite growth rate for the income of the valued assets. The rate used for the updating of the future cash flows is the weighted average cost of capital before taxes. The considered hypothesis in terms of activity growth and terminal values are reasonable and in compliance with the available market facts. The main factors used for the establishment of this estimated flows are the following:

Duration of estimates: 4 years (same as 31 December 2015)

Capitalization rate (aft. Tax) 9.5% (same as 31 December 2015)

Ad infinitum growth rate: 1.5 % (same as 31 December 2015)

According to these tests, there has not been any new depreciation recorded at 31 December 2016.



2 FINANCIAL ASSETS

	31/12/2015	Acquisitions Allowance	Transfers Write-backs	31/12/2016
General facilities and fittings	3 027 764	904,037	51,216	3 880 585
Transport equipment	3,000	0	0	3,000
Office & IT equipment	2 060 476	366,039	12,307	2 414 208
Furniture	759,247	311,776	4,519	1 066 504
Works of art	10,790			10,790
Total Gross Value	5 861 278	1 581 852	68,042	7 375 088
Less depreciation	3 792 614	803,352	43,380	4 552 586
Net Value	2 068 664	778,500	24,662	2 822 502

SQLI plans to centralize its Paris agencies in new premises in the end of 2017. This centralization project led to the depreciation of current headquarter facilities and premises for an amount of 100 K€ at 31 December 2016.

3 FINANCIAL ASSETS

	31/12/2015	Increases Allowance	Decreases Write-backs	31/12/2016	At most 1 year	At least 1 year
Securities	35 902 835	2 526 845		38 429 680		38 429 680
Claims related to participations	5 346 937	108,275		5 455 213		5 455 213
Less provisions	3 360 532	60,854	0	3 421 386	0	3 421 386
Net Value	37 889 240	2 574 266	0	40 463 506	0	40 463 506
Loans	2 765 723	263,973		3 029 696		3 029 696
Deposits and sureties	599,765	67,780	339	667,206	11,382	655,424
Self-owned shares	1 051 824	961,751	362,718	1 650 856	1 650 856	
Fixed claims 1)	83,797	25,787		109,584	109,584	
Other fixed securities	40,016		40,000	16		16
Total Gross Value	4 541 125	1 319 291	403,057	5 457 358	1 771 822	3,685,536
Less provisions	363,222		93,533	269,689		269,689
Net Value	4 177 903	1 319 291	309,524	5,187,669	1 771 822	3 415 667
Total Gross Value	45,790,898	3 954 411	403,057	49 342 252	1 771 822	47 570 430
Less provisions	3 723 755	60,854	93,533	3 691 076	0	3 691 076
Net Value	42 067 143	3 893 557	309,524	45 651 176	1 771 822	43 879 354

¹⁾ Unavailable cash of the liquidity contract

With an agreement signed on 6 April 2016, SQLI purchased the the whole share capital of INVENTCOMMERCE, a company operating in the UK and in South Africa, through its wholly owned subsidiary, INVENTCOMMERCE PROPRIETARY LIMITED.

The twenty employees of INVENTCOMMERCE who are specialized in cutting-edge e-commerce platforms and operate across the entire value chain, from consulting to architecture, development and support will join the Group. Like SQLI, InventCommerce is a partner of Hybris and Magento, two technological benchmark brands in this sector.

The transfer agreement set out a firm payment of 500,000 £ (620,347 €) in cash and a price supplement amounting to 1,334,000 £ (1,655,087 €) maximum, calculated according to the Company operating results from 2016 to 2019. 100,000 £ (112,679 K€) have already been paid in October 2016, for the results achieved at 30 June 2016. The acquisition costs for these companies securities amount to 251,411 €.



The following depreciations are registered in financial fixed assets:

	31/12/2015	Allowance	Write-backs	31/12/2016
Securities				
ABCIAL	3,017,565	60,854	0	3,078,419
ICONEWEB Morocco	17,968			17,968
EOZEN SA (Luxembourg)	325,000			325,000
Total	3,360,533	60,854	0	3,421,387
Loans ¹	363,222	0	93,533	269,689
Total	3,723,755	60,854	93,533	3,691,076

¹ Rate used for loans impairment 1% : ten years OAT rate at closing date of the financial year: 0.68% (31.12.2015: 1%).

Each year, SQLI proceeds to the evaluation of the subsidiaries with the Discounted Cash Flow (DCF) approach. In 2016, SQLI had a 1.5% ad infinitum growth rate and a weighted average cost of capital bef. taxes of 9.5%.

ABCIAL has been valued according to its net situation at 31 December 2016 with a provision recovery of 60,853 K€..

CQLI sold its securities and bonds convertible into shares of the unlisted company IDO IN (f Loire Développement) with a gain of 605,476 €.

* Claims related to participations

On 30 October 2014, SQLI allocated 5,209,970 € to WAX INTERACTIVE for the acquisition of LSF INTERACTIVE business and the acquisition of the whole share capital of LSF LOYALTY.

This allocation bears interest at the annual rate mentioned in article 39-1-3° of the Code Général des Impôts, corresponding to the annual average of the average effective rates applied by credit institutions in respect of variable-rate business loans with a duration longer than two year. The interests calculated in 2016 amounted to 108,275 € (112,539 € in 2015).

This amount will be reimbursed in one payment (principal and interests) on 31 December 2019. This reimbursement is guaranteed by a pledge on WAX INTERACTIVE business.

* Self-owned shares

After the resolutions taken by the Combined General Meeting of 15 June 2016, SQLI started a program for buying back its own shares, with the following objectives (by decreasing priority): i) Market animation or share liquidity, ii) Purchase for keeping and using for exchange or retribution of possible external growth operations, iii) Allocation of shares to the employees, iv) Possible Cancellation of these shares.

At the closing date, the group did not intend to assign the free shares to free shares allocation plans.

This program expired during the General Meeting of 31 December 2016 called to assess the financial statements for the year. It includes a maximum unit purchase price of 70 € and a minimum unit selling price of 10 €. It was organized within a liquidity contract signed with la Financière d'Uzès.

		31/12/2016			31/12/2015	
	Number of shares	Unit price	Value (in €)	Number of shares	Unit price	Value (in €)
New Self-owned shares at 1st January	60,104	€17.50	1,051,916	61,405	€16.64	1,021,543
Acquisitions of the year	30,936	€31.09	961,745	17,724	€23.22	411,576
Transfers at sale value	(12,423)	€32.65	(405,651)	(19,025)	€24.32	(462,698)
Transferred capital gain and loss			42,932			81,495
Former Self-owned shares at 31 December	78,617	€21.00	1,650,855	60,104	€17.50	1,051,916

4 CUSTOMERS AND RELATED ACCOUNTS

At 31 December 2016, Customer claims amount to 31,658,186 € and pending invoices to 18,477,951 €. Depreciations are registered on customer claims for 1,765,991 €. The deadline for customer claims is less one year.



SQLI uses the services of a factoring company. The business costs of customer claims and their capitalization are as the following:

	2016	2015
Credit insurance and customer management	230,532	211,518
Financial cost of receivables capitalization	72,709	19,379
Total	303,241	230,897

5 OTHER CLAIMS

	Gross amount	Depreciation	Net amount	At most 1 year	At least 1 year
Customers and related accounts	2,709		2,709	2,709	
Welfare system and other social institutions	212,160		212,160	212,160	
State, public institutions					
R&D tax credit	5,507,064	(1,307,508)	4,199,556		4,199,556
CICE	529,319		529,319		529,319
Recovered VAT	1,949,101		1,949,101	1,949,101	
Group and partners 2	7,313,236	(122,535)	7,190,701	7,190,701	
Various debtors					
Net customer receivables	16,561,681		16,561,681	16,561,681	
Net CICE credit claims	5,504,305		5,504,305		5,504,305
Various	354,248	(131,467)	222,781	222,781	
Claims on asset transfers	18,226		18,226	18,226	
Total	37,952,049	(1,561,510)	36,390,539	26,157,359	10,233,180

R&D tax credit amounts to 2,340,799 € in 2016 and the cumulative claims for all companies of the tax group amount to 5,507,064 € at 31 December 2016.

A tax investigation regarding R&D tax credit for years 2013 and 2014 (1,515,631 €) is under process. Given the state of this investigation, the company did not change the rules applied to R&D tax credit provisioning for year ending 31 December 2016 (30% of credit amounts).

CICE credit claims from 2013 to 2016 (5,504,305 €, including 3,096,483 € transferred in 2016) have been transferred to Bpifrance Financement against a prefunding amount of 4,863,350 €.

ICONEWEB Morocco current account has been totally depreciated according to the net situation at 31 December 2016; this company is not operating anymore.

6 VARIATION OF THE PROVISIONS FOR DEPRECIATION

	31/12/2015	Allowance	Write-backs	31/12/2016
Securities	3,360,533	60,854		3,421,387
Loans for building effort	363,222		93,533	269,689
Customers	1 805 369		39,378	1 765 991
R&D tax credit	890,245	702,240	284,977	1 307 508
Other receivables	108,788	146,752	1,537	254,003
Total	6 528 157	909,846	419,425	7 018 578





7 CASH FLOW AND EQUIVALENT

	31/12/2016	31/12/2015
Cash position	2 802 895	6 926 068
Monetary unit trusts and funds (SICAV and FCP)	47,492	47,492
Bank certificates	0	3 400 000
OCBSA Loire Développement	0	310,000
Cash flow and Cash flow equivalents	2 850 387	10 683 560

The market value of Monetary unit trusts and funds (SICAV and FCP) amounts to 63,479 € at 31 December 2016.

8 CHARGES PAID IN ADVANCE

The charges paid in advance for subcontracts amount to 206,901 €; those related to leasing and other regular external costs amount to 1,688,809 €.

9 OWN EQUITY

At 31 December 2016, the own equity is made of 3,856,923 shares (31.12.2015: 3,685,916) with a par value of 0.80€ each, paid in full.

	Number of shares	Nominal value	Share equity
Equity at 1st January 2016	3 685 916	0.8	2 948 733
163,851 shares have been subscribed during the year for the price of 15 € per share, following the exercise of 1,638,510 BSAAR.	163,851		131,081
7,156 shares issued by the Delegated Executive Officer on 21 December 2016 have been subscribed by the employees members of the "PEG TESORUS" Group Saving plan, at the exercise price of 28.70 € per share.	7,156		5,724
Equity at 31 December 2016	3 856 923	0.8	3 085 538

The company net situation before the income appropriation is as follows:

	31/12/2015	Increases	Income appropriation	Annual income	31/12/2016
Equity	2 948 733	136,805			3 085 538
Insurance premiums	34 310 995	2 516 493			36 827 488
Legal provision	290,338		4,535		294,873
Unavailable reserve	272,850				272,850
Retained earnings	14,099,719		6,494,359		20,594,078
Profit (loss)	8 728 178		(8 728 178)	5 464 843	5 464 843
Regulated provisions	564,231	50,488			614,719
Total	61 215 044	2 703 786	(2,229,284)	5,464,843	67 154 390



The company Articles of association give a double vote right for the fully paid shares which have been registered for at least three years, and for the shares granted to shareholders after a capital increase by capitalization of reserves, benefits or issue premiums, at the rate of former shares which gave them the same right.



The capital and voting rights are divided as follows:

	31/12/2016			
	Number of shares	% of the capital	Number of voting rights	% of voting rights
Roland Fitoussi (Sethi , HIP)	448,957	11.6 %	791,093	17.4 %
Employed shareholders	78,485	2.0 %	132,539	2.9 %
Laurent de Roover	48,372	1.3 %	96,744	2.1 %
Thomas Rocmans	48,372	1.3 %	96,744	2.1 %
X Chain Holding	48,372	1.3 %	96,744	2.1 %
FD5 (and family Beublain)	46,789	1.2 %	92,652	2.0 %
Family of Patrick Lacarrière	39,240	1.0 %	78,480	1.7 %
Didier Fauque	9,385	0.2 %	9,385	0.2 %
Bernard Jacon	1,723	0.0 %	3,420	0.1 %
Other nominative shareholders	76,423	2.0 %	152,068	3.3 %
Total of nominative shareholders	846,148	21.9 %	1 616 185	35.5 %
Self-control	78,617	2.0 %	0	0.0 %
Public	2 932 158	76.0 %	2 932 158	64.5 %
Financière Arbevel	290,337	7.5 %	290,337	6.4 %
Sycomore	213,248	5.5 %	213,248	4.7 %
Moneta	135,115	3.5 %	135,115	3.0 %
Otus Capital	237,118	6.1 %	237,118	5.2 %
ALTO INVEST	15,973	0.4 %	15,973	0.4 %
Total	3 856 923	100.0 %	4 548 343	100.0 %

Liquidity tools

Issue date	31/12/2016		31/12/2015	
	Number of warrants to be exercised	Number of potential shares	Number of warrants to be exercised	Number of potential shares
BSAAR	4 379 757	437,976	6 018 267	601,827
BSA	215,784	215,784	215,784	215,784
Stocks options	44,000	44,000	45,500	45,500
Total	4 639 541	697,760	6 279 551	863,111

BSAAR

The BSAAR issued in April 2011 for the issue of a bond borrowing will last 7 years. In 2016, 1,638,510 warrants have been exercised with the issue of 163,851 new shares.

At 31 December 2016, 4,379,757 outstanding BSAAR gave right to the subscription of 437,976 new SQLI shares at the exercise price of 15 €.

BSA

On 16 September 2014, the Executive Board granted 215,784 BSA to Didier Fauque, CEO (143,856 BSA) and Thierry Chemla, DEO (71,928,BSA).

The conditions of this allocation are the following:

- Each BSA gives a right to subscribe one new share at the exercise price of 19.90 €;
- BSA can be exercised for a period of three years following the second anniversary of the date of issue by the Board.



- They are divided in 3 categories of 71 928 BSA, submitted to performance conditions regarding SQLI share price which must be higher than 25, 30 and 35 €;
- The unit price is set by an independent expert for each category: 1.33€, 1.14€ and 0.88€ ;



Stocks options

On 5 November 2014, the Executive Board granted 48,000 stock options to employees and executive managers.

The conditions of this allocation are the following:

- the options will have to be exercised before the 6th November 2019 at the latest (5 years);
- No option can be exercised before 31 December 2016;
- Anybody leaving the company before 31 December 2016 will lose his exercise right.
- The share purchase price is set to 16 €.

2,500 options have been canceled during the year due to departures.

10 OTHER OWN FUNDS

	2016	2015
Advances with conditions – OSEO	22,426	43,176
Total	22,426	43,176

11 REGULATED PROVISIONS

	31/12/2015	Increases Allowance	Decreases Write-backs	31/12/2016
Acquisition costs for fixed assets	657,778	202,810		860,588
Overriding depreciation	(564,231)	(50,488)		(614,719)
Remaining costs for depreciation	93,547	152,322	0	245,869

12 PROVISIONS FOR RISKS AND CHARGES

	31/12/2015	Allowance	Release of used provisions	Release of unused provisions	31/12/2016
Labour Court conflicts and others ¹	298,010	182,623	(128,736)	(66,153)	285,744
R&D tax credit	4,579		(4,579)		0
Provisions for risks	302,589	182,623	(133,315)	(66,153)	285,744
Loss upon completion	15,313	37,503	(15,313)		37,503
Foreign exchange loss	3,762	4,498	(3,762)		4,498
Provisions for charges	19,075	42,001	(19,075)	0	42,001
Total	321,664	224,624	(152,390)	(66,153)	327,745

¹ SQLI has been summoned in front of the Labour Court by four employees and provisioned the risk according to its lawyers' estimations.



13 OTHER BOND LOANS

	31/12/2016	31/12/2015
OBSAAR	0	3 400 000
Total of bond loans	0	3 400 000

On 20 January 2016, SQLI processed the early repayment of the last portion of the 3.4 M€ bond loan.

14 LOANS AND DEBTS TOWARDS CREDIT INSTITUTIONS

	31/12/2016	31/12/2015
Loan with Bpifrance Financement	5,000,000	5,000,000
10 M€ loan with the bank pool	4,690,000	6,230,000
Prefunding of CICE credit claims	4 863 350	2 139 437
Current bank lendings	6	737
Accrued interests to be paid	46,099	59,042
Total of loans and debts with credit institutions	14 599 455	13 429 189

The company managers consider the liquidity risk as relatively limited.

Loans toward credit institutions

In 2014, SQLI contracted 3 loans for its investment program:

- **2,500,000 € with Bpifrance Financement :**
 - Available on 13 November 2014;
 - Duration: 7 years
 - Fixed rate: 2.84 % / year;
 - The principal repayment will be made in 20 quarterly payments at the end of the month, with the capital being depreciated on a straight-line basis, after a 24 month deferred period during which only interests will be perceived.
 - This loan didn't generate any security right or personal guarantee.
 - This loan is attached to a hold back of 125 K€.
- **2,500,000 € with Bpifrance Financement :**
 - Available on 13 November 2014;
 - Duration: 10 years
 - Fixed rate: 4.43 % / year;
 - The principal repayment will be made in 28 quarterly payments at the end of the month, with the capital being depreciated on a straight-line basis, after a 36 month deferred period during which only interests will be perceived.
 - This loan didn't generate any security right or personal guarantee.
- **10,000 K€ with a bank pool** including banque Palatine, BNP Paribas, Société Générale, Caisse d'Epargne et de Prévoyance Bretagne Pays de Loire and Crédit Lyonnais:
 - a first withdrawal of 7,000 K€ was made available to SQLI on 17 December 2014;
 - The credit repayment will start on 30 November 2015 and end on 30 November 2019
 - :

Allocation date	30/11	31/05	30/11	30/05	30/11	30/05	30/11	30/05	30/11
	2015	2016	2016	2017	2017	2018	2018	2019	2019
Depreciation	11 %	11 %	11 %	11 %	11 %	11 %	11 %	11 %	12 %

Interests are due every quarter based on EURIBOR 3 month rate, increased by a margin of 1.50 to 2.40% maximum, set according to the R2 level ratio (net financial debt / restated EBITDA) :

R2 Level ratio	Margin applied to the credit
$R2 \leq 0,75$	1.50 %
$0,75 < R2 \leq 1,2$	1.75 %
$1,2 < R2 \leq 1,5$	2.00 %



1,5 < R2

2.40 %

- The credit agreement includes several cases of anticipated collectability, regarding, among others, failure to comply with the following financial ratios:

R1 = Interest charge coverage ratio = restated EBITDA/Cash net financial costs > 8

R2 = Leverage ratio = net financial debt / restated EBITDA < 1,2 in 2014 and then 1

R4 = Structure ratio = net financial debt / Own equity < 0,3

These ratios have been respected at 31 December 2016.

- SQLI gave to the banks the following guarantees:
 - a pledge of all social shares of ECOMMERCE4U,
 - a pledge of all social shares of WAX INTERACTIVE Lille,
 - a pledge of all social shares of WAX INTERACTIVE,
 - a transfer of the debt due to SQLI by WAX INTERACTIVE regarding a current account advance agreement and the related accessories.

Prefunding of CICE credit claims

The mobilization of CICE credit claims for 2013, 2014, 2015 and 2016 (4,863,350 €) bears interests calculated after the EURIBOR 1 month increased by 1.20 % a year.

15 LOANS AND FINANCIAL DEBTS

They include the current accounts within the group.

16 TAX AND SOCIAL DEBTS

	Gross amount	At most 1 year	Between 1 and 5 years	More than 5 years
Customers and related accounts	10,454,071	10,454,071		
Welfare system and other social institutions	9,643,133	9,643,133		
State: IS and TVA	13,855,024	13,855,024		
Other dues, taxes and similar	228,143	228,143		
Total	34 180 371	34 180 371		

17 DEBTS ON FIXED ASSETS

	31/12/2016	31/12/2015
Fixed assets suppliers	23,845	2,369
Total	23,845	2,369

18 OTHER DEBTS

	31/12/2016	31/12/2015
INVENTCOMMERCE price supplement	1,441,252	0
Remittance of customers and credit notes to be issued	2,874,963	3,686,958
Severance pays	195,618	136,800
	9,585	9,585
Surplus from third parties	0	33,640
Default interest regarding the URSSAF tax adjustment	158	2,349
Final settlement of all accounts and other individual balances		
ADESATT contribution	11,730	11,732
Attendance fees	44,650	44,650
Non competition allowance due to M. Yahya El Mir	0	11,151
Total	4 577 956	3 936 865



Remittance of customers and credit notes to be issued regard mainly credit notes for GEIE ICE (3,023,112 €), SQLI being a member of this entity. The price supplement due to INVENTCOMMERCE former shareholders amounts to 1,441,252 €, including 1,139,921 € due in 2018 and 2019.

