



# NEURONES

INTEGRATION - OUTSOURCING - E-SERVICES



## Annual report 2003

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Consolidated revenues 2003

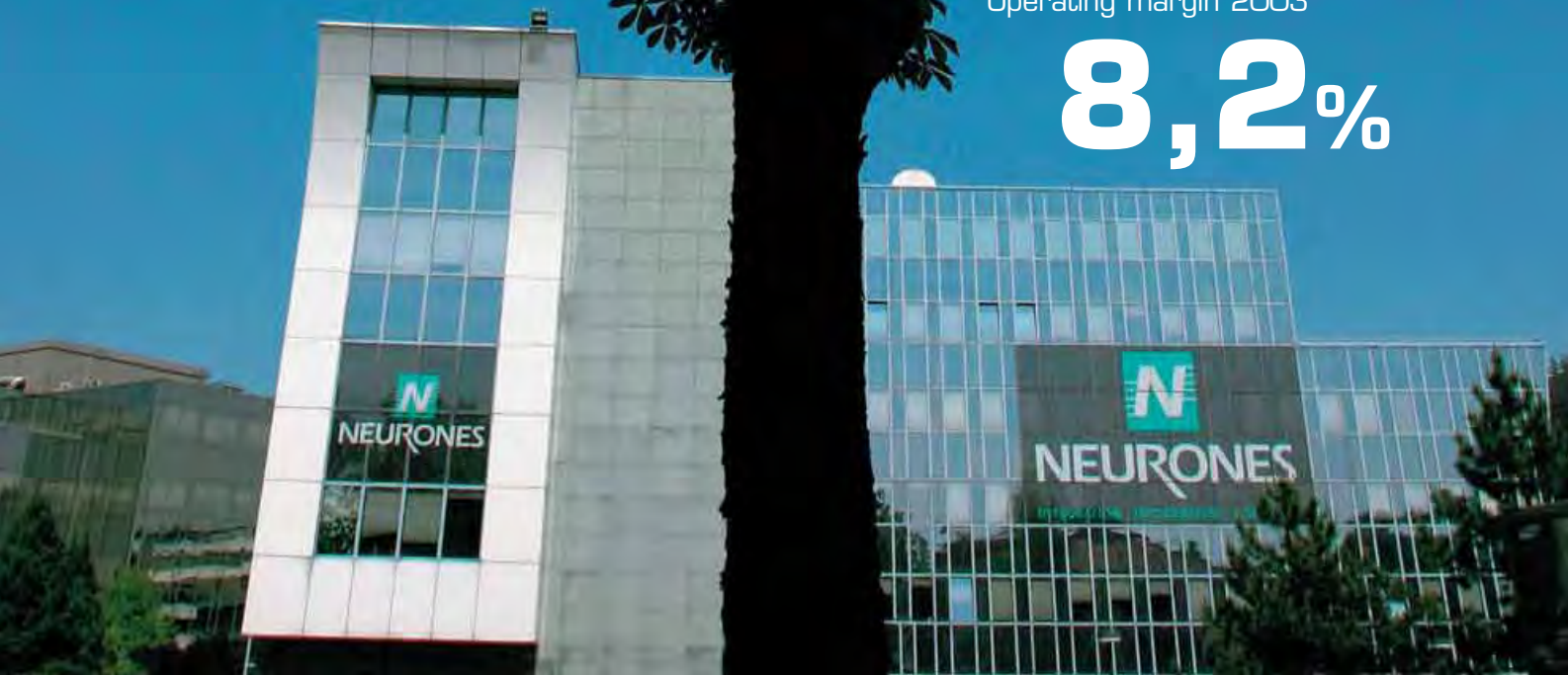
**92,7 M€**

Net profit after goodwill 2003

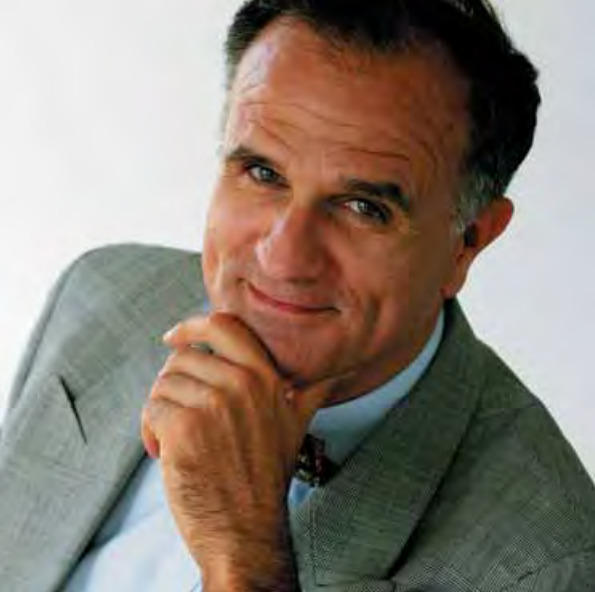
**4,5 M€**

Operating margin 2003

**8,2%**







# Chairman's message

## Dear current and future shareholders,

Looking back to the past is not a natural attitude for entrepreneurs on the move, scrutinizing the future for changes in client expectations, opportunities to play a greater role in the IT service world or the possibility to sub-contract off-shore.

As our audited accounts are available with comments on Web sites since their release at the beginning of February, why succumb to the tradition of drafting an appreciation of 2003 that will only be published in mid-2004?

The main interest of the year is to have you share our vision of NEURONES, without forgetting to consider identified weaknesses.

And then, the absence of a synthesis for 2003 would be the lost chance to pay homage to our 1,200 employees for the new "stage" that they have built and to thank the members of our Management Committee warmly for the work accomplished in conditions of competition, stimulating to say the least!

Of course, when conditions get tougher, it is frustrating to see a harder climb ahead. It is a poor excuse to mention the sharp fall in the market (between 5 and 7%). In this context, the stability of our Services sales appear as a good performance. So what! The biggest entity in the NEURONES group achieved 13% organic growth in 2003, why can't the others, even smaller, not manage?

As regards profitability, with 8.2% operating profit (without extraordinary charges), NEURONES is at one of

the best levels in the profession. Observers welcomed this solid resistance, as they did the net profit (group share) at 4.9%.

Generation of cash was more or less at the same level as net profit. Net cash exceeded 40 million euros. This cash, the absence of debt and the 59 million euros of equity on the balance sheet, give a very substantial clout for any investment for development.

But what allows us to think that where there are the means, a will and a vision, there is a way possible?

Firstly, it is the solid orientations and intrinsically different advantages of NEURONES. Then, the way they are deployed affords serious hope.