19 CHARGES TO BE BAID INCLUDED IN DEBTS

	31/12/2015	Variations	31/12/2016
Accrued interest not due	17,486	5,414	22,900
Customers and related accounts	2 207 712	(211,580)	1 996 132
Social debt:			
Provision for paid vacation i	6 321 709	(89,940)	6 231 769
Reduction for working time and vacation bonus i	312,613	14,374	326,987
Premium and various commissions i	4 469 039	(1,339,990)	3 129 049
Other Staff costs	124,505	(5,075)	119,430
Handicapped person contribution	246,948	(26,557)	220,391
FPC, TA	1 214 482	(10,479)	1 204 003
Tax debt:			
TVTS	21,071	(1,121)	19,950
Solidarity contribution	170,270	25,369	195,639
BOT	153,194	(142,290)	10,904
Default Interest VAT		1,666	1,666
Attendance fees	44,650		44,650
Total	15 303 679	(1 780 209)	13 523 470

i Social charges included

20 PREPAID INCOME

It includes the services invoiced in advance, from which 4 663 799 € are related to package projects.

21 TURNOVER

	France	European Union	Out of European Union	31/12/2016	31/12/2015
Engineering	123 890 545	849,300	1,537,692	126 277 537	116 799 190
Training	5 302 719			5 302 719	5 503 086
Consulting	8 711 365	180,680		8 892 045	9 604 153
Total	137 904 629	1 029 981	1 537 692	140 472 302	131 906 429

22 CAPITALISED PRODUCTION

Cost of employees assigned to the Re-engineering of SQLI Information system launched in 2015.

23 OTHER PRODUCTS

It includes the re-invoicing for the subsidiaries in application of the group conventions: transfer price, invoicing of central services, contracts of technology license and brands signed with SQLI Switzerland and SQLI Morocco.

24 OTHER EXTERNAL PURCHASES AND COSTS

	31/12/2016	31/12/2015
Non stored materials	335 997	347 474
Outsourcing	32 818 239	26 634 230
Premises for rent and rental costs	5 272 927	5 188 941
Leasing management	216 542	213 425
Maintenance and repairs	213 425	157 680
Insurance premiums	421 604	414 986
External staff	385 931	370 057



Fees	2 756 959	2 454 620
Advertising and external relationship	750 619	548 418
Business trips, missions and receptions	2 580 675	2 585 882
Mailing and telecommunication costs	90 934	549 333
Bank services	160 279	183 700
Others	304 874	294 499
Total	47 248 630	40 507 293

25 TAXES AND DUES

	31/12/2016	31/12/2015
Training tax	432 758	429 271
Continuous professional training	1,052,080	1,095,601
CET	1 699 082	1 692 168
Property tax	306 327	284 498
Taxes on private vehicles	85 401	84 287
Solidarity contribution	206 978	170 270
Handicapped person contribution	220 391	246 948
Others	47 284	66 471
Total	4 050 301	4 069 514

26 FINANCIAL RESULT

	31/12/2016	31/12/2015
Financial income		
Interest on current accounts	108,275	121,434
VMP transfer gain iii	421,962	81,495
Foreign Exchange gain	295	359
Provision recovery ii	97,295	2,412
Income on securities	0	3 047 091
Interest on current accounts	1,049	25,918
Other income	0	5,405
Total	628,876	3 284 114
Financial charges		
Loan interest	276,814	325,200
Rate swap	50,575	119,194
Interest on current accounts	0	46,565
Interest on factor financing	72,709	19,379
Foreign exchange loss	2,318	6,913
VMP loss of transfer iii	310,547	0
Various	58,440	30,469
Allowance for depreciation i	80,637	90,231
Total	852,040	637,951
Financial result	(223,164)	2 646 163

ⁱ Including 60,853 € of provision release for the depreciation of ABCIAL securities.



ⁱⁱ Including provision for depreciation inked to the updating of loans for building investment: 93,533 €.

ⁱⁱⁱ Including 378,476 € of transfer gains for OCBSA Group IDO-in, less the accounting value, i.e. 310,000 €



27 EXPOSURE TO EXCHANGE RISK

SQLI is almost not exposed to exchange risk since its activity is mainly in France and the invoicing is made in euros. Its currency position at the closing date is the following:

	CHF
Assets	-
Liabilities	(74,774)
Net position before administration	(74,774)
Off-Balance sheet commitments	
Net position after administration	(74,774)

28 EXPOSURE TO RATE RISK

Hedging rules for rate risks

The group contracted in 2015 a rate hedge in order to cover the fluctuations of variable rates within the repayment duration of the 10,000,000 € loan subscribed in December 2014. The hedged amount is limited to 7,000,000 €. The company chose a fixed rate.

Hedging derivative instruments

The conditions of derivative instruments related to the rate risk control at 31 December 2016 are exposed as follows:

	Bank loan €7,000,000
Starting date	27/02/2015
Floating rates payer	LCL
Floating rate	EURIBOR 3 months + 1.50%
SQLI Fixed / floating rate	0.18%
Notional amounts covered at 31 December:	
2016	4,690,000
2017	3,150,000
2018	1,610,000
2019	-

29 EXTRAORDINARY RESULT

	31/12/2016	31/12/2015
Recovery of provision for depreciation ⁱⁱ	289,557	1,343,592
Transfer of intangible, tangible and financial fixed assets ⁱⁱⁱ	746,152	38,981
Total Extraordinary income	1 035 709	1 382 573
NCV of transferred fixed assets ⁱⁱⁱ	242,814	216
Allowance for overriding depreciation ⁱ	50,488	18,168
Allowance to provisions for risks ⁱⁱ	833,707	440,136
Various	2,382	34,204
Total Extraordinary costs	1 129 391	492,724
Extraordinary result	(93,682)	889,849

ⁱ Depreciation of securities fixed acquisition costs

ⁱⁱ Including provision related to R&D tax credit : 702,240 € of allowance and 289,557 € of recovery



ⁱⁱⁱ Including the gain resulting from the transfer of IDO-in Group shares amounting to 537,000 €.



30 ALLOCATION OF ALLOWANCES AND PROVISION RECOVERY

	Allowance	Write-backs
Conflicts in Labour Court and with URSSAF	182,623	194,889
Depreciation of customer claims	-	39,378
Depreciation of other claims	-	1,537
Loss upon completion	37,503	15,313
Operation	220,126	251,117
Depreciation of securities	60,854	-
Depreciation of current accounts	15,285	-
Loans for building effort	-	93,533
Foreign exchange loss	4,498	3,761
Financial	80,637	97,294
Overriding depreciation	50,488	-
Other receivables	131,467	-
R&D tax credit	702,240	289,557
Extraordinary	884,195	289,557
Total	1,184,958	637,968

31 CORPORATE TAX

The tax situation of the companies integrated in the group in 2016 is the following:

	Tax result	R&D tax credit	Other tax credits
SQLI (controlling company)	3,983,427	2,340,799	2,340
ABCIAL	(62,548)		
CLEAR VALUE SAS	(6,225)		
WAX INTERACTIVE	(1,247,748)		
EOZEN France	210,051		
WAX INTERACTIVE Lille	124,713		
ECOMMERCE4U	(58,598)		
ASTON INSTITUT	727,810		
Total tax group	3,670,882	2,340,799	2,340

The tax allocation between current result and extraordinary result is the following:

	Result (bef. taxes)	Taxes due	Net result (aft. taxes)
Current Result	4,695,413	(1,176,859)	3,518,554
Extraordinary result	(93,682)	(150,950)	(244,632)
Impact of unused tax losses		458,373	458,373
Impact of tax integration		2,343,139	2,343,139
Tax credit for the year		(610,591)	(610,591)
Other taxes			
Accounting Result	4,601,731	863,112	5,464,843



32 VARIATION OF DEFERRED TAXES

	31/12/2015		Variations		31/12/2016	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
I Existing or possible gaps						
Overriding depreciation		564,231		296,357		860,588
II. Temporary non deductible costs						
To be deducted the following year:						
Payable costs N	170,270		25,369		195,639	
Fees	169,182			6,072	163,110	
Translation differences - Assets	3,761		737		4,498	
Total	343,213	564,231	26,106	302,429	363,247	860,588
III. Items to be allocated						
Fiscally carried over deficit (1)						
Total	0	0	0	0	0	0

(1) Deferred deficits of Tax integrated group

33 TRANSFER OF COSTS

Nature of transfers	31/12/2016	31/12/2015
In-kind compensations	487,041	504,177
Insurance premium	2,837	1,399
Discount suppliers	14,807	
Foresight indemnities	34,053	60,453
Various	4,535	3,583
Total	543,273	569,612

34 AFFILIATED COMPANIES AND JOINT VENTURE

ITEMS	AMOUNT OF COMPANIES	
	Affiliated	Joint Venture
Holdings	38 429 680	
Customers	11 605 746	
Credit notes to be issued	2 425 094	
Customers current account advance	7 313 236	
Suppliers	9 102 207	
Depreciation of current accounts	15 188 438	
Financial income from investments	108,275	



35 REMUNERATION OF HEAD MANAGERS AND RELATED PARTIES

	Gross remuneration	Social costs	2016	Gross remuneration	Social costs	2015
Short-term benefits (1)	1 039 709	342,648	1 382 357	1 469 489	590,844	2 060 333
Benefits after employment	69,691	32,058	101,749	45,856	21,323	67,179
Attendance fees	70,000	18,025	88,025	70,000	18,547	88,547
Total	1 179 400	392,731	1 572 131	1 585 345	630,714	2 216 059

(1) "Short-term benefit" must be intended as wages itself, which includes paid vacations, premiums, interest and in kind benefits.

36 OFF-BALANCE SHEET COMMITMENTS

The group has to take a certain number of commitments due to its activity. Some of these commitments generate provisions (like the commitments related to retirement and other advantages granted to the staff, legal disputes...)

The other commitments not included in the balance sheet are listed below.

1) Remaining commitments coming from contract obligations

	Less than 1 year	From 1 to 5 years	More than 5 years	31/12/2016
Premises	2 739 252	3 036 795	52,423	5 828 470
IT equipment	508,456	426,450	-	934,906
Vehicles	618,782	603,987	-	1 222 769
Operating Leasing contract rents	3 866 490	4 067 232	52,423	7 986 145

2) Commitments received

The former shareholders of WAX INTERACTIVE LILLE granted to SQLI, until the term of the legal deadline set in the related social and tax regulations, a guarantee on assets and liabilities with an exemption of 48 K€ limited to 400 K€, with a possible surplus of 20% of the received earn-out, cross-guaranteed by a bank surety of 200 K€.

This guarantee does not include customer contracts.

The former shareholders of ECOMMERCE4U granted to SQLI, until the term of the legal deadline set in the related social and tax regulations, a guarantee on assets and liabilities with an exemption of 3 K€ limited to 40 K€, with a possible surplus of 20% of the received earn-out.

This guarantee does not include customer contracts.

The former shareholders of INVENTCOMMERCE granted to SQLI a guarantee on assets and liabilities limited to 450 K€ for a period of 18 months starting from the transfer and of 7 years relating to tax issues. 50 K€ have been transferred to a escrow account as a guarantee for the guarantee.

SQLI took a pledge on WAX INTERACTIVE as a guarantee of the 5.5 M€ advance granted to this subsidiary.

3) Debts guaranteed by real securities

Following the reimbursement of the bond loan, the pledge of the financial securities of EOZEN Belgium, EOZEN SA and CLEAR VALUE SAS was entirely released, as well as the pledge of SQLI business amounting to 1.4 M€.

In exchange of the 10 M€ credit line contracted with a bank pool including banque Palatine, BNP Paribas, Société Générale, Caisse d'Epargne et de Prévoyance Bretagne Pays de Loire and Crédit Lyonnais, SQLI gave the banks the following guarantees:

- a pledge of all social shares of ECOMMERCE4U,
- a pledge of all social shares of WAX INTERACTIVE Lille,
- a pledge of all social shares of WAX INTERACTIVE,
- a transfer of the debt due to SQLI by WAX INTERACTIVE regarding a current account advance agreement and the related accessories. This claim amounts to 5.5 M€ at 31 December 2016.



4) Credit lines accepted and still intact

The Group has three credit lines of 1 M€ each, with BNP Paribas, Caisse d'Epargne and the Banque Palatine, plus a 18 M€ factoring capacity untouched at 31 December 2016.

5) Current conflicts

Various legal actions have been started against the company by former employees or customers. The management team has made provisions based on the estimated risks and on the consultants' recommendations regarding these actions. Four customers started a legal action against SQLI, requesting 8.5 M€ of damages. SQLI considered this claim as unfounded and the only provision made was for legal charges amounting to 0.1 M€.

The damages estimated regarding the legal conflict opposing a former shareholder of EOZEN Belgium and EOZEN SA companies with the transferor shareholders and the transferred companies amount to 1.0 M€. Following a first decision in favor of the Group, the claim has been submitted to the Brussels Court of appeal in March 2017. EOZEN Belgium and EOZEN SA would be protected from the possible impact of this dispute by the guarantees subscribed with the transferors.

37 AVERAGE STAFF

Categories	31/12/2016	31/12/2015
Executives	1,219	1,194
Managing agents, technicians	122	102
Interns	25	27
Trainees	6	5
Total	1,372	1,328

38 CICE

The CICE is equal to 6 % of remunerations lower or equal to 2.5 x SMIC (minimum wages) paid in 2016. As soon as an employee annual wages exceed this limit, this remuneration is entirely excluded from the basis for tax credit. This basis for tax credit contains all gross remunerations, including social contributions, paid during the civil year on the basis of legal working hours.

In 2016, SQLI CICE amounts to 1,615,994 €. After tax integration, SQLI has a tax credit of 529,319 € at 31 December 2016. The credits related for years 2013, 2014, 2015 and 2016 have been assigned with BPI France.

CICE is mainly used to finance new market prospecting projects.

39 BENEFITS POST-RETIREMENT

The benefits post-retirement are related to the retirement indemnities for the staff employed in France and are fixed allowances calculated according to the number of years of service and the annual wages at the date of retirement.

This commitment is calculated as follows:

- The calculation is based on a voluntary retirement decision from the employer;
- the retirement age is set at 65 years;
- The life table is the one of 2012-2014;
- The annual salary revaluation rate is calculated according to the age. For each age grouping, the given rate is the average of rates registered by the group in the last three years: from 3.7 % (from 20 to 30 years old), to 2.4 % (from 31 to 40 years old), 1.9 % (from 41 to 50 years old), 1.1 % (from 51 to 60 years old) then constant;
- The discounting rate is 1.30 %; (OAT rate 20 years);
- The turnover rate include all departures, decided by the employee or by the company. For each age grouping, the given rate is the average of rates registered by the group in the last three years: 9,7 % (20-24 years old), 28,0 % (25-29 years old), 26,1 % (30-34 years old), 24,2 % (35-39 years old), 20,7 % (40-44 years old) ; then : 19,0 % (45-49 years old), 14,3 % (50-54 years old), 3 % (55 years old), 2 % (56-58 years old), 1 % (59-60 years old), 0 % (61 years old and more);
- The group's commitment to its employees is increased in 46 % by the social charges.

The commitments amount to 1,307 K€ (social costs included) at the closing date.



40 SUBSIDIARIES AND AFFILIATED COMPANIES

Companies	%	Equity	Own equity other than share equity	Accounting value of held securities		Granted loans and advances	Granted sureties and guarantees	Cashed dividends	Result of the previous year	Notes
				Gross	Net					
ABCIAL	99.63	37,000	4,122,531	7,237,949	4,159,532				-60,854	
ASTON INSTITUT	100	30,000	4,026,191	30,000	30,000				514,477	
EOZEN FRANCE SAS	100	38,120	1,945,096						169,856	Owned by SQLI Luxembourg
CLEAR VALUE SAS	100	85,928	3,660,705	7,405,608	7,405,608	252,029			-6,286	
WAX INTERACTIVE	100	50,000	-3,210,380	50,000	50,000	8,449,371			-1,188,394	
WAX INTERACTIVE Lille	100	30,000	-74,572	2,388,287	2,388,287	46,572			107,338	
ECOMMERCE4U	100	6,000	-157,703	234,712	234,712				-58,598	
Total FRANCE		277,048	10 311 868	17 346 555	14 268 137	8 747 973	0	0	- 522 461	
SQLI SWITZERLAND (CHF)	100	93,119	4 227 471	62,871	62,871				624,635	
SQLI MOROCCO (DH)	99.92	46,919	2 141 487	70,576	70,576	3 333 824			434,514	
SQLI Luxembourg (€)	100	93,000	568,692						-23,554	Owned by CV SAS
ICONEWEB MOROCCO (DH)	100	18,768	-127,231	17,968	0	368,018			-14,072	
EOZEN BELGIUM (€)	100	62,500	5 156 485	8,464,226	8,464,226				29,935	
EOZEN SA (€)	100	124,000	2 768 293	9 169 578	8 844 578				-140,331	
WAX DESIGN (€)	100	20,000	1 062 230	771,062	771,062				139,449	
INVENTCOMMERCE LTD (£)	100	5	182,065	2 526 845	2 526 845				110,193	
INVENTCOMMERCE PTY LTD (ZAR)	100	7	252,771						247,228	Owned by INVENTCOMMERCE LTD
Total ABROAD		458,317	16 232 262	21 083 125	20 740 157	3 701 842			1 407 997	
Total		735,365	26 544 130	38 429 680	35 008 295	12 449 815			885,536	

20.1.4. SQLI RESULT OVER THE LAST FIVE YEARS

<i>Data in thousands of euros</i>	31/12/2016	31/12/2015	31/12/2014	31/12/2013	31/12/2012
Duration of financial year (month)	12	12	12	12	12
Capital end of year					
Share capital	3 085 538	2 948 732	2,877,598	2,877,138	2,866,758
Number of shares					
Ordinary	3 856 923	3,685,916	3,596,998	3,596,422	3,583,448
Preferred dividend					
Maximum number of shares to be issued					
Per bond conversion					
Per subscription right	697,760	863,111	931,494	729,500	909,500
Operations and result					
Turnover (tax. ex.)	140 472 302	131,906,429	123,543,799	117,639,551	116,724,471
Result after taxes, participation, all. depreciations & provisions	6 011 322	8,206,170	1 062 157	3,044,804	2,640,804
Taxes on profit	-863,112	607,067	-708,089	-1178546	-1,283,541
Participation of employees					
All. Depreciations and provisions	1 409 591	85,059	350,622	-4,020,002	-155,530
Net result	5 464 843	8,728,178	1 149 624	8,243,352	4,079,874
Distributed result	2 229 284	1,605,629	1 982 247	1 286 894	
Result per share					
Result after taxes, participation, all. depreciations & provisions	1.78	2.39	0.49	1.17	1.10
Result after taxes, participation, all. depreciations & provisions	1.42	2.36	0.39	2.29	1.14
Allocated dividends	0.60	0.45	0.55	0.36	0.36
Staff					
Average number of employees	1,372	1,328	1,265	1,214	1,266
Wage bill	61 834 383	61,419,565	56 733 320	53,418,130	55,407,409
Amounts of social benefits (social insurance, community social projects...)	27 040 624	27,139,701	25 387 179	23,880,924	25,634,348

20.2. PROFORMA FINANCIAL INFORMATION

None.



20.3. CONSOLIDATED FINANCIAL STATEMENT

20.3.1. CONSOLIDATED BALANCE SHEET

A. Consolidated financial situation

ASSETS (in thousands of euros)	Notes	31/12/2016	31/12/2015
Goodwill	1)	53,318	51,125
Intangible fixed assets	2)	935	673
Tangible fixed assets	3)	5,146	4,133
Financial assets	4)	4,342	3,914
Other non current assets	7)	10,263	6,630
Deferred taxes - assets	18)	408	578
NON CURRENT ASSETS		74,412	67,053
Customer receivables	5)	56,132	53,124
Other claims and regularization accounts	6)	27,386	24,305
Tax outstanding assets	7)	327	1,549
Cash flow and cash flow equivalents	8)	9,573	18,199
CURRENT ASSETS		93,418	97,177
TOTAL OF ASSETS		167,830	164,230



LIABILITIES (in thousands of euros)	Notes	31/12/2016	31/12/2015
Equity	9)	3,086	2,949
Premium		39,261	37,309
Consolidated reserves		30,193	28,828
Consolidated result		6,212	3,555
OWN EQUITY (GROUP SHARE)		78,752	72,641
Minority interests		0	0
CONSOLIDATED OWN EQUITY		78,752	72,641
Long term financial debt	12)	7,705	9,704
Long term provisions	16)	2,551	2,427
Deferred taxes - liabilities		0	0
Other non current liabilities	19)	1,140	0
NON CURRENT LIABILITIES		11,396	12,131
Short term financial debt	12)	7,140	7,263
Long term provisions	16)	39	23
Debts with suppliers and related accounts		16,914	16,723
Other payables	16)	51,617	55,308
Tax outstanding liabilities	21)	1,972	141
CURRENT LIABILITIES		77,682	79,458
TOTAL OF LIABILITIES		167,830	164,230



20.3.2. CONSOLIDATED ACCOUNTS

Consolidated Result account

Data in thousands of euros	Notes	2016	2015
TURNOVER	VI.	190,909	178,981
Other earnings	23)	5,453	5,698
Used purchases		-4,438	-5,432
Staff costs	24)	-120,756	-117,870
External costs	27)	-52,712	-45,821
Taxes and dues		-3,144	-3,047
Net allowance to depreciation and provisions		-1,311	-1,667
Other operating costs and income		-28	1
CURRENT OPERATING RESULT	VI.	13,973	10,843
Goodwill depreciation		0	0
Other non current operating incomes and expenses	28)	-3,224	-4,123
OPERATING RESULT		10,749	6,720
Cash and cash equivalent income (charges)		55	116
Total of gross financial debt		-582	-709
Total of net financial debt	29)	-527	-593
Other financial income and charges	29)	83	-100
RESULT (bef. taxes)		10,305	6,027
Tax liability	30)	-4,093	-2,472
NET RESULT (before result of activities transfered or being transfered)		6,212	3,555
Result of activity being stopped or transferred		0	0
CONSOLIDATED NET INCOME		6,212	3,555
Group share		6,212	3,555
Minority interests		0	0
Net result for the group group per share (euro)		1.69	0.99
Average number of outstanding shares	31)	3,684,044	3,573,880
Net diluted result, part of the group per share (euro)		1.52	0.93
Average number of outstanding BSAAR and shares	31)	4,083,990	3,822,487

Comprehensive income

Data in thousands of euros	2016	2015
NET RESULT	6,212	3,555
Actuarial difference on defined benefit scheme after tax	-41	-120
Items that will not be reclassified to profit or loss	-41	-120
Translation differences	93	724
Items that will not be reclassified to profit or loss	93	724
Items booked as own equity:	52	604
OVERALL RESULT	6,264	4,159
Allocated to minority shareholders	0	0
Allocated to the group	6,264	4,159



20.3.3. VARIATION OF CONSOLIDATED SHAREHOLDERS EQUITY

Variation of consolidated own equity

Data in thousands of euros	Number of shares	Equity	Premium	Reserves	Year result	Translation differences Actuarial differences	Own Equity		
							Share of the Group	Minority share	Total
Situation at 31/12/14	3,596,998	2,878	36,013	26,304	2,555	971	68,721		68,721
Income appropriation				949	-949				
Distribution of dividends					-1,606		-1,606		-1,606
Exercise of BSAAR	21,259	17	293				310		310
Group Saving Plan	11,228	9	144				153		153
Stock options allocation			19				19		19
Treasury shares			-28				-28		-28
Overall results H1					1,199				
Other items of comprehensive income						1,036			
Comprehensive income H1					1,199	1,036	2,235		2,235
Situation at 30/06/15	3,629,485	2,904	36,441	27,253	1,199	2,007	69,804		69,804
Exercise of BSAAR	44,624	36	619				655		655
Group Saving Plan	11,807	9	233				242		242
Stock options allocation			18				18		18
Treasury shares			-2				-2		-2
Total income H2					2,356				
Other items of comprehensive income						-432			
Comprehensive income H2					2,356	-432	1,924		1,924
Situation at 31/12/15	3,685,916	2,949	37,309	27,253	3,555	1,575	72,641		72,641
Income appropriation				1,326	-1,326				
Distribution of dividends					-2,229		-2,229		-2,229
Exercise of BSAAR	86,364	69	1,226				1,295		1,295
Stock options allocation			18				18		18
Treasury shares			-527				-527		-527
Other				-13			-13		-13
Overall results H1					3,388				
Other items of comprehensive income						-271			
Comprehensive income H1					3,388	-271	3,117		3,117
Situation at 31/12/16	3,772,280	3,018	38,026	28,566	3,388	1,304	74,302		74,302
Exercise of BSAAR	77,487	62	1,090				1,152		1,152
Group Saving Plan	7,156	6	200				206		206
Stock options allocation			17				17		17
Treasury shares			-72				-72		-72

Total income H2					2,824			
Other items of comprehensive income						323		
Comprehensive income H2					2,824	323	3,147	3,147
Assessment at 31/12/16	3,856,923	3,086	39,261	28,566	6,212	1,627	78,752	78,752



20.3.4. VARIATION OF CASH FLOW

D. Variation of cash flow

Data in thousands of euros	2016	2015
CONSOLIDATED NET INCOME	6,212	3,555
Net allowance to depreciation and provisions (1)	1,460	1,359
Other calculated charges (revenues)	-5	-48
Transferred capital gain and loss	-514	-2
SELF FINANCING CAPACITY AFTER TAX AND FINANCING COST TO REVENUE	7,153	4,864
Tax liability (deferred taxes included)	4,093	2,472
Cost of financial debt	582	709
SELF FINANCING CAPACITY BEFORE TAX AND FINANCING COST TO REVENUE	11,828	8,045
Variation of customers	- 4,482.	-3,641
Variation of suppliers	148	89
Variation of other current assets and liabilities	-7,523	-607
(paid) reimbursed Corporate Tax (2)	- 2,702.	-2,292
CASH FLOW DUE TO OPERATING ACTIVITIES	-2,731	1,594
Acquisition of fixed assets	-3,135	-2,425
Transfer of fixed assets	843	54
Scope variation	-610	-
CASH FLOW DUE TO INVESTMENT ACTIVITIES	-2,902	-2,371
Capital Increase	2,653	1,360
Dividends paid to the shareholders of the controlling company	-2,229	-1,606
Loan issue	-	-
Acquisition (transfer) of treasury shares	-599	-30
Loan repayment	-5,066	-4,246
Paid interests	-517	-476
CASH FLOW RELATED TO FINANCING ACTIVITIES	-5,758	-4,998
CASH FLOW FLUCTUATION	-11,391	-5,775
Cash flow and equivalent at 1st January	16,031	21,071
Reclassification of cash position	-	310
Effect of currency rates fluctuation	40	425
CASH FLOW AND EQUIVALENT AU 31 DECEMBER (3)	4,680	16,031

(1) Excluding provisions related to current assets.

(2) Including 1,812 K€ of CVAE.

(3) Cf. note E.V.8) supra.



E. Appendix to the consolidated accounts

I. ACTIVITY

Created in 1990, SQLI is the reference partner for companies operating a digital transition of their customer processes and all the internal services related. With a unique positioning covering marketing and technology, SQLI uses a global approach to meet the needs of developing sales and reputation (digital and social marketing, customer experience, e-Commerce, data intelligence), and productivity and internal efficiency goals (digitalization of operations, collaborative activity, mobility and connected devices, CRM...)

The group operates in France, Belgium, Netherlands, Luxembourg, Switzerland, UK, Morocco and South Africa.

SQLI is listed on NYSE Euronext Paris, compartment C (ISIN FR0011289040).

The three years development strategy plan ("Ambition for 2006") started in 2014 targeted a double digit annual growth (including acquisitions) and a current operating margin rate between 8 and 10 % at the end of the period. The plan objectives have been globally reached, with a current operational result of 8 % in the 2H of 2016 and a growth (mainly organic) of 6.6 % in 2016, excluding the acquisition projects which have not been realized.

In June 2016, SQLI presented a new strategy plan, named Move Up 2020, with the aim of making from SQLI the European leader of connected experience. SQLI wants to become the first partner of major companies who want to develop digital and customer experience. This plan includes demanding development objectives in order to carry on the value creation started with Ambition for 2006.

Move Up 2020 must help SQLI to generate more than 300 M€ of revenues in 2020 (190.9 M€ in 2016) and gain more than 4 points of EBITDA margin, reaching 12 % (7.9 % in 2016).

In 2016, SQLI had a very strong growth on strategic segments: e-commerce (+50 %), mobility (+50 %), web solutions (+40 %), experience design (+20 %), with a selective management of technical assistance in order to prioritize margins against volumes.

Some non-core activities have been reduced or ended, with a total growth of 6.6 % for the year (7.5 % excluding media buys and 6 % at constant scope). This growth result was obtained through a significant margin improvement.

The staff increased to reach 2020 employees in Q4 in order to cope with the higher amount of orders.

New growth drivers

New partnerships are consolidating the Group ambitions in the Digital field. The agreements concluded with Adobe, Platform.sh and Lyra started to give birth to new cutting-edge projects, such as cross-platform solutions. These new partnerships participated in the increase of orders registered in the 4Q 2016.

The Energy sector presents a significant growth potential with a growth higher than 21 % on the year. This field in which digital solutions transform the client offers counts more than 300 experts and developers working on major projects, which gave SQLI the opportunity to gain presence on the block chains.

In 2016, SQLI purchased NVENTCOMMERCE company, which has a sales office in London and an English-speaking Offshore production base in Cape Town, South Africa. Since its creation in 2011, this company developed e-commerce platforms for major accounts such as Danone, Dr. Martens, Pearson, Shell, in the UK and in other European countries.



Good start for Move Up 2020

The Group is on schedule for the implementation of the new strategy plan. The dedicated growth drivers will be boosted by the increase of Major accounts contracts. The profitability-related action plans have all been elaborated and assigned to the managers, such as two experienced managers, Eric Doladille, who joined the group in September 2016 to run the Innovative Service Center (onshore and offshore centers) in charge of the deployment and maintenance of big projects, and Dominique Marichal, who will supervise all Delivery Excellence projects from February 2017.

The last quarter of 2016 and first results of 2017 show good signs for the launch of Move Up 2020. The Group also intends to actively extend its geographical presence with an external growth focused on gaining European leadership on digital applications.

II. ACCOUNTING RULES AND PROCEDURES

1. General framework

In application of the European regulation n°1606/2002 of 19 July 2002, the 2016 consolidated accounts are presented in compliance with the international accounting rules (IAS/IFRS) of the EU. They are applicable on 16 March 2017, closing date of the accounts chosen by the Executive Board. These rules are available on the EU Commission website: http://ec.europa.eu/internal_market/accounting/ias_fr.htm#adopted-commission.

The accounting rules applied for the year ended 31 December 2016 are the same as those applied for the year ended 31 December 2015.

2. Evolution of accounting rules in 2016

a) New standards and compulsory interpretations

There has not been any new standard applying for the first time in 2016. Only a few compulsory amendments apply to financial years starting in 2016:

- IAS 1 amended: "Disclosure initiative - alleged material"
- IAS 16 and IAS 38 amended: "Acceptable methods of depreciation and amortization"
- IAS 19 amended: "Employee contributions to defined benefit plans"
- IFRS 11 amended: "acquisitions of interests in joint operations"
- Annual improvements, 2010-2012 and 2012-2014.

The implementation of these amendments did not have any significant impact on the Group accounts.

b) Anticipatory applied rules and interpretations

The group didn't anticipate any of the new standards and interpretations exposed below which are not compulsory at 1st January 2016:

- IFRS 9 "Financial instruments";
- IFRS 15 "revenue from contracts with customers";
- IFRS 16 "Leases" ;
- IAS 7 amended: "Disclosure Initiative";
- IAS 12 amended: "Recognition of Deferred Tax Assets for Unrealized Losses";
- IFRS 10 and IAS 28 amended: "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture";
- IFRS 2 amended: "Classification and Measurement of Share-based Payment Transactions";
- Annual improvements, 2014-2016.
- IFRIC 22 "Foreign Currency Transactions and Advance Consideration".

SQLI is currently analyzing the impact and practical consequences of the application of standards a IFRS 15 and 16.



3. Valuations and judgments

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

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

These estimations are focused on the revenue recognition for package contracts, the recognition of deferred taxes on the assets, the testing of the value of assets, the calculation of retirement benefits and other long-term benefits and the current and non-current provisions.

SQLI thinks there is an existing risk on R&D tax credits calculated according to R&D programs and considers the assets to be definitely acquired after a period of 3 years. The Group is taking this risk into account by recording a provision for depreciation or for risk when the tax credits are booked or repaid. This provision accounts for 30 % of the generated tax credit amount.

The group remains cautious regarding the computer services market mid and long term growth perspectives, and is relying on limited estimates of business and operating margins, especially regarding the calculation of intangible assets value.

4. Consolidation principles

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

The Income statement consolidate the accounts of the companies acquired during the financial year from the date that they were acquired and the accounts of the companies transferred before their transfer date.

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

5. Consolidation of subsidiaries

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

a) Identified assets and liabilities

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

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

b) Goodwill

The difference, noted when a participation is made, between the shares purchase price of the consolidated company and the group share retired from the own equity at the date of integration in the scope is considered as a difference of value likely to be allocated to the identifiable assets and liabilities. The Residual part not affected is booked in "Goodwill" item in the balance sheet assets.

Incidental expenses related to the acquisition are recorded in non current operating charges.



6. Conversion procedures for foreign currencies

a) Foreign currencies transactions

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

b) Financial state of foreign entities

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

7. Operational sectors

Sectoral information to give according to IFRS 8 is based on internal reporting as used by the main operating decision-makers of the group, i.e. SQLI CEO, DEOs and Operational Managers.

The Group created two operational sectors: "**Digital Commerce**" and "**Digital Technologies**".

- "**Digital commerce**" covers all activities under WAX Interactive brand;
- "**Digital Technologies**" covers all activities under SQLI Enterprise brand.

The turnover and the current operating income of each sector are regularly controlled as performance indicators.

8. Intangible fixed assets

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

In compliance with IAS 38, research costs are booked in the accounts of the financial year during which they have been used. In the same way, development costs have been kept in liabilities because they don't match the criteria given in the standard.

9. Tangible fixed assets

Tangible assets are registered at their acquisition cost. The borrowing costs are not incorporated in the fixed assets.

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

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

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

10. Rental contracts

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



11. Rental contracts

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

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

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

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

In practice, the equipment is changed every two years; no penalty was paid for these renewals made in advance.

12. Depreciation of fixed assets

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

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

13. Financial assets

This section consists in non consolidated equity securities, deposits and guarantees paid and loans. Non quoted securities are put in category « Securities available for sale ». They are registered at their acquisition cost (purchasing price plus acquisitions charges) or at their intake value.

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

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

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

14. Valuation of payables and receivables

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

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

15. Administration of the turnover



Cost plus contracts – the product of cost plus contracts is recognized according to the project advancement. The services already performed but not yet invoiced as booked as pending invoices. Otherwise, it is recorded as prepaid income.

Package contracts - Turnover resulting from package services 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 invoices to be established. Otherwise, it is recorded as prepaid income.

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

When the group is acting as an agent, only the generated margin is booked in the income.

16. Financial instruments

Financial assets are registered in the balance sheet when the group becomes a party of the contract dispositions.

a) Loans

On the day of their creation, the loans are registered at the fair-value of the given compensation, that is the net cash flow without the issue costs. The loans are then evaluated at the depreciated cost according to the effective rate of interest. The issue costs are then taken in on an actuarial basis through the effective rate of interest procedure.

b) Cash Flow

The « Cash flow » category includes the float, the bank balance and the short- term investments in monetary instruments. These investments are available at any moment for their nominal value and the risk of value change is insignificant. The cash flow equivalents are evaluated at their market value at closing date. The difference of fair value coming from this revaluation is entered in the income statement of the current period, in section “Cash Incomes and equivalent”.

17. Derivative Instruments

a) Exposure to currency risk

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

b) Exposure to rate risk

The groups financial result is affected by the interest rate change. Indeed, part of the debt has a variable rate. The group Income statement can be affected by a fluctuation of interest rates in the Eur area. The group is contracting rate hedges in order to limit its exposure.

c) Common principles related to coverage financial instruments

The instruments used are limited to interest rate swaps, future rate agreements, purchase of caps and “tunnels” for the exchange rate coverage.

These instruments

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

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



d) Accounting procedures

The accounting rule for rate hedging operations is the accounting of the variation of the hedging instruments fair value and the variation of the element that is symmetrically covered in the income statement.

The hedging financial instruments used by the group as booked as "Financial liabilities at fair value through the income statement".

18. Provisions

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

- the amount or the deadline have not been precisely set;
- the economic impact is negative for the group, since these liabilities represent an obligation of the group towards a third party, and are likely to create a capital outflow in aid of this third party, without any compensation expected from the third party.

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

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

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

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

The provisions are updated if the time factor is significant.

For the first time in 2009, the group also registered a commitment related to provision contracts of SQLI Switzerland employees. Because of the minimum interest rate legal guarantee to pay to employees and of the conversion rate, the Swiss pension funds are considered as having defined services plan according to IAS 19. The commitments are thus calculated in compliance with IAS 19 on an actuarial basis with information such as staff structure, turnover expectations and wages growth.

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

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

- Provisions for losses on with end-of-contract terminations: they concern operations in progress, and are assessed case-by-case without compensation.
- The provisions aimed at covering the conflicts, possible unexpected events of the groups activity in more than one year.

19. Risk factors

The risks are described in section I c) of the management report. After the company analyzed these risks, it considered there was not any significant risk except for the following elements:

Fluctuation of SQLI stock market price

SQLI share price has been very volatile since the company was listed on the stock market in 2000, following the example of technology companies.

Every event related to the stock market, the economic situation, the IT sector and its growth, the competitors and/or the group result variations is likely to have a significant impact on the stock market price.

Extraordinary events and conflicts :



The conflicts likely to create any expenditure are provisioned according to IAS 37 rule. There is no existing conflict, arbitration or extraordinary event which had, could have or will have a significant impact on the financial situation, results, activity and capital of the company.

20. Group Saving Plan

Throughout a Group Saving Plan, the company offers to its employees the possibility to subscribe to a capital increase, for a share value lower than the stock exchange one. These shares are submitted to a non-assignability clause for 5 years.

According to IFRS 2, the difference between the subscription price paid by the employee and the fair value of the shares represents a privilege registered in staff costs.

21. Other non recurrent incomes and costs

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

22. Taxes on profit

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

Deferred taxes are registered in the balance sheet because its more likely that they will be given back during the following years. The deferred taxes on assets and liabilities are not updated.

23. Self-owned shares

All the self-owned shares of the group are registered at their acquisition cost by decrease of the own equity. The income resulting from the possible sale of these shares is registered in increase of own equity, so that the capital gain or loss does not affect the years net result.

24. Profit per share

Profit per share is calculated by divided the profit by the average number of outstanding shares during the course of the financial year, excluding self-owned shares. The diluted profit per share is arrived at by dividing the average number of outstanding shares 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 granted at the end of the financial year.