The solid orientation was chosen right from the start of the firm: distributed IT, in its infancy at the time, whereas our predecessors had already taken positions in large-scale IT, industrial IT and electronic banking. The story of the group started with design and implementation of distributed architecture. Naturally enough, client companies say that those who design and build networks, systems and turnkey applications and who make them function, naturally know how to secure them and operate them economically. That explains the inroads made by NEURONES in outsourcing of distributed environments.

In this business, every new reference means a corner is turned. In that respect, in 2003, our group beat its previous records by the size and duration of contracts signed.



The big difference is, not just the specialization in networks and the accumulation of expertise of the designer and Outsourcer, but a structure of competitive costs. Having kept a mentality of newcomer in IT Services, we learned to live with limited margins particularly appreciated by clients in these times of tight budgets. Thanks to a lower average age than the big players, we manage to keep production costs down.

What is more, the original organization of NEURONES, with independent subsidiaries whose managers have often invested their own savings directly in the capital of the companies they run, is a long-term advantage. By construction, their ambition, their reactivity, their involvement, their aptitude to choose good help and their pugnacity are strong and lasting.

Finally efforts and investments have not been dispersed, but remain concentrated on the French market. They will remain so until such time as it is proven that business in other countries, even near by, is better or more profitable.

Our presence abroad will be dictated either by client demand, or by research for lower cost production capacity or additional motivated skills (which might become rare in France due to demographic or sociological reasons, which we must anticipate).

To resume, your company, which in the last 19 years, has been through its ups and downs, can legitimately hope to come through this difficult period for our market that has lasted the last 3 years (2004 included). Others would say "crisis makes you tougher".

\*

\* \*

Even if it is not customary to reveal your weaknesses, knowing them is the best way to fight to make them disappear. When there is double-digit growth, motivation is lacking to query the weak points. But in the current economic and geopolitical situation, it is now or never!

Some are sector related. Most provisions of service tend to become more banal. When operating margin falls, it is because we do not have enough power to say yes or no (Pricing Power) against the pressure of our clients who are most of the time in survival mode.