III. CONSOLIDATED PERIMETER

Name	Headquarters	31/12/2016		31/12/2015	
		Control %	Interest %	Control %	Interest %
SQLI SA	La Plaine Saint-Denis (93)	Consolidating Company			
SQLI SWITZERLAND SA	Renens (Switzerland)	100 %	100 %	100 %	100 %
ABCIAL SAS	LA PLAINE SAINT-DENIS (93)	100 %	100 %	100 %	100 %
SQLI MOROCCO SA	RABAT (MOROCCO)	100 %	100 %	100 %	100 %
CLEAR VALUE SAS	LA PLAINE SAINT-DENIS (93)	100 %	100 %	100 %	100 %
SQLI LUXEMBOURG SA	LUXEMBOURG (LUX)	100 %	100 %	100 %	100 %
EOZEN FRANCE SAS	LA PLAINE SAINT-DENIS (93)	100 %	100 %	100 %	100 %
ICONEWEB MULTIMEDIA MOROCCO SARL	RABAT (MOROCCO)	100 %	100 %	100 %	100 %
SQLI BELGIUM SA	DIEGEM (BELGIUM)	100 %	100 %	100 %	100 %
SQLI SA	STRASSEN (LUXEMBOURG)	100 %	100 %	100 %	100 %
ASTON INSTITUT SARL	BOULOGNE-BILLANCOURT (92)	100 %	100 %	100 %	100 %
WAX DESIGN	LAETHEM-SAINT-MARTIN (BELGIUM)	100 %	100 %	100 %	100 %
GEIE ICE	BLAGNAC (31)	25 %	100% (1)	25 %	100% (1)
WAX INTERACTIVE	LA PLAINE SAINT-DENIS (93)	100 %	100 %	100 %	100 %
WAX INTERACTIVE LILLE	ROUBAIX (59)	100 %	100 %	100 %	100 %
ECOMMERCE4U	ROUBAIX (59)	100 %	100 %	100 %	100 %
INVENTCOMMERCE LTD	LONDON (UNITED KINGDOM)	100 %	100 %	-	-
INVENTCOMMERCE PROPRIETARY LTD	Cape Town (South Africa)	100 %	100 %	-	-

(1) For business made by SQLI



IV. ACQUISITION OF THE YEAR AND CONSEQUENCES ON FINANCIAL STATEMENTS

With an agreement signed on 6 April 2016, SQLI purchased the the whole share capital of INVENTCOMMERCE, a company operating in the UK and in South Africa, through its wholly owned subsidiary, INVENTCOMMERCE PROPRIETARY LIMITED.

The twenty employees of InventCommerce who are specialized in cutting-edge e-commerce platforms and operate across the entire value chain, from consulting to architecture, development and support will join the Group. Like SQLI, InventCommerce is a partner of Hybris and Magento, two technological benchmark brands in this sector.

The transfer agreement set out a firm payment of 500 K€ (620 K€) in cash and a price supplement amounting to 1,334 K€ (1,655 K€) maximum, calculated according to the Company operating results from 2016 to 2019. 100 K€ (113 K€) have already been paid in October 2016, for the results achieved at 30 June 2016.

The acquisition costs for these two entities amount to 251 K€ and are booked as expenses for the year.

INVENTCOMMERCE and its subsidiary accounted for 1,379 K€ of the group turnover in 2016 (433 K€ of the operating result).

The goodwill generated by INVENTCOMMERCE acquisition amounts to 2,193 K€ (with 82 K€ of net assets).

The integration of the companies into SQLI perimeter had the following effect on the group consolidated accounts:

Data in thousands of euros	INVENTCOMMERCE	INVENTCOMMERCE PTY LTD	TOTAL
Goodwill A			2.193
Net tangible fixed assets	11	7	18
Financial assets	-	2	2
Non current assets B	11	9	20
Net customer receivables	200	72	272
Other current assets	5	11	16
Cash flow and equivalents	214	21	235
Current assets C	419	104	523
Debts with suppliers	48	-20	28
Other payables	324	49	373
Tax outstanding liabilities	53	7	60
Current liabilities D	425	36	461
Acquisition cost A+B+C-D			2.275

The allocation of acquisition cost in compliance with IFRS 3 remains to be concluded at 31 December 2016.



V. VI OTHER INFORMATION ON THE BALANCE SHEET AND THE INCOME STATEMENT

Unless otherwise indicated, the information is given in euro.

1. Goodwill

	31/12/2015	Acquisition Transfer	Correction of value	Depreciation of the year	31/12/2016
Digital Commerce	30,711	2,193			32,904
Digital Technologies	20,414				20,414
TOTAL	51,125	2,193			53,318

Goodwill is submitted to impairment tests at least once a year on 31 December and as soon as they show signs of value loss. The signs of impairment followed by the group include in particular the turnover trend, the operating profitability shown by the operating result and/or the employment rate of partners.

The group studies goodwill values regarding the new Digital Commerce and Digital Technologies CGU which match the new operating segments as defined in note 7) Operating sectors, section II, Accountancy rules and procedures.

The methodology taken into account for the test is the following:

Duration of estimates: 4 years

Criteria of estimates: 2017: budget base

2018-2020 : consistent turnover growth rate of 0.8% in 2018, 4% a year for Digital Technologies and 10 % a year for Digital Commerce ;

EBIT rate: regular progress to reach a normative rate in 2019.

Capitalization rate (aft. Tax) 9.5 % (same as at 31 December 2015)

Ad infinitum growth rate: 1.5 % (same as at 31 December 2015)

According to these tests, there has not been any new depreciation recorded.

Sensitiveness tests

The tests are not impacted by a reasonable variation of the actualization rate or the infinite growth rate.

These tests have also been performed in the following cases:

- 1 point decrease of turnover growth estimates for 2018-2020;
- 1 point decrease of normative EBIT assumptions;
- 1 point combined decrease of turnover growth estimates for 2018-2020 and normative EBIT assumptions.

No additional depreciation was recorded in any of this cases.



2. Intangible fixed assets

	31/12/2015	Impact of exchange rate fluctuations	Scope variations	Acquisitions Allowance	Transfers Write- backs	31/12/2016
Software	1,823	-1		184		2,006
Client portfolios	626					626
Fixed assets under construction	85			320	-85	320
Gross value	2,534	-1		504	-85	2,952
Software depreciation	-1,783	-1		-77		-1,861
Depreciation of client portfolios	-78			-78		-156
Net value	673	-2		349	-85	935

3. Tangible fixed assets

	31/12/2015	Impact of exchange rate fluctuations	Scope variations	Acquisitions Allowance	Transfers Write-backs	31/12/2016
Constructions	1,147	13				1,160
Other tangible assets	10,573	43	59	2,308	-279	12,704
Part of leasing:	1,270	10		191		1,471
Gross value	11,720	56	59	2,308	-279	13,864
Depreciation of constructions	-214	-3		-46		-263
Depreciation of other tangible fixed assets	-7,373	-31	-40	-1,265	254	-8,455
Part of leasing:	-1,149	-7		-108		-1,264
Net value	4,133	22	19	997	-25	5,146
Part of leasing:	121	3		83		207

SQLI plans to centralize its Paris agencies in new premises in the end of 2017. This centralization project led to the depreciation of current headquarter facilities and premises for an amount of 100 K€ at 31 December 2016.

4. Financial assets

	Available assets		Loans and receivables		Total
	for sale		Depreciated		
	Quoted Securities	Non Quoted Securities	Loans and receivables	Other financial assets	
Gross value		41	2,902	1,352	4,295
Total of impairments			-381		-381
Net value at 31.12.2015	-	41	2,521	1,352	3,914
Scope variations				2	2
Investments		169	279	172	620
Transfers at sale value		-209		-86	-295
Impact of exchange rate fluctuations				5	5
Increase (decrease) due to fair value fluctuations			96		96
Gross value		1	3,181	1,445	4,627
Total of impairments			-285		-285
Net value at 31.12.2016	-	1	2,896	1,445	4,342

CQLI sold its securities and bonds convertible into shares of the unlisted company IDO IN (Loire Développement) with a gain of 585 K€. The loans and claims are related to the price granted for the building effort. They are updated on the basis of the fungible Treasury bond rate at 10 year (31.12.2016: 0,68 % (in 2015: 1 %). The other financial assets represent the deposit and surety given for the groups real estate renting as well as for the liquidity contract signed with la Financière d'Uzès.



5. Customer receivables

	31/12/2016	31/12/2015
Customer receivables	37,963	38,327
Production in progress	20,422	16,954
Gross value	58,385	55,281
Provisions at opening date	-2,157	-1,831
Impact of exchange rate fluctuations	-2	-12
Scope variations		
Allowance	-138	-430
Recovery	44	116
Provision at closing date	-2,253	-2,157
<i>Including: Provisions on customer receivables</i>	<i>-2,246</i>	<i>-2,150</i>
<i>Provisions on production in progress</i>	<i>-7</i>	<i>-7</i>
Net Value	56,132	53,124

As mentioned in note 15) *Recording method of turnover*, section II, Accountancy rules and procedures, the production in progress corresponds to the services given but not invoiced yet for long-term contracts.

The customer receivables current value doesn't differ from their accounting value. All customer receivables have deadlines less than 12 months.

The group outsources the management of its customer claims covering credit-insurance, as well as recovery and refinancing management. The company assigned these claims within the framework of factoring agreements. 100 % of the customer receivables are given in to the Factor and registered in the category "Other receivables" (cf note 6) infra). This heading is totally payable.

The distribution of incurred costs is as follows:

	2016	2015
Credit insurance and customer management	250	233
Financial cost of receivables capitalization	75	21
Total	325	254

The cost of credit insurance and client portfolio management activities appear in the current operational income.

6. Autres créances

	31/12/2016			31/12/2015		
	Total	-1 year	+ 1 year	Total	-1 year	+ 1 year
Social receivables	320	320		273	273	
Tax claims excluding corporate tax	6,693	6,693		5,895	5,895	
Transferred claims (Provisions in the factor)	18,028	18,028		16,349	16,349	
Deferred charges	2,177	2,177		1,492	1,492	
Other receivables	299	299		298	298	
Gross value	27,517	27,517	-	24,307	24,307	-
Provisions at opening date	-2	-2		-2	-2	
Allowance	-131	-131				
Recovery	2	2				
Provision at closing date	-131	-131	-	-2	-2	-
<i>Provisions on other receivables</i>	<i>-</i>	<i>-</i>	<i>-2</i>	<i>-2</i>		
Net Value	27,386	27,386	-	24,305	24,305	-

7. Tax assets

	31/12/2016			31/12/2015		
	Total	-1 year	+ 1 year	Total	-1 year	+ 1 year
State, R&D tax credit	5,507		5,507	4,678	1,512	3,166
State, CICE	6,099		6,099	4,414		4,414
State, corporate tax and other tax credit deposit	327	327		37	37	
Gross value	11,933	327	11,606	9,129	1,549	7,580
Provisions at opening date	-950		-950	-1,861		-1,861



Allowance	-702	-702	-451	-451
Recovery	309	309	1,362	1,362
Provision at closing date	-1,343	-	-1,343	-950
Net Value	10,590	327	10,263	8,179
			1,549	6,630

The groups expenses in 2016 for the R&D activity in compliance with the R&D tax credit criteria, generated a R&D tax claim of 2,341 K€ registered in the Assets of the balance sheet.

As a precaution, a non-deductible provision was assigned to this asset, which was not definitively earned. The provision for 2016 accounts for 30 % of the tax claim and is registered in the income statement together with the tax credit. This provision will be maintained during a period of 3 years, notwithstanding the repayments registered in the meantime.

A tax investigation regarding R&D tax credit for years 2013 and 2014 (1,516 K€) is under process. Given the state of this investigation, the company did not change the rules applied to R&D tax credit provisioning for year ending 31 December 2016.

CICE credit claims from 2013 to 2016 (5,504 K€, including 3,096 K€ transferred in 2016) have been transferred to Bpifrance Financement against a prefunding amount of 4,863 K€.

8. Trésorerie et équivalents trésorerie

	31/12/2016	31/12/2015
Cash position	9,261	14,177
Monetary unit trusts and funds (SICAV and FCP), term accounts	312	4,022
Cash flow and Cash flow equivalents	9,573	18,199

The comparison between the net cash position and equivalents exposed in the balance sheet, and the amount of net cash flow exposed in the cash flow variation chart is presented below :

	31/12/2016	31/12/2015
Cash flow and equivalents	9,573	18,199
Overdrafts	-4,893	-2,168
Overdraft Cash flow less the variation chart	4,680	16,031

9. Equity

At 31 December 2016, the own equity is made of 3,856,923 shares (31.12.2015: 3,685,916) with a par value of 0.80€ each, paid in full.

	Number of shares	Nominal value	Share capital
Equity at 1st January 2016	3,685,916	0.8	2,949
New shares created during the year after the exercise of 1,638,510 BSAAR.	163,851		131
Shares issued by the Delegated Executive Officer on 21 January 2016 for the employees members of the « PEG TESORUS » Group Saving plan, at the exercise price of 28.70 € per share.	7,156		6
Equity at 31 December 2016	3,856,923		3,086

The company's Articles of association give a double vote right for the fully paid shares which have been registered for at least three years, and for the shares granted to shareholders after a capital increase by capitalization of reserves, benefits or issue premiums, at the rate of former shares which gave them the same right.



The capital and voting rights are divided as follows:

	31/12/2016			
	Number of shares	% of the capital	Number of voting rights	% of voting rights
Roland Fitoussi (Sethi , HIP)	448,957	11.6 %	791,093	17.4 %
FD5 (and family Beublain)	46,789	1.2 %	92,652	2.0 %
Bernard Jacon	1,753	0.0 %	3,420	0.1 %
Didier Fauque	9,385	0.2 %	9,385	0.2 %
Executive Board	506,884	13.1 %	896,550	19.7 %
Laurent de Roover	48,372	1.3 %	96,744	2.1 %
Thomas Rocmans	48,372	1.3 %	96,744	2.1 %
X Chain Holding	48,372	1.3 %	96,744	2.1 %
Family of Patrick Lacarrière	39,240	1.0 %	78,480	1.7 %
Employed shareholders (GSP)	78,485	2.0 %	132,539	2.9 %
Other nominative shareholders	76,423	2.0 %	152,068	3.3 %
Total nominative shareholders	846,148	21.9 %	1,616,185	35.5 %
SQLI (own shares)	78,617	2.0 %	-	-
Public	2,932,158	76.0 %	2,932,158	64.5 %
<i>Financière Arbevel</i>	290,337	7.5 %	290,337	6.4 %
<i>Sycomore</i>	213,248	5.5 %	213,248	4.7 %
<i>Moneta</i>	135,115	3.5 %	135,115	3.0 %
<i>Otus Capital</i>	237,118	6.1 %	237,118	5.2 %
<i>ALTO INVEST</i>	15,973	0.4 %	15,973	0.4 %
TOTAL	3,856,923	100 %	4,548,343	100 %

10. Liquidity tools

Issue date	31/12/2016		31/12/2015	
	Number of warrants/options to be exercised	Number of potential shares	Number of warrants/options to be exercised	Number of potential shares
BSAAR	4,379,757	437,976	6,018,267	601,827
BSA	215,784	215,784	215,784	215,784
Stocks options	44,000	44,000	45,500	45,500
Total	4 639 541	697,760	6,279,551	863,111

BSAAR

The BSAAR issued in April 2011 for the issue of a bond borrowing will last 7 years. In 2016, 1,638,510 warrants have been exercised with the issue of 163,851 new shares.

At 31 December 2016, 4,379,757 outstanding BSAAR gave right to the subscription of 437,976 new SQLI shares at the exercise price of 15 €.

BSA

On 16 September 2014, the Executive Board granted 215,784 BSA to Didier Fauque, CEO (143,856 BSA) and Thierry Chemla, DEO (71,928,BSA).

The conditions of this allocation are the following:

- Each BSA gives a right to subscribe one new share at the exercise price of 19.90 €;
- BSA can be exercised for a period of three years following the second anniversary of the date of issue by the Board.
- They are divided in 3 categories of 71 928 BSA, submitted to performance conditions regarding SQLI share price which must be higher than 25, 30 and 35 €;
- The unit price is set by an independent expert for each category: 1.33€, 1.14€ and 0.88€ ;



Stocks options

On 5 November 2014, the Executive Board granted 48,000 stock options to employees and executive managers.

The conditions of this allocation are the following:

- the options will have to be exercised before the 6th November 2019 at the latest (5 years);
- No option can be exercised before 31 December 2016;
- Anybody leaving the company before 31 December 2016 will lose his exercise right.
- The share purchase price is set to 16 €.

The allocated stock options fair value has been estimated by an independent expert to 85 K€. This value represents a charge registered in the Group non current result and is distributed on all the acquisition period. After the cancellation of 1,500 options due to departures, this charge amounts to 35 K€ in 2016.

11. SQLI Treasury shares

After the resolutions taken by the Combined General Meeting of 25 June 2015, SQLI started a program for buying back its own shares, with the following objectives (by decreasing priority): i) Market animation or share liquidity, ii) Purchase for keeping and using for exchange or retribution of possible external growth operations, iii) Allocation of shares to the employees, iv) Possible Cancellation of these shares.

At the closing date, the group did not intend to assign the free shares to free shares allocation plans.

This program expired during the General Meeting of 31 December 2016 called to assess the financial statements for the year. It includes a maximum unit purchase price of 70 € and a minimum unit selling price of 10 €. It was organized within a liquidity contract signed with la Financière d'Uzès.

	31/12/2016			31/12/2015		
	Number of shares	Unit price	Value	Number of shares	Unit price	Value
Self-owned shares at 1st January	60,104	17.500	1,052	61,405	16.636	1,021
Acquisitions of the year	30,936	31.088	962	17,724	23.221	412
Transfers at sale value	-12,423	32.653	-406	-19,025	24.325	-462
Transferred capital gain and loss			43			81
Self-owned shares at 31 December	78,617	€20.999	1,651	60,104	€17.500	1,052

12. Endettement financier

	31/12/2016	31/12/2015
Repayable advances	22	43
Loans toward credit institutions	7,543	9,570
Restatement of lease contracts	115	66
Valuation of rate hedging instruments	25	25
Other non current liabilities	7,705	9,704
Bond loan	-	1,738
Loans toward credit institutions	1,987	1,500
Restatement of lease contracts	113	73
Received security deposits	21	21
Current bank lendings	4,893	2,168
Accrued interest not due	113	1,711
Valuation of rate hedging instruments	13	52
Current liabilities	7,140	7,263
Total of gross financial debt	14,845	16,967
Less:		
Cash flow and equivalents	-9,573	-18,199



Net financial debt (cash position net of debt)	5,272	-1,232
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The loans and financial debts contracted with credit institutions have been exclusively made in euros:

Loans toward credit institutions

In 2014, SQLI contracted 3 loans for its investment program:

- **2,500,000 € with Bpifrance Financement :**
 - Available on 13 November 2014;
 - Duration: 7 years
 - Fixed rate: 2.84 % / year;
 - The principal repayment will be made in 20 quarterly payments at the end of the month, with the capital being depreciated on a straight-line basis, after a 24 month deferred period during which only interests will be perceived.
 - This loan didn't generate any security right or personal guarantee.
 - This loan is attached to a hold back of 125 K€.
- **2,500,000 € with Bpifrance Financement :**
 - Available on 13 November 2014;
 - Duration: 10 years
 - Fixed rate: 4.43 % / year;
 - The principal repayment will be made in 28 quarterly payments at the end of the month, with the capital being depreciated on a straight-line basis, after a 36 month deferred period during which only interests will be perceived.
 - This loan didn't generate any security right or personal guarantee.
- **10,000 K€ with a bank pool including banque Palatine, BNP Paribas, Société Générale, Caisse d'Epargne et de Prévoyance Bretagne Pays de Loire and Crédit Lyonnais:**
 - a first withdrawal of 7,000 K€ was made available to SQLI on 17 December 2014;
 - The credit repayment will start on 30 November 2015 and end on 30 November 2019

Allocation date	30/11	31/05	30/11	30/05	30/11	30/05	30/11	30/05	30/11
	2015	2016	2016	2017	2017	2018	2018	2019	2019
Depreciation	11 %	11 %	11 %	11 %	11 %	11 %	11 %	11 %	12 %
in %									

- Interests are due every quarter based on EURIBOR 3 month rate, increased by a margin of 1.50 to 2.40% maximum, set according to the R2 level ratio (net financial debt / restated EBITDA):

R2 Level ratio	Margin applied to the credit
$R2 \leq 0,75$	1.50 %
$0,75 < R2 \leq 1,2$	1.75 %
$1,2 < R2 \leq 1,5$	2.00 %
$1,5 < R2$	2.40 %

- The credit agreement includes several cases of anticipated collectability, regarding, among others, failure to comply with the following financial ratios:
 - R1 = Interest charge coverage ratio = restated EBITDA/Cash net financial costs > 8
 - R2 = Leverage ratio = net financial debt / restated EBITDA < 1,2 in 2014 and then 1
 - R4 = Structure ratio = net financial debt / Own equity < 0,3
 These ratios have been respected at 31 December 2016.
- SQLI gave to the banks the following guarantees:
 - a pledge of all social shares of ECOMMERCE4U,



- a pledge of WAX INTERACTIVE LILLE all social shares,
- a pledge of all social shares of WAX INTERACTIVE,
- a transfer of the debt due to SQLI by WAX INTERACTIVE regarding a current account advance agreement and the related accessories.

OBSAAR

On 20 January 2016, SQLI processed the early repayment of the last portion of the 3.4 M€ bond loan.

Prefunding of CICE credit claims

The mobilization of CICE credit claims for 2013 and 2014 (2,139 K€) and mobilization of CICE credit claims for 2015 and 2016 (2 724 K€) realized in 2016 bears interests calculated after the EURIBOR 1 month increased by 1.20 % a year.

13. Debts on capitalized rents

The value of future rents included in the other loans item and related to financing rental contracts is the following :

	31/12/2016	31/12/2015
2016	-	68
2017	113	49
2018	85	22
2019	30	-
Discounted value of future rents	228	139

At 31 December 2016, the loans related to the reprocessing of leasing contracts are only related to SQLI Morocco.

14. Gross financial debt per deadline

	31/12/2016	31/12/2015
Due within one year	7,140	7,263
Due between 1 and 5 years	6,634	7,774
Due in more than 5 years	1,071	1,930
Total	14,845	16,967

15. Derivative instruments related to the interest rate risk control

- a) Hedging rules for rate risks

In 2015, the group contracted a rate hedge in order to cover the fluctuations of variable rates within the repayment duration of the 10 M€ loan subscribed in December 2014. The hedged amount is limited to 7 M€. The company chose a fixed rate.

- b) Hedging derivative instruments

The conditions of derivative instruments related to the rate risk control at 31 December 2016 are exposed as follows:

Bank loan of 7 M€	
Starting date	27/02/2015
Floating rates payer	LCL
Floating rate	EURIBOR 3 months + 1.50 %
SQLI Fixed / floating rate	0.18 %
Notional amounts covered at 31 December:	
2016	4,690
2017	3,150
2018	1,610
2019	-
Instruments fair value at 31/12/2016	-37

In 2016, the variation of instruments fair value generated a charge of 40 K€ (2015: 85 K€).



16. Provisions

	2015	Integration into SQLI scope	Impact of exchange rate fluctuations	Impact of actuarial differences	Allowance	Used recoveries	Non used recoveries	2016
R&D tax credit	5						-5	-
Retirement compensation	1,253			-92	199		-17	1,343
Swiss guarantee contracts	516		6	132			-32	622
Conflicts in Labour Court and with URSSAF	325				83	-129	-93	186
Trade conflicts	173				100	-40	-133	100
Other	155		4		141			300
Long term provisions	2,427		10	40	523	-169	-280	2,551
Loss upon completion	23				39	-23		39
Long term provisions	23		-	-	39	-23	-	39
Total	2,450		10	40	562	-192	-280	2,590

The provisions for risks and charges correspond to the estimation of the risks effect on the assets and liabilities, and to the possible conflicts resulting from the groups activity. The most significant are exposed thereafter:

The provisions for retirement indemnities are exposed in note 17).

The commitment related to the Swiss provision contracts, considered as defined services contracts under IAS 19 standard, has been provisioned for 622 K€. This commitment has been valued with the credit units method by referring to the following hypothesis:

- Mortality rate: BVG 2015 ;
- Turnover rate: 20% (same as in 2015);
- Wages upgrading rate : 3% (same as in 2015);
- Updating rate: 0.30 % (0.75 % in 2015) ;
- Interest rate for beneficiaries : 1 % (1.25 % in 2015) ;

The only conflict with employees relates to the assignment of SQLI (186 K€) in front of the French Labour Court by 3 employees on 31 December 2016. The risk was provisioned according to the company's lawyers estimates.

SQLI Morocco is denying the tax assessments which have been required for years 2011 and 2012 regarding the tax on some benefits and allowances granted to its employees. A 300 K€ provision has been made at 31 December 2016 according to the company's lawyers estimates.

17. Benefits after employment

The advantages after employment covered by provisions are related to the retirement indemnities for the staff employed in France, which are fixed allowances calculated according to the number of years of service and the annual wages at the date of retirement. These indemnities are calculated according to the number of worked years and the annual wages of the employee when he retires.

- The calculation is based on a voluntary retirement decision from the employer;
- the retirement age is set at 65 years;
- The life table is the one of 2012-2014;
- The annual salary revaluation rate is calculated according to the age. For each age grouping, the given rate is the average of rates registered by the group in the last three years: from 3.7 % (from 20 to 30 years old), to 2.4 % (from 31 to 40 years old), 1.9 % (from 41 to 50 years old), 1.1 % (from 51 to 60 years old) then constant;



-
- The discounting rate is 1.30 %; (OAT rate 20 years);



- The turnover rate include all departures, decided by the employee or by the company. For each age grouping, the given rate is the average of rates registered by the group in the last three years: 9,7 % (20-24 years old), 28,0 % (25-29 years old), 26,1 % (30-34 years old), 24,2 % (35-39 years old), 20,7 % (40-44 years old) ; then : 19,0 % (45-49 years old), 14,3 % (50-54 years old), 3 % (55 years old), 2 % (56-58 years old), 1 % (59-60 years old), 0 % (61 years old and more);
- The group's commitment to its employees is increased in 46 % by the social charges.

The provisions for the retirement indemnities are registered as follows:

Amounts recorded in the balance sheet

	31/12/2016	31/12/2015
Due charges (net liabilities in the balance sheet)	-1,343	-1,253
Deferred charges (net assets in the balance sheet)	-	-
Net amount in balance sheet	-1,343	-1,253

Evolution of commitments during the year (liabilities)

	31/12/2016	31/12/2015
Commitments at 1st January	1,253	1,110
Scope variation	-	-
Variation due to estimates changes generating actuarial differences	-92	-65
Fluctuation of items booked in the income statement	182	208
Commitment at 31 December	1,343	1,253

18. Deferred taxes

	31/12/2016		31/12/2015	
	Basis	Deferred taxes	Basis	Deferred taxes
Employees benefits	1,965	588	1,768	540
Tax deficit	400	133	400	133
Hedging instruments	38	13	77	26
Overriding depreciation	-615	-204	-564	-187
Loan issue cost	-70	-23	846	282
BSAAR	-	-	-497	-166
Temporary differences	-	-	170	57
Distribution of rent-free periods	362	121	228	76
Depreciation of client portfolios	-470	-157	-548	-183
Allowance to provisions for tax-free withdrawals	-257	-58	-	-
Other	-15	-5	-	-
Net deferred taxes Assets (liabilities)		408		578
Deferred taxes - assets		408		578
Deferred taxes - liabilities		0		0

19. Other non current liabilities

	31/12/2016	31/12/2015
Portion due in more than one year of INVENTCOMMERCE earn-out	1,140	-
Other non current liabilities	1,140	-

The price supplement due to INVENTCOMMERCE former shareholders amounts to 1,441 K€, including 1,140 K€ due in 2018 and 2019.

20. Other payables

	31/12/2016	31/12/2015
Paid advances and accruals	830	1,027
Staff and social institutions	24,072	25,493
Tax claims excluding corporate tax	17,288	18,713



Other various payables	720	320
Unearned revenues	8,707	9,755
Other payables and regularization accounts	51,617	55,308

As mentioned in note 15) the deferred income corresponds to the services invoiced within long-term contracts which exceed services given and valued according to their progress.

The other various debts are related to :

	31/12/2016	31/12/2015
Debts on fixed assets acquisition	32	11
Compensations due to the staff	320	184
Attendance fees	45	45
Portion due in more than one year of INVENTCOMMERCE earn-out	301	-
Various other debts	22	80
Total Other various payables	720	320

The market value of the other payables does not differ from their accounting value.

21. Tax outstanding assets and liabilities

The group situation regarding taxes is as follows:

In the assets, the group has a total of 327 K€ of claims, coming from tax advances paid by the companies. In the liabilities, the taxes due amount to 1,972 K€.

22. Currency rate and exposure to exchange risk

The currencies and rates used for the conversion of financial statements of consolidated subsidiaries are exposed below:

Currencies	Used medium rate	Rate at 31.12.2016	Used medium rate	Rate at 31.12.2015
	in 2016		in 2015	
CHF	1.0902	1.0739	1.0676	1.0835
MAD	10.8531	10.6566	10.8167	10.7771
GBP	0.8352	0.8562	-	-
ZAR	15.8829	14.4570	-	-

For the group activity abroad, the exchange risks are the following:

Data in thousands of euros	CHF	MAD	GBP	ZAR	31/12/2016
Goodwill	-	-	2,193	-	2,193
Intangible fixed assets	-	1	-	-	1
Tangible fixed assets	124	1,916	5	11	2,056
Financial assets	264	253	-	2	519
Deferred taxes - assets	84	3	-	-	87
Non current assets A	472	2,173	2,198	13	4,856
Customer receivables	5,565	2,759	25	641	8,990
Other receivables	32	2,302	5	-	2,339
Tax outstanding assets	-	-	-	30	30
Cash flow and cash flow equivalents	3,701	417	137	65	4,320
Current assets B	9,298	5,478	167	736	15,679
Long term financial debt	-	115	-	-	115
Long term provisions	622	300	-	-	922
Deferred taxes - liabilities	-	-	-	-	-
Non current liabilities C	622	415	-	-	1,037
Short term financial debt	-	110	-	-	110
Long term provisions	-	-	-	-	-
Debts with suppliers	472	914	6	12	1,404
Other payables	2,802	3,061	227	123	6,213
Tax outstanding liabilities	150	2	77	1	230



Current liabilities	D	3,424	4,087	310	136	7,957
Net position	A+B-C-D	5,724	3,149	2,055	613	11,541

The group does not have any exchange risk control policy.



23. Other income

	31/12/2016	31/12/2015
R&D tax credit	1,953	1,691
CICE	1,731	1,643
Operating subsidies	333	838
Re-invoicing of fees and other income	658	662
Transfer of costs	778	864
22 Other products	5,453	5,698

Tax credits for competitiveness and employment (CICE) have been booked in the income statement with R&D tax credits on line "Other earnings".

The total of R&D tax credits includes the amount of the current period, less depreciation (1,639 K€).

24. Charges de personnel et effectif

	2016	2015
Wages and allowance	86,624	84,015
Social costs	34,132	33,855
Staff costs	120,756	117,870
Provision for retirement compensations and other benefits	150	233
Total	120,906	118,103
Average staff (trainees ex.)	1,949	1,863
Staff registered at 1st January (trainees excluded)	1,875	1,910
Scope variations	22	-
Increase (decrease)	123	-35
Staff registered at 31 December (trainees excluded)	2,020	1,875

25. Wages allocated to the Executive and Governing Boards members

The remuneration conditions for the group executive officers are set by the Executive Board. All the wages and advantages granted to the Boards members and head managers are divided as follows:

	Gross remuneration	Social costs	2016	Gross remuneration	Social costs	2015
Short-term benefits (1)	1,040	342	1,382	1,070	417	1,487
Benefits after employment	70	32	102	46	21	67
Attendance fees	70	18	88	70	19	89
Total	1,180	392	1,572	1,186	457	1,643

(1) "short-term benefit" must be intended as wages itself, which includes paid vacations, premiums, interest and in kind benefits.

26. Other transactions with related parties

The other transactions with related parties concluded at the market conditions are the following :

	31/12/2016			31/12/2015		
	Expenses	Income	Receivables (Debts)	Expenses	Income	Receivables (Debts)
LVCT	30	-	-	-	-	-
Total	30	-	-	-	-	-

The company doesn't conclude any transaction with related parties which wouldn't respect standard market conditions.



27. Charges externes

	2016	2015
Global outsourcing	32,957	26,495
Leasing and related costs	7,250	7,287
Maintenance and repairs	1,063	980
Insurance premiums	487	470
Various materials	296	259
Fees and staff outside the company	4,305	4,193
Advertising and external relationship	902	723
Goods transportation	124	151
Business trips, missions and receptions	3,849	3,653
Mailing and telecommunication costs	943	990
Bank services	215	238
Other external services	321	382
Total	52,712	45,821

28. Other non current operating incomes and expenses

	2016	2015
Restructuring costs	-3,160	-3,172
Acquisition costs related to companies mergers	-251	-90
Other transactions related to agreements and conflicts	222	-824
Stocks options and free shares	-35	-37
Total	-3,224	-4,123

The restructuring costs mainly include the reorganization of Digital Commerce after the acquisitions of WAX INTERACTIVE and WAX INTERACTIVE LILLE and those generated by a few departures in the management team.

The acquisition costs of INVENTCOMMERCE amount to 251 K€ and are booked as expenses for the year, in compliance with IFRS 3.

The transfer of securities and OCBSA of IDO IN Group, received during the transfer of Health solutions activities in 2013, generated a gain of 585 K€, while the tax controls currently in process in France and Morocco account for 364 K€ of the year non current result.

29. Coût de l'endettement financier net

	2016	2015
Revenues from loans and receivables	12	35
Net earnings from VMP sales	43	81
Cash and cash equivalent income	55	116
Interest charges	-495	-773
Factoring financing commission	-75	-21
Hedging instruments for loans rates	-12	85
Total of gross financial debt	-582	-709
Total of net financial debt	-527	-593

The other financial income and expenses are the following:

	2016	2015
Exchange rate differences	-13	-11
Discounting of long term loans and debts	96	-89
Other financial income and charges	83	-100

30. Tax liability

The tax cost or credit is analyzed as follows:

	2016	2015
Deferred taxes	-74	119
Due taxes	4,167	2,822
<i>Inc. CVAE</i>	1,686	1,664
Tax (credit) charge	4,093	2,472





SQLI is the controlling company of a tax integrated group including the following subsidiaries as of 31 December 2016: ABCIAL, CLEAR VALUE, EOZEN France, ASTON INSTITUT, WAX INTERACTIVE, WAX INTERACTIVE LILLE and ECOMMERCE4U

b) Tax evidence

	2016	2015
Consolidated Result (bef. taxes)	10,305	6,027
Notional taxation rate	33.1/3 %	33.1/3 %
Notional tax expense	3,435	2,009
Effect of permanent differences	-129	-576
Effect of consolidation adjustments without effect on taxes	36	201
Effect of differences in mother-daughter rates and variable report	-255	-158
Effect of deferred deficits	37	37
Effect of taxes without base and tax credits	-154	-150
Effect of CVAE integration in taxes	1,123	1,109
Effective tax expense	4,093	2,472
Effective taxation rate	39.72 %	41.02 %

31. Result per share

The numerator used to calculate the basis result and the result diluted per share is the year net result part of the group : 6,212 K€.

The weighted average number used as denominator is 3,684,044 shares for the result per share and 4,083,990 for the diluted result per share. The difference is due to the potential impact of the exercise of the BSAAR attached to the bonds issued in April 2011 and of the stock options and BSA:

	31/12/2015	Variation during the year	31/12/2016
Number of issued shares	3,685,916	171,007	3,856,923
Number of treasury shares	-60,104	-18,513	-78,617
Number of shares issued (treasury shares excluded)	3,625,812	152,494	3,778,306
Number of shares issued (treasury shares excluded)	3,573,880	110,164	3,684,044
Dilutive effects:			
BSAAR	224,370	65,772	290,142
Stocks options	14,273	9,087	23,360
BSA	9,964	76,480	86,444
Average number of outstanding shares	3,822,487	261,503	4,083,990

VI. SEGMENT INFORMATION

Operating segment determination principles are exposed before.

Financial information related to operating segments is established with the same rules and accounting methods used for the consolidated accounts.

	31/12/2016			31/12/2015		
	Digital Commerce	Digital Technologies	Total	Digital Commerce	Digital Technologies	Total
Turnover	61,384	129,525	190,909	55,555	123,426	178,981
Current Operating result	3,037	10,936	13,973	3,870	6,973	10,843

VII. OFF-BALANCE SHEET COMMITMENTS

The group has to take a certain number of commitments due to its activity. Some of these commitments generate provisions (like the commitments related to retirement and other advantages granted to the staff, legal disputes...) The other commitments not included in the balance sheet are listed below.





1) Remaining commitments coming from contract obligations

	Less than 1 year	From 1 to 5 years	More than 5 years	31/12/2016	31/12/2015
Premises	3,765	3,961	52	7,778	13,724
IT equipment	788	569	-	1,357	1,035
Vehicles	1,068	1,278	-	2,346	1,918
Operating Leasing contract rents	5,621	5,808	52	11,481	16,677

2) Commitments received

The former shareholders of WAX INTERACTIVE LILLE granted to SQLI, until the term of the legal deadline set in the related social and tax regulations, a guarantee on assets and liabilities with an exemption of 48 K€ limited to 400 K€, with a possible surplus of 20% of the received earn-out, cross-guaranteed by a bank surety of 200 K€.

This guarantee does not include customer contracts.

The former shareholders of ECOMMERCE4U granted to SQLI, until the term of the legal deadline set in the related social and tax regulations, a guarantee on assets and liabilities with an exemption of 3 K€ limited to 40 K€, with a possible surplus of 20% of the received earn-out.

This guarantee does not include customer contracts.

The former shareholders of INVENTCOMMERCE granted to SQLI a guarantee on assets and liabilities limited to 450 K€ for a period of 18 months starting from the transfer and of 7 years relating to tax issues. 50 K€ have been transferred to a escrow account as a guarantee for the guarantee.

3) Debts guaranteed by real securities

Following the reimbursement of the bond loan, the pledge of the financial securities of EOZEN Belgium, EOZEN SA and CLEAR VALUE SAS was entirely released, as well as the pledge of SQLI business amounting to 1.4 M€.

In exchange of the 10 M€ credit line contracted with a bank pool including banque Palatine, BNP Paribas, Société Générale, Caisse d'Epargne et de Prévoyance Bretagne Pays de Loire and Crédit Lyonnais, SQLI gave the banks the following guarantees:

- a pledge of all social shares of ECOMMERCE4U,
- a pledge of WAX INTERACTIVE LILLE all social shares,
- a pledge of all social shares of WAX INTERACTIVE,
- a transfer of the debt due to SQLI by WAX INTERACTIVE regarding a current account advance agreement and the related accessories. This claim amounts to 5.5 M€ at 31 December 2016.

4) Credit lines accepted and still intact

The Group has three credit lines of 1 M€ each, with BNP Paribas, Caisse d'Epargne and the Banque Palatine, plus a 18 M€ factoring capacity untouched at 31 December 2016.



5) Current conflicts

Various legal actions have been made against the group companies from former employees or customers. SQLI made reserves according to the level of risk calculated by the management team and based on the recommendations of legal counseling. A former employee started a legal action against SQLI, requesting 0.8 M€ of damages, and four clients started another legal action against the Group, requesting 8.5 M€ of damages. SQLI considers these claims as unfounded and the only provision made was for legal charges amounting to 0.1 M€.