In addition, the low "entry barriers", and the low capital requirements of the IT service industry, allow new entrepreneurs to try their luck with ever lower structure costs. The range on offer is increasing and prices are falling. For 19 years, we have been fighting against this tendency innovating in new services, with greater value for clients. It is this capacity of differentiation that must be permanently developed. Especially when one knows that future rivals include Asian, Eastern European, or North Africans with excellent know-how, often with a culture of service, a "rage to conquer" and labor costs that cannot be beaten.

Furthermore, our reputation, relatively weak in relation to those who go before us in the industry, can form a handicap, even if it declines with time. When the time comes for a client to make the final choice, especially when it means conferring some of its system to a third party, namely the nerve system of the company, the decision not only takes account of the commercial dynamic, the functional and technical pertinence of the solu-



Board of Directors

tion but the size and reputation of the player concerned. That is one of the reasons that urge to expand, as if the ambition or necessity to ensure employees of a motivating career is not enough!

Better still, you can affirm that dimension is an imperative in our business, for those who want to ensure long-term development. Not that the critical mass concept resists analysis: an IT services company can live very well and for long with one, ten, a hundred.... employees. It just has to adapt its services faster to expected changes.

But in the services industry, it is true that the faster you grow, the easier access to clients is facilitated. There are perverse effects, but our organization is designed to fend them off, in part at least.

Since 2000, NEURONES has been looking for the way, narrower than it might seem, between real expansion and adventures leading to depreciations of assets, only too common in our business, that happen two, three, or five years after the acquisitions, with changes in directors, modifications to scope of consolidation or successive mergers.

Although success did not smile on us in 2003, we will continue our search for ambitious entrepreneurs who share our convictions: independents, who want to catch up with their better and older counterparts, have only one option: regroup. That is how deals that would not have been concluded if everyone remained in their corner are realized, that you complete your range of expertise thus pooled, that you become more attractive for the best candidates, in other words, we will become stronger faster.

An individual trajectory is always possible but there are scarcely any other "entrepreneurial" ways than the rapprochement to achieve high objectives and compensate our common congenital handicap of being born, for us almost 20 years after the first IT services companies, and much later for others! In a western economy, where the environment can only get tougher in the medium-term, we continue this search for associates tirelessly as it will produce results at some stage.

So, dear current and future shareholders, that is what we have to say about 2003 and the convictions that guide our action. Now, we just have to get down to it ! Our driving force: knowing that the capital of time is being used up faster and faster...

**Luc de CHAMMARD**  
Chairman-Chief Executive Officer



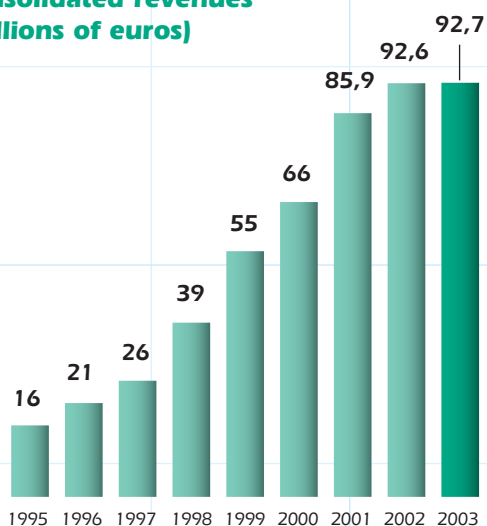


# Key figures

System and network integration

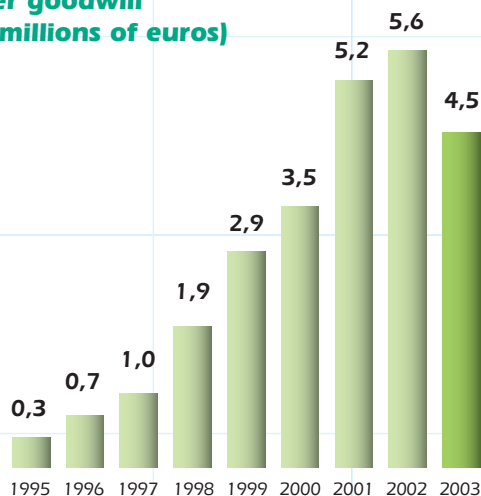
Consulting in application development

**Consolidated revenues  
(millions of euros)**



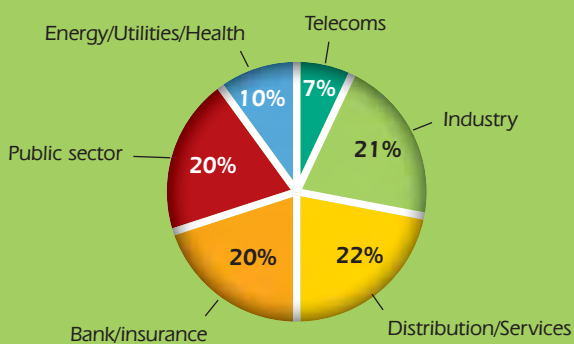
Recurring revenues in 2003 between 50 and 60%