The damages estimated regarding the legal conflict opposing a former shareholder of EOZEN Belgium and EOZEN SA companies with the transferor shareholders and the transferred companies amount to 1.0 M€. Following a first decision in favor of the Group, the claim has been submitted to the Brussels Court of appeal in March 2017. EOZEN Belgium and EOZEN SA would be protected from the possible impact of this dispute by the guarantees subscribed with the transferors.

VIII. EVENTS RECORDED AFTER THE ACCOUNTS CLOSING

There has been no significant event registered after the accounts closure which could alter the accounts presented thereafter.

IX. STATUTORY AUDITORS FEES

Information given in 2016 Reference Document.



20.4. ASSESSMENT OF ANNUAL HISTORICAL FINANCIAL DATA

20.4.1. ANNUAL ACCOUNTS

Exco Paris Ace
5, avenue Franklin Roosevelt
75008 Paris
S.A. au capital de € 2.250.400

Commissaire aux Comptes
Member of the Compagnie
régionale de Paris

ERNST & YOUNG et AOthers
1/2, place des Saisons
92400 Courbevoie - Paris-La Défense 1
S.A.S. à capital variable

Commissaire aux Comptes
Member of the Compagnie
régionale de Versailles

SQLI

Financial year ended 31 December 2016

Report of the statutory auditors on the annual accounts

Dear Shareholders,

As a result of the mission that was given to us by your General meeting, you will find hereafter our reports regarding financial year ended 31 December 2016:

- The control of SQLI social accounts annuels de la société SQLI, , as included to the report,
- la justification de nos appréciations ;
- The assessments and specific information required by the law.

The consolidated accounts have been closed by the Executive Boardle cons. It is our responsibility, on the basis of our audit, to express an opinion on these accounts.



I. Opinion on the annual accounts

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

We certify that the consolidated accounts annuels of the financial year, which have been established according to the IFRS reference document as adopted in the European Union, are in order and give a true picture of the asset base, the financial situation, as well as the result of the group composed of the persons and the entities included de la société in the consolidation.

II. Justification of the evaluation

In application of article L.823-9 of the Commercial Code related to the assessment justification, we wish to inform you of the following facts:

Intangible and financial fixed assets

Notes D.a and E.1 "Intangible fixed assets", D.C "Securities" and E.3 "Financial fixed assets" of the appendix explain the valuation rules and methods in connection with business and securities assessment. Our work consisted in valuating the reasonableness of data and hypotheses on which are based the updated net cash flows estimates and the calculations made by your company. Within the framework of our estimation, we checked the appropriate nature of these estimates.

Turnover

Note D.h "Administration of the turnover" of the appendix presents the turnover and provisions for losses accountability methods. Within the framework of our judgments of the accounting rules and principles followed by your company, we assessed the appropriate nature of the applied accounting methods and the information supplied in the notes of the appendix, and we made sure of their proper application.

The judgments made in this way fall within the framework of our auditing approach to the annual financial statements, taken as a whole, and hence contributed to the development of our opinion expressed in the first part of this report.

III. Specific verification and information

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

We have no remarks to make concerning the accuracy and consistency of the information annuels provided regarding the financial situation and the annual financial statements annuels with the consolidated accounts.

We checked the consistency of information given in compliance with article L.225-102-1 of the French commercial code about the remunerations and advantages paid to executive officers as well as the commitments made in their benefit with the accounts or with the data used for the preparation of these accounts and, when necessary, with the information given by subsidiaries or controlling companies of your group. On the basis of this work, we confirm the accuracy and relevance of this information.



In pursuance of the law, we made sure that the various information relating to the affiliates and controlling interests and to the capital holders' identity have been passed on to you in the management report.

Paris et Paris-La Défense, on 26 April 2017

The Statutory Auditors

Exco Paris Ace

ERNST & YOUNG et AOthers

Alain Auvray

Jean-Christophe Pernet



20.4.2. CONSOLIDATED ACCOUNTS

Exco Paris Ace
5, avenue Franklin Roosevelt
75008 Paris
S.A. au capital de € 2.250.400

Statutory Auditor
Member of the Compagnie
régionale de Paris

ERNST & YOUNG et AOthers
1/2, place des Saisons
92400 Courbevoie - Paris-La Défense 1
S.A.S. à capital variable

Statutory Auditor
Member of the Compagnie
régionale de Versailles

SQLI

Year endedn 31 December 2016

Statutory Auditors report on the company consolidated accounts

Dear Shareholders,

As a result of the mission that was given to us by your vos assemblées généralesGeneral meeting, you will find hereafter our reports regarding financial year ended 31 December 2016 on:

- The control of SQLI consolidated accounts de la société , as included to the report;
- The justification of our evaluation;
- The assessments and specific information required by the law.

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

I. Opinion on the consolidated accounts

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



We certify that the consolidated accounts of the financial year, which have been established according to the référentiel IFRS tel qu'adopté dans l'Union européenne IFRS reference document as adopted in the European Union, are in order and give a true picture of the asset base, the financial situation, as well as the result of the group composed of the persons and the entities included in the consolidation.

II. Justification of the evaluation

In application of article L.823-9 of the Commercial Code related to the assessment justification, we wish to inform you of the following facts:

Goodwill

The notes II.12 and IV.1 of the appendix explain the consolidation rules and methods relating to the impairment of goodwill. Our work consisted in studying the implementation of this impairment test, in valuating the data and the assumptions on which are based the updated net cash flows estimates and the calculations made by your company. Within the framework of our estimation, we assessed the consistency of these estimates and the accuracy of information given in the appendix notes.

Turnover

Note II.15 "Administration of the turnover" of the appendix presents the turnover and provisions for losses accountability methods. Within the framework of our judgments of the accounting rules and principles followed by your company, we assessed the appropriate nature of the applied accounting methods and the information supplied in the notes of the appendix, and we made sure of their proper application.

The judgments made in this way fall within the framework of our auditing approach to the annual financial statements, taken as a whole, and hence contributed to the development of our opinion expressed in the first part of this report.

III. Specific checking

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

We have no remarks to make concerning their accuracy and their concordance with the consolidated accounts.

Paris et Paris-La Défense, on 26 avril 2017

The Statutory Auditors

Exco Paris Ace

ERNST & YOUNG et AOthers

Alain Auvray

Jean-Christophe Pernet



20.5. LATEST FINANCIAL DATA

The last financial data are dated from 31 December 2016 and are included in the present reference document.

20.6. INTERMEDIATE FINANCIAL DATA AND OTHERS

None.

20.7. DIVIDEND PAYMENT POLICY

Proposition of approval and income appropriation

SQLI Executive Board decided to set the income appropriation (26,058,920.79 €) of the year ended 31 December 2016 as follows:

- Dividend of 88 cents per share for a distributed total amount of 3,394,092.24 €, based on the number of outstanding shares at 31 December 2016 (3,856,923).
- Allocation to the legal reserve: 13,680.56 euros
- Balance affected to retained earnings: 22,651,147.99 €.

- 2,211,549 euros for year ended 31 December 2015 ;
- 1,633,148.10 euros for year ended 31 December 2014 ;
- 2,013,996.32 euros for year ended 31 December 2013 ;

In application of Article R.225-102 of the Commercial Code, the present report include an attachment presenting SQLI results for each of the last five years.

SQLI has distributed dividends as follows:

20.8. LEGAL AND ARBITRATION PROCEDURES

At the date of the present Reference Document, as far as the company is aware of, there is no current judicial, administrative or arbitration procedure in process or threatening the

company and likely to have a significant impact on the company financial situation, its activity and its capital, except for the dispute described in paragraph 4.3.3. "*Current conflicts*".

20.9. SIGNIFICANT CHANGE OF THE FINANCIAL OR COMMERCIAL SITUATION

No significant change of the financial or commercial situation occurred since the end of the previous financial year.



CHAPTER 21. FURTHER INFORMATION

21.1. SHARE CAPITAL

21.1.1. AMOUNT OF SUBSCRIBED CAPITAL (ARTICLE 6 OF THE ARTICLES OF ASSOCIATION)

The share capital amounts to 3,085,538.40 € divided into 3,856,923 shares with a par value of 0.80€, in a single class and each of them paid up in full.

21.1.2. UNREPRESENTATIVE SECURITIES

There are not any existing securities not representing capital.

21.1.3. SELF OWNED SHARES AND BUYBACK PROGRAMS

After the resolutions taken by the Combined General Meeting of 25 June 2015, SQLI started a program for buying back its own shares, with the following objectives (by decreasing priority): i) Market animation or share liquidity, ii) Purchase for keeping and using for exchange or retribution of possible external growth operations, iii) Allocation of shares to the employees, iv) Possible Cancellation of these shares.

At the closing date, the group did not intend to assign the free shares to free shares allocation plans.

This program expired during the General Meeting of 31 December 2016 called to assess the financial statements for the year. It includes a maximum unit purchase price of 70 € and a minimum unit selling price of 10 €. It was organized within a liquidity contract signed with la Financière d'Uzès.

A SQLI shares buyback program similar to this one will be submitted during the next General Assembly meeting for 2017 accounts closure.

As of 31 December 2016, SQLI owns 78,617 treasury shares and the shares value at purchase price is 3,280 K€.

Table 52. Variation of SQLI treasury shares

Shares	31/12/2016			31/12/2015		
	Number of shares	Unit price	Value K€	Number of shares	Unit price	Value K€
Self-owned shares at 1st January	60,104	17.500	1,051,820	61,405	16.636	1,021,600
Acquisitions of the year	30,936	31.088	961,500	17,724	23.221	411,500
Transfers at sale value	-12,423	32.653	-405,000	-19,025	24.325	-462,000
Transferred capital gain and loss			43			81
Self-owned shares at 31 December	78,617	20.999	1,658,320	60,104	17.500	1,051,820



Distribution and use of the self-owned shares according to the various objectives set by the General Assembly

A new liquidity contract has been subscribed with Financière d'Uzes after authorization of the General Meeting on 26 June 2015 for a duration of one year renewable by tacit consent. This liquidity contract is replacing a previous contract signed on 16 June 2006 between SQLI and Financière d'Uzes.

The distribution and the use of treasury shares in 2016, according to various objectives set by the General Assembly, are the following :

Table 53. Animation of the market or liquidity of SQLI share as part of a liquidity contract

	Shares held at 1st January 2016	Shares bought between 1st January and 31 December 2016	Shares sold between 1st January and 31 December 2016	Shares Reallocated to other objectives between 1st January and 31 December 2016	Shares held at 31 December 2016
Number of shares	4,660	12,528	12,423		4,765
Total cost	130,956	394,555	405,651		162,706
Weight average price per share (€ / action)	28.1	31.49	32.65		34.14

Table 54. Holding and delivery as exchange or as payment of SQLI shares following external growth operations

	Retained at 1st January 2016	Number of redeemed shares between 1st January and 31 December 2016	Number of canceled shares between 1st January and 31 December 2016	Number of shares reallocated to other objectives between 1st January and 31 December 2016	Balance or Number of held shares at 31 December 2016
Number of shares	55,444	18,408			73,852
Total cost (€)	920,960	567,188			1,488,149
Weight average price per share (€)	16.61	30.81			20.15



Table 55. Allocation to employees and head managers of SQLI and affiliated companies

	Retained at 1st January 2016	Number of redeemed shares between 1st January and 31 December 2016	Number of sold shares between 1st January and 31 December 2016	Number of shares reallocated to other objectives between 1st January and 31 December 2016	Balance or Number of held shares at 31 December 2016
Number of shares	0	0	0	0	0
Total cost (€)	0	0	0	0	0
Weight average price per share (€)	0	0	0	0	0

Table 56. Cancellation of shares

	Retained at 1st January 2016	Number of redeemed shares between 1st January and 31 December 2016	Number of sold shares between 1st January and 31 December 2016	Number of shares reallocated to other objectives between 1st January and 31 December 2016	Balance or Number of held shares at 31 December 2016
Number of shares	0	0	0	0	0
Total cost (€)	0	0	0	0	0
Weight average price per share (€)	0	0	0	0	0



Description of the Buyback program to be submitted to the next General Meeting

The shares buyback programs submitted to the next General Assembly will be as follows:

- Identical objectives;
 - Market animation or share liquidity within a liquidity contract with an investment service firm;
 - Holding and use of SQLI shares to pay for external growth operations;
 - Allocation of shares to the employees and head managers of the company and affiliated companies, in compliance with the law,
 - Their cancellation, depending on the acceptance of the resolution authorizing capital decrease, by the Extraordinary General Assembly.
- Adapted conditions;
 - The maximum number of shares the company can buy according to the present resolution cant exceed 10% of the share capital;
 - Their maximum price of purchase and minimum price of sale are the following :
 - Maximum price of purchase per share: €70.0
 - Minimum price of sale per share : €10.0

The program has an expected maximum duration of 18 months and is due to expire during the General Assembly called to assess the financial statements for the financial year ending 31 December 2017.

21.1.4. LIQUIDITY TOOLS

The allocation of free shares, stock options; BCE, warrants for subscription to business creator shares and bonds with redeemable warrants attached allocated to Executive officers, managers and employees are detailed in Chapter 17. *"Employees"*.

Regarding the potential shares which can be created to pay an earn-out following an acquisition made in the previous year, the company doesn't have any earn-out still due and related to former acquisitions since 31 December 2011.

Free shares

No allocation of free shares has been granted for year 2016 to the company directors in 2016.

Since the beginning of year 2017, the Executive Board, exercising the authorization given by the extraordinary General Assembly of 15 June 2016, decided on 22 February 2017, to grant (i) 1,437 stock options to Didier Fauque (CEO) and (ii) a total amount of 20,100 stock options to certain employees including Nicolas Rebours, employee and Delegated Executive Officer.

BSAAR

The BSAAR issued in April 2011 have a life duration of 7 years. In 2016, 1,638,510 warrants have been exercised with the issue of 163,851 new shares.

At 31 December 2016, 4,379,757 outstanding BSAAR gave right to the subscription of 437,976 new SQLI shares at the exercise price of 15 €.

The potential dilution related to the BSAAR on 31 December 2016 is 10.2 %.

Earn-outs paid with new shares



BSA

On 16 September 2014, the Executive Board granted 215,784 BSA to Didier Fauque, CEO (143,856 BSA) and Thierry Chemla, DEO (71,928,BSA).

The potential dilution related to the BSAAR on 31 December 2016 is 5.3 %.

Stock options

On 5 November 2014, the Executive Board granted 48,000 stock options to employees and executive managers.

The conditions of this allocation are the following:

- the options will have to be exercised before the 6th November 2019 at the latest;
- No option can be exercised before 31 December 2016;
- Anybody leaving the company before 31 December 2016 will lose his exercise right.

- The purchase price is 16 €.

The allocated stock options fair value has been estimated by an independent expert to 85 K€. This value represents a charge registered in the Group non current result and is distributed on all the acquisition period. After the cancellation of 1,500 options due to departures, this charge amounts to 35 K€ in 2016.

The potential dilution related to the BSAAR on 31 December 2016 is 1.1 %.

In Brief

At 31 December 2016, the total of potential dilution is related to the potential issue of 697,760 new shares, or 15.3 %.

A shareholder owning 1.0% of SQLI capital would own 0.85 % of the capital after issue of the shares coming from dilutive instruments, if he doesn't hold any such share.

		31/12/2016		31/12/2015	
	Issue date	Number of warrants/options to be exercised	Number of potential shares	Number of warrants/options to be exercised	Number of potential shares
BSAAR	20/04/2011	4,379,757	437,976	6,018,267	601,827
BSA	16/09/2014	215,784	215,784	215,784	215,784
Stock options	05/11/2014	44,000	44,000	45,500	45,500
Total		4 639 541	697,760	6 279 551	863,111



21.1.5. RULES FOR PURCHASE AND OBLIGATION RIGHTS AIMED AT INCREASING THE CAPITAL

Table 57. Currently valid delegations during the year (Article. L.225-100 of the Commercial Code).

Date of General Meeting	N°	Purpose of the delegation	Duration of the delegation	Global ceiling (nominal)	Use in 2015/2016
15 June 2016	9	Increasing the share capital with the issue of new shares in compliance with articles L.3332-18 and followings of the French Labour Code.	12 month, until 15 June 2017	Less than 0.49% of the capital.	7,156 new shares of 0.80€ each have been issued at representing a capital increase of 5,724.80 €, after decision of the Executive Board on 15 September 2016. This capital increase has been registered by the Delegated Executive Officer on 21 December 2016.
25 June 2015	8	increasing the social capital by issuing ordinary shares, with a subscription preferential right, in one or more issues.	26 months	912,000 Euro.	No
25 June 2015	9	Capital reduction with a cancellation of shares	18 months	10% limit With a limit of 10% of the company capital for every 24 months period	No
25 June 2015	10	Increasing the share capital with the issue of new shares in compliance with articles L.3332-18 and followings of the French Labour Code.	12 month, until 25 June 2016	Less than 0.49% of the capital.	11,807 new shares of 0.80€ each have been issued at the unity price of 21.00 €, representing a capital increase of 9,455.60€ registered by the Delegated Executive Officer on 24 December 2015.

21.1.6. CAPITAL SUBJECTED TO OPTIONS, OR CONDITIONAL OR UNCONDITIONAL AGREEMENTS PREPARING FOR OPTIONS

SQLI capital, which is detailed in Chapter 7. "*Organization chart*" is not subject to any option, or conditional and unconditional agreements preparing for options.

21.1.7. EVOLUTION OF SHARE CAPITAL DURING THE YEAR

As of 31 December 2016, the share capital amounts to 3,085,538.40 € divided in 3,856,923 shares of 0.80 € (nominal value).

The significant changes in SQLI share capital which happened in the last three years are detailed hereafter:

Table 58. Evolution of share capital during the last 3 years

Date of operation	Nature of operation	Number of created shares	Nominal value	Fluctuation of share capital	Amount of share capital (after operations)	Total number of shares
2016	Capital increase resulting from the exercise of BSAAR	163,851	€0.80	€131,080.80	€3,085,538.40	3,856,923
21/12/2016	Capital increase only for employees members of the Group Saving plan	7,156	€0.80	€5,724.80	€2,954,457.60	3,693,072
2015	Exercise of 658,830 BSAAR	65,883	€0.80	€52,706.40	€2,948,732.80	3,685,916
24/12/2015	11,807 shares subscribed for the PEG TESORUS plan	11,807	€0.80	€9,445.60	2,896,026.40 €	3,620,033
26/01/2015	11,228 shares subscribed for the PEG TESORUS plan	11,228	€0.80	€8,982.40	€2,886,580.80	3,608,226
16/06/2014	Exercise of 5.760 BSAAR	576	€0.80	€460.80	€2,877,598.40	3,596,998

In 2016, 1,638,510 warrants have been exercised with the issue of 163,851 new shares.

On 21 December 2016, the Delegated Executive Officer registered the subscription of 7,156 shares by the employees members of the "PEE" Group Saving plan.

21.2. DEED OF FOUNDATION AND ARTICLES OF ASSOCIATION

21.2.1. SQLI SOCIAL PURPOSE - (ARTICLE 3 OF ARTICLES OF ASSOCIATION)

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

- Communications and web marketing consulting,
- Design and ergonomics of websites,
- Consulting regarding the choice of IT systems architecture and IT systems,
- Integration and implementation of information technology systems
- Design and development of IT software,
- Distribution of IT software,
- IT training, and
- All industrial and commercial operations pertaining to:
 - Creation, purchasing, hiring, and management leases of any businesses, taking of leases, installation and exploitation of any

establishments, businesses, factories, workshops, pertaining to one or other of the Company activities;

- Acquisition, purchasing, exploitation or disposal of any procedure or patent concerning the Company activities;
- The direct or indirect participation of the Company in any finance, property or asset operations or industrial or commercial companies which are associated with the Company purpose or a similar or connected purpose;
- All operations that contribute to the achievement of the Company purpose. "

21.2.2. MEASURES RELATED TO THE GOVERNING, EXECUTIVE AND SUPERVISORY BOARDS

Statutory procedures

The articles below, related to the members of the Executive Board and Head managers, are part of the Company statutes.

Article 14 EXECUTIVE BOARD

"1 – Appointment

The company is run by an Executive Board, made up of three to eighteen members.

The Executive Board can include one or more members elected by the company staff, or by the subsidiaries staff in compliance with articles L.225-27 and L.225-28 of the Commercial Code and with paragraph 4 exposed below. These members elected by the employees are

not included in the minimum and maximum amount of members set by the present statutes.

The members can be natural persons or corporate bodies.

When appointed, the corporate bodies have to choose a permanent representative who is submitted to the same conditions and obligations and who has the same civil and criminal liabilities as a natural person, without



prejudice of the joint and several responsibility of the body represented.

The members are appointed by the Extraordinary General Assembly meeting.

In case of vacancy for death or resignation of one or more members, the Executive Board can provisionally appoint new members in order to reach the required number of Board members, up to the next General Assembly meeting. These appointments must be done within three months following the vacancy, when the number of members is below the required minimum number, without being below the legal number. The appointments made by the Board must be confirmed in the next Extraordinary General Assembly meeting.

When the number of members is below the legal number, the remaining members must immediately call for an Extraordinary Assembly meeting in order to complete the Executive Board. The members appointed to replace a former member hold the position during the remaining time of the former member mandate.

The number of members working within the company can not exceed one third of the Board members, except in a few cases defined by law, regarding for instance the case of members elected by shareholders employees.

2 – Duration of the mandates

The Executive Board members are appointed for six years.

The mandates end at the end of the Ordinary General Assembly meeting presiding over the past year accounts and held within the same year of the member mandate expiry date.

Any member of the Executive Board is re-eligible.

3 – Age limit

All the Board members must be less than 75 years old.

The Chairman must be less than 75 years old.

Any member turning 75 during his mandate is considered as automatically dismissed at the end of the next General Assembly following his 75th birthday.

4 –Members appointed by employees

If the report presented by the Executive Board during the General Assembly stipulates, in compliance with article L.225-102 of the French Commercial Code, than the shares held by the employees of the Company and its affiliates, according to Article L.225-180, account for more than 3% of the share capital, one or more Executive managers have to be elected by the General Assembly after the suggestion of shareholder workers.

At least two months before the General Assembly, the Executive Board asks the employees to choose candidates. The Executive Board chairman receives the written suggestions of the staff in order to choose a candidate. To be receivable, the candidates have to represent at least 5% of shareholder workers. This procedure is recorded in a minute containing the number of votes for each candidate. The list of all chosen candidates is made and communicated to the Executive Board.

5 – Dismissal

Every member of the Executive board is revocable by the General meeting or by the Supervisory board, without notice. The revocation of a member of the Executive board does not bring about the dismissal of this one, if (s)he is also employee of the company.

6 – Resignation

The Executive Board members can resign freely, provided that this resignation is not made at the wrong moment or with the intention to prejudice the company. "



Article 15 - ORGANIZATION OF THE EXECUTIVE BOARD

"1 – The Executive Board Chairman

The Executive Board elects by simple majority within its members a Chairman, who has to be a natural person.

The Executive Board decides of the Chairman remuneration and of the duration of his mandate, which can not exceed the duration of his Board member mandate. The Chairman can be reelected.

The Chairman must be less than 75 years old. If the current chairman exceeds this age, he is automatically considered as outgoing.

In case of temporary vacancy or death, the Executive Board can provisionally give the function of chairman to a member.

The Chairman represents the Executive Board. He organizes and runs its missions, which he presents to the General Assembly. He checks the good functioning of the company organs and the ability of the members to fulfill their mission.

The Executive Board appoints a secretary who helps the Chairman in preparing and recording the Board meetings. He can be appointed among the members or outside the Board. He is dismissed by decision of the Board.

The Chairman can resign freely.

He can, at any moment, be dismissed by the Executive Board. In this case, he remains a member of the Board.

2 – Meetings and deliberations of the Executive Board

The Executive Board meets as often as needed, when the Chairman requests it, in the headquarters or in any other place chosen by the Chairman.

If the Executive Board has not met in more than two months, a third of the Board members can ask the Chairman to call for a meeting.

The CEO can also ask the Chairman to call for an Executive Board meeting. If the meeting has not been called within 20 days, the CEO can call the meeting.

The convening must be called at least 3 days before the meeting date. They must give the agenda of the meeting. The convening can be verbal and immediate, if the members agree.

The convening must contain all the projects and documents needed to inform the members.

An attendance register is kept and signed by the members who participate to the meeting. It must include the name of attending and represented members, according to article L.225-37 of the Commercial Code, as well as the names of members who attended through videoconference and telecommunication.

The Board meetings can be organized through videoconference in the conditions given by the law, and the company statutes. They can be organized through telecommunication allowing the identification of the members and their effective participation, in the conditions given by the law, and the company Articles of association.

The Executive Board can make decisions only if at least half of the members are present.

The decisions are made by majority of the present of represented members. A member can represent only one other member, with a justification of his agreement.

The participation of members through videoconference and telecommunication is included for the calculation of the quorum and the majority, except for the participation related to the following decisions :

- Drafting of the annual accounts and of the management report
- Drafting of the consolidated accounts and of the group management report if not included in the annual report.



The vote of the presiding officer is predominant.

The Executive Board decisions are recorded in minutes drafter on a specific quoted register, in compliance with the regulatory procedures.

The minute of every meeting must include the name of the present, represented, exempted, and absent members. The presence or absence of the people summoned are recorded in compliance with the law. Every technical incident related to

videoconference is recorded, if it disturbed the meeting.

The minutes are signed by the presiding officer and by one or two members.

Copies and extracts of the minutes are certified by the Chairman, the CEO, the delegated executive officers, the delegated chairman, and the persons appointed by the members listed above.

Article 16 – POWERS OF THE EXECUTIVE BOARD

"1 - Power

The Executive Board defines the orientations of the company activity and looks after their implementation.

In compliance with the powers given by law to the shareholders assemblies, and in the limit of the social purpose of the company, the Board deals with any issue regarding the good functioning of the company.

Every member must receive all the information needed to the achievement of his mission and can request from the Board Chairman or the Governing Board all the documents he needs.

The Executive Board can decide to create study committees in charge of dealing with the subjects submitted by the Board.

2 – Governance system

The General management of the company is run by the Executive Board Chairman, or by another person, called the CEO and appointed by the Executive Board.

The conditions of exercise of the Head management are defined by the Executive Board in the meeting during which the Chairman is appointed. This decision is taken by majority of the present or represented members.

The shareholders and third parties are informed in compliance with the regulatory conditions.

The conditions of exercise of the Head management can be changed at any time.

Head Managers

In compliance with the function defined by the Executive Board, the Chairman or CEO is responsible of the company head management.

The CEO is appointed by the Executive Board which set the duration of his mandate, his remuneration and limits his powers.

The CEO must be younger than 65 years old. If the current CEO exceeds this age, he is

automatically considered as outgoing and a new CEO must be appointed.

The CEO can be dismissed by the Executive Board at any moment. The revocation can lead to damage compensations if it is decided for unfair reasons.

Powers of the CEO

The CEO has the power to take action in the name of the company. His powers are limited by the social purpose and in compliance with the powers given by law to the General Assemblies and the Executive Board.

He represents the company in its relationship with third parties. The company is bound by the CEO actions, even those which are not related to the social purpose, unless it can prove that the third party was aware that the act was not part of the company social purpose and that he could not ignore it given the circumstances. The publication of statutes can not be the only proof.

Delegated Executive Officers

After recommendation of the CEO, the Executive Board can appoint one or more natural persons, members or not, to be delegated Executive Officers and assist the CEO.

The maximum number of Delegated Executive Officers is five.

The Delegated Executive Officer must be younger than 65 years old. If the current delegated Executive Officer exceeds this age, he is automatically considered as outgoing and a new delegated Executive Officer must be appointed.

The Executive Board defines the duration and the object of the powers granted to the DEO with the CEO. The Board also decides of his remuneration.

The DEO has the same powers as the CEO regarding the relationship with third parties.



In case of termination of function or vacancy of the CEO, the DEOs keep their function and attributions until the appointment of a new CEO, except if the Executive Board disagrees.

The DEOs can be dismissed after request of the CEO at any moment. The revocation can lead to damage contributions if it due to unfair reasons.

Article 18 - REMUNERATION OF THE EXECUTIVE BOARD MEMBERS

"The Executive Board members are remunerated with Attendance fees whose amount is set by the Ordinary General Assembly meetings.

Extraordinary compensations can be allocated to the Executive Board members in compliance with the law." "

Article 19 – REGULATED CONVENTIONS

« 1 – The Executive Board members other than corporate bodies, the CEO and the DEOs are not allowed to subscribe loans with the company, to have an overdraft on a current account or other within the company and to ask for the company guarantee above commitments with third parties. This measure applies also to representatives of corporate bodies members of the Board, and to the relatives of the persons mentioned above.

2 – Any direct or indirect convention between the company, its CEO or DEO, one of his Board members, one of the shareholders with voting rights exceeding 10%, or one of the participating companies, must be submitted to the agreement of the Executive Board, in compliance with article L 233-3 of the Commercial Code. It is also the case for conventions in which one of the persons described above is indirectly interested.

The conventions between SQLI and another company are also submitted to the Board agreement, if the CEO, DEO or one of the Board members is the owner, a partner, a Board member, a head manager or a member of the Supervisory Board of this other company.

These conventions must be authorized and approved in compliance with article L 225-40 of the Commercial Code.

The prior approval of the Executive Board has been granted considering the interest of the Convention for the Company, with a specification of the financial conditions attached.

3 - The conventions related to current deals concluded in normal conditions, as well as the conventions concluded between two companies when one of the two directly or indirectly owns the entire capital of the other, with deduction of the minimum number of shares required to satisfy to the provisions of Article 1832 of the Civil Code or articles L.225-1 and L.226-1 of the Commercial Code, are not submitted to the authorization and approval given in articles L 225-38 and followings of the Commercial Code.

The conventions concluded and approved during previous financial years which are still exercised in the current year are being revised every year by the Executive Board and communicated to the Statutory Auditors as part of the special report of Statutory Auditors regarding regulated conventions. "

Measures related to the Executive Board members and Head Managers included in the Executive Board rules of procedure



The new rules of procedure of the Executive Board voted on 22 September 2011 are exposed below.

The Executive Board of SQLI « the *company* » decided to establish the following measures, which represent its rules of procedure « *Work regulations* ».

The work regulations aim at:

- Identifying the formation, the organization, the role and powers of the Executive Board towards the General Assembly by completing the existing legal procedures and statutes;
- Improving the efficiency of meetings, debates, and being a reference for the periodic valuation of the Executive Board functioning;

- Integrating the management of the Company in the rules guaranteeing the respect of corporate governance principles.

Every member of the Executive Board is personally responsible of the Rules of Procedure application.

The Executive Board met on 13 November 2008, decided to refer to the AFEP/MEDEF corporate rules in its consolidated version of December 2008.

As decided by the Executive Board on 21 March 2013, the Company chose to comply with MiddleNext Corporate rules for listed companies in replacement of the AFEP-MEDEF from 1st July 2013.



The Rules of Procedure are for internal use. They do not replace the company statutes but put them into application. They can't be challenged by a third party. Their existence will be presented to the shareholders in the annual report.

ROLE AND POWER OF THE EXECUTIVE BOARD

Missions and powers

The Executive Board defines the orientations of the company activity and looks after their implementation.

In compliance with the powers given by law to the shareholders assemblies, and in the limit of the social purpose of the company, the Board deals with any issue regarding the good functioning of the company.

Every member must receive all the information needed to the achievement of his mission and can request from the Board Chairman or the Governing Board all the documents he needs.

The Executive Board can decide to create study committees in charge of dealing with the subjects submitted by the Board.

Choice of the governance system

The Executive Board decides of the governance system for the company. The General management of the company is run by the Executive Board Chairman, or by another person, member or not of the EB, called the CEO and appointed by the Executive Board.

The conditions of exercise of the Head management are defined by the Executive Board in the meeting during which the Chairman is appointed. This decision is taken by majority of the present or represented members.

The shareholders and third parties are informed in compliance with the regulatory conditions.

The conditions of exercise of the Head management can be changed at any time.

DELEGATED EXECUTIVE OFFICER

Appointment

After recommendation of the CEO, the Executive Board can appoint one or more natural persons, members or not, to be delegated Executive Officers and assist the CEO.

The maximum number of Delegated Executive Officers is five.

The Delegated Executive Officer must be younger than 65 years old. If the current delegated Executive Officer exceeds this age, he is automatically considered as outgoing and a new delegated Executive Officer must be appointed.



Powers

The Executive Board, after agreement with the CEO, defines the duration and the object of the powers granted to the DEO with the CEO. The Board also decides of his remuneration.

The DEO has the same powers as the CEO regarding the relationship with third parties.

In case of termination of function or vacancy of the CEO, the DEOs keep their function and attributions until the appointment of a new CEO, except if the Executive Board disagrees.

INFORMATION AND COMMUNICATION TO THE EXECUTIVE BOARD

At any time of the year, the Executive Board makes the assessments and controls considered as necessary. The Chairman or CEO has to communicate to any member all the documents and information requested.

The Executive Board members receive before the meeting of the Board the documents needed to examine the items which will be debated during the meeting.

DECISIONS AND COMMITMENTS TO BE SUBMITTED TO THE BOARD

The following actions and decisions must be submitted to the Board:

- External growth operations;
- Approval and modification of annual budget;
- Any investment not included in the annual budget (*) which exceeds a global amount of 500,000 euros and any expense not included in the annual budget which exceeds a global amount of 500,000 euros (excluding recruitment operations);
- Any subsidiary creation or joint venture agreement;
- Any agreement or disposal or transfer act, with or without charge, of assets which are essential to the Company and/or its subsidiaries;
- Contracting a loan or any bond issue which would not be included in the annual budget and concluding an off-balance sheet commitment whose amount would exceed 1,000,000 euros (including liability guarantees);
- The grant of any security affecting the company and/or subsidiaries assets outside of their normal business and exceeding the annual allocation;
- Any decision leading to a modification of the Company statutes including but not limited to a change in the social form, the governance procedures, the social purpose and the nature of business;
- Any capital increase or decrease, securities issue in any category, merger, separation or partial contribution of assets regarding a company in the group;
- Any decision affecting SQLI brand by extension or restriction of its use;
- The implementation or modification of any participation, interest, stock option plan, of free shares allocation plan or of carry BSAAR.
- Any decision related to a change in the place of quotation for the company securities, including the withdrawal.
- Any change in accounting procedures;



The following items will have to be regularly reported to the Board:

- Cash position;
- Any change in high management positions (agency managers) and any change in the terms of agreement with one of these members (including in the work contract).
- For subsidiaries managers, any change regarding:
 - Their appointment and dismissal;
 - The appointment of subsidiaries Executive Board members;
 - The powers of the Executive Boards of SQLI subsidiaries.
- Any decision leading to a modification of a subsidiary statutes including but not limited to a change in the social form, the governance procedures, the social purpose and the nature of business;

(*) : "the budget will include an "investments" section from 2012".

PARTICIPATION TO THE MEETINGS VIA VISIOCONFERENCE AND TELECOMMUNICATION

For the calculation of the quorum and the majority, the presence of the Supervisory Board members is requested who can participate to the meeting by videoconference or telecommunications in compliance with the legal conditions. The voice of the participants must be transmitted and the technical tools must allow the continuous retransmission of the debates. Consequently, in compliance with article R 225-21 of the Commercial Code, the members can participate in the meetings through videoconference and phone calls.

However the participation to the Executive Board meetings by videoconference or telecommunication is not accepted for the deals defined by articles L.232-1 et L.233-16, that is for the annual accounts and Management report drafting as well as for the consolidated accounts and group management report drafting.



21.2.3. RIGHTS, PRIVILEGES AND RESTRICTIONS TIED TO THE COMPANY SHARES

The articles below, related to the rights, privileges and restrictions for each category of shares, are extracted from the company statutes.

Article 10 – FORM OF SHARES – IDENTIFICATION OF SHAREHOLDERS

"1. The shares can be nominal or bearer, according to the shareholders choice, in compliance with the legal statutes related to the form of shares held by some people. They must be recorded in the accounts according to the conditions and procedures given by the law.

The ownership of nominal shares depends on their recording in the nominative account. The ownership of bearer shares depends on their recording by an authorized financial intermediate.

2. The company has the right, in compliance with the legal rules and regulations, at any moment and in exchange of a compensation whose amount is set by the Ministry of Economics, to ask the institutions in charge of the securities compensation the name or for a corporate body the corporate name, the nationality, the birth date and the constitution date and the mailing address of the securities holders who have voting rights in the company assemblies along with the number of securities held by each of them and the restrictions on the securities. "

Article 11 – INDIVISIBILITY OF SHARES

« As regards the Company, shares are indivisible. Shares that are co-owned are represented at Shareholders meetings by one of the owners or by a mutually agreed proxy. Failing agreement between them on the choice of a proxy, a proxy is designated by the order of the Chairman of the Commercial Court ruling in summary procedure at the request of the most diligent co-owner.

The voting right that is tied to the share belongs to the usufructuary in the Ordinary General meetings and to the bare owner in the Extraordinary General meetings. However,

shareholders can agree amongst themselves on any other sharing out of the use of votes in General meetings. In this case they will have to let the Company know about what they have agreed by a registered letter sent to the Company headquarters. The Company is under the obligation to respect this agreement for all General meetings that meet following a time frame 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. Each of the co-owner of indivisible shares, the usufructuary and the bare owner of shares also have the right to consult the social reports." "

Article 12 – SALE AND TRANSFER OF SHARES

"1. The shares registered in the account are transmitted through bank transfer.

2. Apart from respecting the applicable legal and regulatory obligations concerning the crossing of thresholds, every corporate body or natural person, acting alone or in concert, who has come to own, directly or indirectly, by the

means of one or several corporate bodies, controlled according to the meaning of article L. 233-3 of the French Commercial Law, a number of shares or voting rights representing five percent of the capital or of the voting rights in the Company or any multiple of this same percentage, and this even if this multiple exceeds the legal threshold of five percent, must



notify the Company the total number of shares or rights s/he/it owns, by the means of a registered letter with a acknowledgment of receipt sent to the Company headquarters within fifteen days as from the crossing one of these thresholds.

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

If any of these provisions are not respected, the shares exceeding the threshold will be deprived of their voting rights for all General meetings which will take place over the following two year period counting from the moment that the notification has been regularized, as long as the request to deprive these rights is made by one or several shareholders holding individually, or in concert, a fraction of capital or voting rights at least equal to the smallest fraction of capital which needs to be declared when held. This request is registered in the minutes of the Shareholders meeting. "

Article 13 – RIGHTS AND OBLIGATIONS ATTACHED TO THE SHARES

"1. 1. Every share entitle, in the profits and the corporate capital, to a proportional share in the capital quota which it represents and gives right to vote and, to the representation in the General meetings, within the legal conditions set by the law and the article of incorporation.

Any shareholder is entitled to be informed about the running of the Company and to get communication of some corporate documents in the times and in conditions planned by the law and the articles of incorporation.

2. The shareholders bear the debts only in competition of their contributions.

Subject to the legal and regulatory capacities, no majority can impose them an increase in their commitments. The rights and the obligations tied to the share follow the security everywhere it goes.

The possession of a share consists by right of memberships to the decisions of the General meeting and to the present articles of incorporation. The transfer includes all the due and not paid dividends and dividends to be

fallen due, thus possibly that the share in the reserve funds, except opposing measures notified to the Company.

The heirs, the creditors, the eligible persons or other representatives of a shareholder cannot, on no account whatever it is, demand the installation of seals on the assets and on corporate documents, ask for the division or sale by auction of these assets, nor interfere in the management of the Company. To exercise their rights, they have to, rely on the corporate inventories and on the decisions of the General Meeting.

3. Every time it is necessary to own some number of shares to exercise some right, in case of exchange, of bulking, of allocation of securities, or during capital increase or reduction, during a fusion or during any other operation, the shareholders who own a number of shares lower than the required one, can exercise these rights only if they personally commit themselves to obtain the required number of shares. "



21.2.4. PROCEDURES NEEDED TO ALTER THE SHAREHOLDERS RIGHTS

The articles below, related to the procedures needed to alter the shareholders rights are extracted from the company statutes.

Article 21 - NATURE OF ASSEMBLIES

"The decisions of the shareholders are made during the General Assembly meetings.

The Ordinary General Assemblies make all the decisions which do not modify the company statutes.

The Extraordinary General Assemblies make the decisions and give the authorizations related to the statutes.

The Special Assemblies consist in a meeting between the shareholders of a particular category in order to make decisions for this category members rights.

All the shareholders, even the absent, dissident and incapable ones must respect the deliberations of the General Assemblies. "

Article 23 - AGENDA

"1. The General meeting agenda is drawn up by the author of the convocation.

2. One or several shareholders, who together hold the required quota of capital and acting in accordance with the time frame and conditions set out in the law, can request, by registered letter with acknowledgment of receipt, the inclusion in the agenda for the General meeting of resolution projects.

3. The General meeting cannot deliberate on a question that has not been entered in the agenda, which cannot be modified by a second convening. The Meeting can however, in every circumstance, revoke one or several members of the Supervisory Board and carry out their replacement.

Article 25 - ASSEMBLY MEETING - OFFICE - MINUTES

"1. An attendance register must be signed by all attending shareholders and proxies, kept together with all proxy forms and postal voting forms. This register accuracy must be confirmed by the General Assembly office.

2. General Meetings are presided by the Chairman of the Executive Board or in her/his absence by a member of the Executive Board who has been specially assigned this task by the Executive Board.

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.

Failing that, the General Assembly elects a Chairman.

The two shareholders, present and willing, representing by themselves and by proxy the biggest amount of votes, carry out the function of tellers.

The holders of this office then appoint a secretary who cannot be a member of the General Assembly.

3. The General Meetings deliberations are written in minutes signed by the meeting members and registered in a special register in compliance with legal standards. Copies and Extracts of these minutes can be certified in compliance with legal standards. "





Article 26 - QUORUM - VOTE

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

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

2. The voting rights related to capital share or bonus share is proportional to the percentage of capital represented. Each share gives one voting right.

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

- To all the totally paid-in shares which will be proved to have been owned by

the same shareholder for at least three (3) years;

- To the registered shares given to a shareholder, in case of capital increase through reserves incorporation, profit or issue premium, for the old shares he benefits from.

The double voting right expires for any share that was subject to a conversion to the holder or a transfer. However the transfers due to inheritance or family donation to a relative do not lead to a termination of the voting rights nor stop the three years deadline.

The possible merger or separation of the company does not have any effect on double voting rights which can be exercised within the purchasing company if allowed by its Articles of association.

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

Article 27 - ORDINARY GENERAL ASSEMBLY

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

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

The Assembly can rule with the majority of the votes of the shareholders present, represented or having voted by post. "



Article 28 – EXTRAORDINARY GENERAL ASSEMBLY

« The Extraordinary General Meeting can alter any of the Company's articles of incorporation and decide upon the transformation of the Company in another form of company, civil or commercial. This Meeting cannot, however, increase the commitments of the shareholders, subject to the operations that result from regular stock consolidation.

The Extraordinary General meeting can only legally make decisions if the number of shareholders present or represented, or having voted by post adds up to, on the first convening of the Meeting, the third, and on the second convening of the Meeting, the quarter of shares which have voting rights. If this quorum is not

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

The Extraordinary General Meeting rules with the majority of the two-thirds of the votes that have the shareholders present, represented or having voted by post, unless there have been legal infringements with those votes.

In the Extraordinary General Meetings with a constitutive form, i.e. those called to deliberate on the approval of a contribution in kind or on the granting of a particular benefit, the contributor or the recipient is not entitled to vote either for himself or as a proxy.» "

Article 29 – SPECIAL GENERAL ASSEMBLY

"If there are several classes of shares, no modification can be made to the rights of the shares of those classes, without a vote in conformance with an Extraordinary General Assembly that is open to all shareholders and, additionally, without a vote in conformance with a Special General Assembly just for those shareholders of the particular class of shares concerned.

Special General Assemblies can only make valid decisions if the number of shareholders present or represented adds up to at least, on the

first convocation of the Assembly, the half, and on the second convocation of the Assembly, the quarter of the outstanding shares of the concerned share class.

As for the rest, Special General Assemblies are convened and deliberate according to the same conditions as Extraordinary General Assemblies, subject to the particular provisions applicable to the meetings of holders of preferred dividend stock that do not have voting rights. "



21.2.5. CONDITIONS REGULATING CALLS OF AND ADMISSION TO A GENERAL ASSEMBLY

The articles below, related to calls of and admission to the General Assembly meetings are extracted from the company statutes.

Article 22 - CALL AND MEETING OF GENERAL ASSEMBLIES

« The general meetings are convened by the Executive Board or, failing that, by one or several Auditors. They can be also convened by a representative appointed by the President of the Commercial court ruling in summary procedure, either at the request of one or several shareholders gathering at least 10% of the capital.

The General Assemblies can also be convened by the liquidators, in case of liquidation.

During a time of liquidation, the general meetings are convened by the liquidators. General meetings are held at the Company's headquarters or at any other place indicated in the notice. A notice concerning the meeting containing the information required under Article R 225-73 of the Commercial Code is published in the Bulletin of mandatory legal announcements at least thirty five (35) days before the date of the general meeting.

The convening is made at least fifteen (15) days before the date of the general meeting by a notice published in the legal announcements newspaper of the department in which the Company has its headquarters and, by a notice published in the Bulletin of mandatory legal announcements and by an ordinary letter sent to every shareholder who hold registered Company shares. (...) If they request it, the shareholders holding registered Company shares can be summoned by registered letter with a form of acknowledgment of receipt.

When a General Assembly can not deliberate because the required quorum is not complete; the second General Assembly or the second adjourned General Assembly if need be, are convened in the same conditions than the former with a similar notice and a similar agenda. "

Article 24 - ACCESS TO ASSEMBLIES - POWERS

"1. Any shareholder is allowed to participate in General Meetings and in the deliberations either personally or by proxy, regardless the amount of shares (s)he holds, upon proof of identity as soon as her/his shares are fully paid up and registered in her/his name or in the name of its agent registered in his/her name, in compliance with Article L.228-1 of the Commercial Code, alinea 7, at least two days before the date of the Meeting, at the zero hour, Paris time, either in the securities accounts held by the company, or in the securities accounts held by the agent, as mentioned in Article L.211-3 of the Monetary and Financial Code.

2. Every shareholder is allowed to vote by using a postal vote by means of a form that s/he can obtain according to the conditions laid out in the notices of meeting and convening for the General meeting.

3. A shareholder can only be represented by his wife/her husband, his partner in a PACS union (registered domestic partnership) or by another shareholder and any other natural or legal person given proxy rights, in compliance with the laws and regulations. "



21.2.6. CONDITIONS THAT CAN DELAY, POSTPONE OR PREVENT A CHANGE OF CONTROL

The company statutes do not include any procedure allowing to delay, postpone or prevent a change of control.

21.2.7. CALCULATION OF THE MINIMUM ATTENDANCE FOR COMPULSORY ANNOUNCED PARTICIPATION

The articles below, related to the attendance threshold above which any participation must be declared are extracted from the company statutes. The summary of crossing of threshold

statements made in the last three years is available in paragraph 18.1.2. *"Statements on crossing of thresholds during the last three years"*.

Article 12 – SALE AND TRANSFER OF SHARES

"1. The shares registered in the account are transmitted through bank transfer.

2. Apart from respecting the applicable legal and regulatory obligations concerning the crossing of thresholds, every corporate body or natural person, acting alone or in concert, who has come to own, directly or indirectly, by the means of one or several corporate bodies, controlled according to the meaning of article L. 233-3 of the French Commercial Law, a number of shares or voting rights representing five percent of the capital or of the voting rights in the Company or any multiple of this same percentage, and this even if this multiple exceeds the legal threshold of five percent, must notify the Company the total number of shares or rights s/he/it owns, by the means of a registered letter with a acknowledgment of receipt sent to the Company headquarters within fifteen days as from the crossing one of these thresholds.

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

If any of these provisions are not respected, the shares exceeding the threshold will be deprived of their voting rights for all General meetings which will take place over the following two year period counting from the moment that the notification has been regularized, as long as the request to deprive these rights is made by one or several shareholders holding individually, or in concert, a fraction of capital or voting rights at least equal to the smallest fraction of capital which needs to be declared when held. This request is registered in the minutes of the Shareholders meeting. "



21.2.8. CONDITIONS DEFINING CHANGES IN CAPITAL

The articles below, related to the conditions defining the changes in capital are extracted from the company statutes.

Article 7 - INCREASE OF THE SHARE CAPITAL

"The share capital is increased by any means and according to any terms set by the Law.

The Extraordinary General Meeting, on Executive boards report, is the only competent to decide the increase in capital. Its powers and its competence can be delegated to the Executive Board, according to the conditions fixed by the law.

The shareholders have, proportionally to their amount of shares, a preferential subscription

right to share issued for cash issued in order to make a capital increase. The shareholders can give up individually their preferential rights.

The right to the allocation of new shares to shareholders, following the incorporation of reserves, profits or share premiums to the capital, belongs to the bare owner, subject to the usufructuary rights." "

Article 8 - PAYMENT OF SHARES

"The shares subscribed in cash must be paid-in for at least 25% of their nominal value at the subscription date, and for 100% of the issue premium.

The payment of the surplus must be made in one or more time after decision of the Executive Board within the five years following the capital increase date.

The calls for funds are sent to the share holders by registered letter with advice of delivery sent

at least 15 days before the date set for every payment. The payments must be done at the headquarters or in any other place chosen.

Any delay in the payment of the unpaid shares leads by rights and automatically to the payment of a interest of legal rate, from the maturity date and without prejudice of the actions exercised by the company against the no show shareholder and of the measures taken by law. "

Article 9 - REDUCTION - REDEMPTION OF SHARE CAPITAL

"The reduction of capital is authorized or decided by the Extraordinary General meeting which can delegate to the Executive board any powers to carry it out. On no account, the Meeting can undermine the equality of the shareholders.

The reduction of the share capital to an amount lower than the legal minimum can be decided only under the condition precedent of a capital increase, intended to bring this one to an amount at the least equal to this minimum amount,

except transformation of the Company in a company of another form.

In these capacities are not respected, any interested person can make a legal claim to ask for the dissolution of the Company.

However, the court cannot pronounce the dissolution, if when it pronounces judgment on the merits, the regularization took place. The capital can be depreciated according to the capacities of the law. "

Article 33 - ALLOCATION AND DISTRIBUTION OF EARNINGS



"Out of the year earnings, less the previous losses, are first deducted the amounts put into the reserve, pursuant to law. 5% of the profit is kept for the legal reserve. This deduction is not compulsory anymore when the reserve amounts to 10% of the share capital, and becomes compulsory again if the reserve amount decreases to reach less than 10%.

The net earnings consist in the year earnings less the previous losses and the amounts allocated to the reserve pursuant to the law and the company statutes, and more the beneficiary report.

Out of these earnings, the General Assembly deduces the amounts allocated to other reserve funds, ordinary or extraordinary.

The balance is divided between all the shares proportionally to their paid-in and non depreciated amount.

However, except in case of capital decrease, no distribution is made when the own equity is or becomes lower than the amount of capital and reserves that the law and statutes prevent from distributing.

The General Assembly can decide to distribute the amounts deducted of the reserves, either to complete a dividend or as an extraordinary distribution. The dividends are distributed by priority on the year net earnings.

The losses, if there are, are recorded in a special account in order to be allocated to the previous years earnings before extinction. "

Article 35 - OWN EQUITY ACCOUNTING FOR LES THAN HALF OF SHARE CAPITAL

"If, following the recording of losses within the accounting reports, the company own equity decreases to reach less than half of the share capital, the Executive Board has to call a General Meeting within four month after the publication of the accounts recording the loss, in order to decide if the company must be early dissolved.

If the dissolution is not made, the capital must be, in compliance with the legal procedures and before the deadline set by the law, reduced by an amount corresponding to the losses which could not be allocated to the reserves, if in the meantime, the own equity has not been rebuilt to reach at least half of the share capital.

In any case, the General Assembly decision must be subject to advertising procedures as required by the applicable regulations.

In these capacities are not respected, any interested person can make a legal claim to ask for the dissolution of the Company. This is also applicable whenever the shareholders could not legally discuss the decision.

However the Court can not decide to dissolve the company if the regularization has been made before the judgment date. "



CHAPTER 22. MAJOR ACCOUNTS

The group strategy and its new positioning aim at increasing the size of projects and the added value by favoring the Council and Integration services which offer a quick return on investment to the customers.

The group can now answer to big-scale tender offers which helped to increase the average amount invoiced for a contract.

In 2016, SQLI didn't conclude any major contract outside of the contracts concluded for usual business.



CHAPTER 23. INFORMATION COMING FROM OUTSIDERS, EXPERT STATEMENTS OR INTEREST STATEMENTS

The group management did not record any information coming from outsiders, experts statements, or declarations of interest that should be mentioned in the present reference document.



CHAPTER 24. DOCUMENTS OPEN TO PUBLIC INSPECTION

During the period of validity of the present report, the documents listed below can be consulted in SQLI headquarters:

- The constitutive act and statutes of SQLI ;
- All the reports, mailing and other documents, historical financial information, evaluations and statements made by experts on request of SQLI, part of which is included or quoted in the present reference document ;
- The historical financial information of SQLI and its subsidiaries for the two years ending with the publication of the present document.

The quotation of SQLI securities is published in many general, economic and financial newspapers, in which the company publishes its press releases when needed.

The information related to the company is distributed by ActusNewsWire network via Euronext.

The publication in the French BALO and the Financial Market Authority is made in compliance with the regulations in force (Decree n° 2008-258 of 13 March 2008 related to the publication of the regulated financial information and the general rules of the FMA).

All regulated information is also available on the company website: www.sqli.com.

Along with all these regular information canals, the company tries to communicate any major new deal or evolution of its activity and policy.

Person in charge of financial information:

Nicolas Rebours
Delegated Executive Officer
SQLI
268, avenue du Président Wilson
93210 La Plaine Saint-Denis
Tel : 01 55 93 26 00 - Fax: 01 55 93 26 01

24.1. FINANCIAL AGENDA

Table 59. Financial agenda for 2017

Date	Information
9 February 2017	Annual turnover 2016
27 March 2017	Annual results 2016
11 May 2017	Turnover Q1 2017
27 July 2017	Turnover H1 2017
26 September 2017	Results of H1 2017
9 November 2017	Turnover Q3 2017

All the publications will be shares after Euronext Paris closing time.



CHAPTER 25. INFORMATIONS ON PARTICIPATIONS

The consolidated scope is detailed in Chapter 7 "*Organization chart*" of the present document.

The company does not hold any minor or major participation on 31 December 2016 other than those exposed above on Chapter 7. "*Organization chart*".



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APPENDIX 2. TABLE OF CONCORDANCE WITH THE ANNUAL FINANCIAL REPORT

The following table helps to understand which information is required by the FMA, with regards to the annual financial report, in compliance with Article 212-13 VI of the FMA rule.

Information to be included in the annual financial report	Related chapters or paragraphs in the present Reference Document
Certification of the person in charge of the Document	1.2.
Management report	
- Analysis of results, financial situation and risks related to the controlling company and the consolidated group (art. L.225-100 and L.225-100-2 of the Commercial Code)	3.1. – 3.2. – 4.1.1. – 4.1.3. – 4.1.4. – 4.2.1. – 4.2.2. – 4.2.4. – 4.3.4. – 4.6. -9 - 10
- Information related to capital structure and to the factors which could have an impact in case of public offer (Article L.225-100-3 of the Commercial Code)	18.1. – 18.4.2.
- Information related to share buyback program (art. L.225-211, al.2 of the Commercial Code)	18.1.4. – 21.1.3.
Chairman Report (Article L.225-37 of the Commercial Code)	16.5.1.
Report of the statutory auditors on the Chairman's report	16.5.2.
Financial statements and reports	
- Annual accounts	20.1.
- Report of the statutory auditors on the annual accounts	20.4.1.
- Consolidated accounts	20.3.
- Report of the statutory auditors on the consolidated accounts	20.4.2.
- Statutory auditors fees	2.3.



APPENDIX 3. TABLE OF CONCORDANCE WITH THE ANNUAL FINANCIAL REPORT

N°	Information	Reference
I	Management report	
1	Situation and activity of the Company, its subsidiaries and the other companies under control during the year	Chapter 3 & 6
2	Modifications brought to the presentation of the accounts and the evaluation procedures applied in the past years	Chapter 20 (paragraphs 20.1.4. et 20.3.5.)
3	Activity results of the company, its subsidiaries and the companies under control	Chapter 9
4	Key indicators of financial results	Chapter 3 (paragraph 3.1.)
5	Analysis of the business, results and financial situation evolution	Chapter 9 & 10
6	Progress made and problems encountered	Chapters 3, 4 & 6
7	Description of the main risks and questions faced by the company (included the exposure to financial risks)	Chapter 4
8	Indications on the use of financial instruments, objectives and policy of the company regarding the financial risks control	Chapter 4 & 10
9	Main events occurred since the accounts closing date	Chapter 12
10	Expected evolution of the company and perspectives	Chapter 13
11	Activities in R&D	Chapter 11
12	List of mandates and functions exercised in every company by every managing agent during the year	Chapter 14
13	Total remuneration and advantages given to every managing agent during the year	Chapter 15
14	All the commitments taken by the company for its managing agents, consisting in remuneration, compensations or advantages due or likely to be due after the intake, the ending or the change of these functions	Chapter 15 & 17
15	Transactions related to the company securities made by the head managers	Chapter 17
16	Key indicators related to the Environment and the social context	Chapter 4 & 17
17	Social information :	Chapter 17
18	Participation of employees to the share capital	Chapter 17 (paragraph 17.3.)
19	Information on the Environment :	Chapter 4 (paragraph 4.3.2.)
20	Information on the technological risks prevention policy, the ability of the company to protect its responsibility with goods and persons related to	SO



N°	Information	Reference
	classified installations, and the predicted means to ensure the management of the victims in case of technological incident for which the company is responsible	
21	Participation in companies established in France and in which SQLI owns more than 1/20, 1/10, 1/5, 1/3, ½ or 2/3 of the capital or voting rights	Chapters 5 & 7
22	Alienations of shares occurred in order to regularize the crossed participations	SO
23	Natural persons and corporate bodies holding directly or indirectly more than 1/20, 1/10, 1/5, 1/3, ½ or 2/3 of the capital or voting rights of the company in the General Assemblies	Chapter 18
24	Warnings or fines for antitrust practices	SO
25	Elements likely to have an impact in case of public offer	Chapter 18 (paragraph 18.4.1.)
26	Governance system of the company (only in case of change)	Chapter 16
27	Calculation criteria and results of the adjustment of conversion or exercise basis of financial securities giving access to the capital and stock options	Chapter 21
28	Information on buy-back programs	Chapter 21 (paragraph 21.1.3.)
29	Table of current delegations regarding capital increases	Chapter 21 (paragraph 21.1.5.)
30	Table of the Company results in the last 5 years	Chapter 20 (paragraph 20.1.5.)
31	Amount of dividends distributed in the last 3 years	Chapter 20 (paragraph 20.7.)



APPENDIX 4. TABLE OF CONCORDANCE REGARDING SOCIAL, CORPORATE AND ENVIRONMENT-RELATED INFORMATION

Articles L.225-102-1, R225-104 et R225-105-1 of the Commercial Code, as amended by Decree n° 2012-557 of 24 April 2012

Social information	Ref. RSE
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Remuneration and evolution (social charges, interests, participation and group saving program)	p28
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Work time organization (duration of work time for full time and part time jobs, extra time, external workforce)	p26
Absenteeism	P 40
Social relations	
Social dialog (information rules and procedures, consultation and negotiation with employees)	p31
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Elimination of forced or compulsory labor	P43
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268, avenue du Président Wilson - 93210 La Plaine Saint-Denis

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