**Net profit (group share)  
after goodwill  
(in millions of euros)**

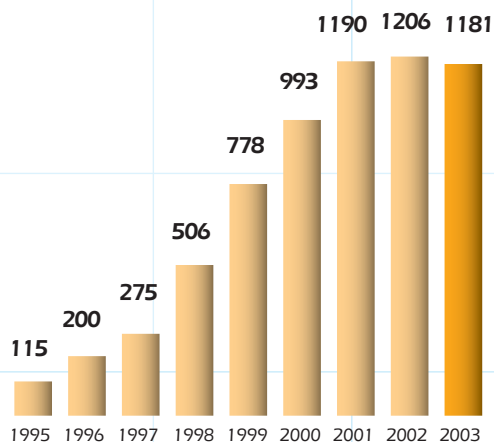


Net profit representative of elaborate offers

**Breakdown of revenues  
by sector of business in 2003**



**Change in payroll**

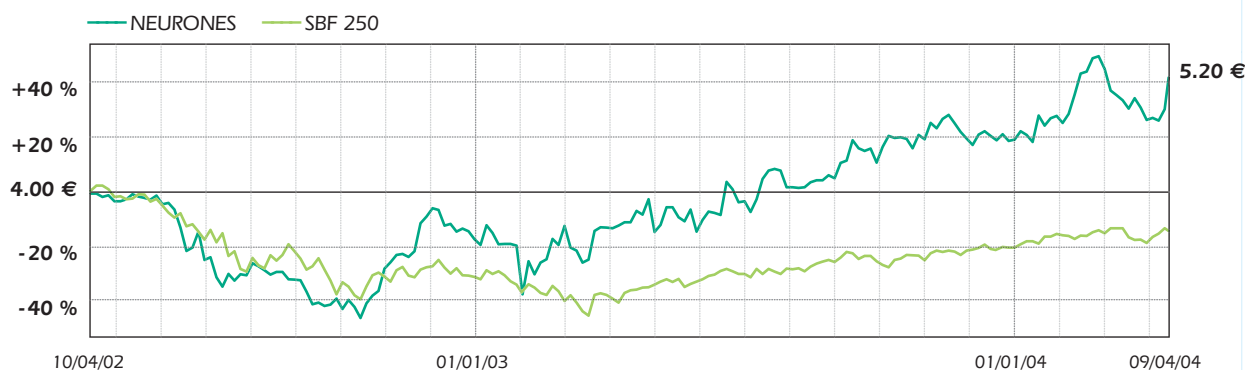


Payroll multiplied by 10 in 8 years.



# The Neurones share

Market price in the last 2 years, from 10 April 2002 to 9 April 2004



- Average volume traded in 2003: **10,200** shares per day
- 2003 EPS (before goodwill): **0.23 euros**
- Price on 09.04.2004: **5.20 euros**
- Market capitalization on 09.04.2004: **118 million euros**
- **22,771,050** shares

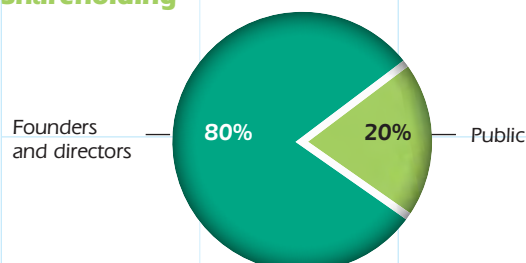
Market launch: May 2000  
 ISIN Code: FR0004050250 (NRO)  
 IT CAC - SBF250  
 Reuters: NEUR.LN  
 Bloomberg: NEUR FP



## Financial dates

- 1st half 2004 revenues: 29 July 2004
- 1st half 2004 revenues: 30 September 2004
- Revenues 3rd quarter 2004: 28 October 2004

## Shareholding



# Financial statements Summary

IT user assistance

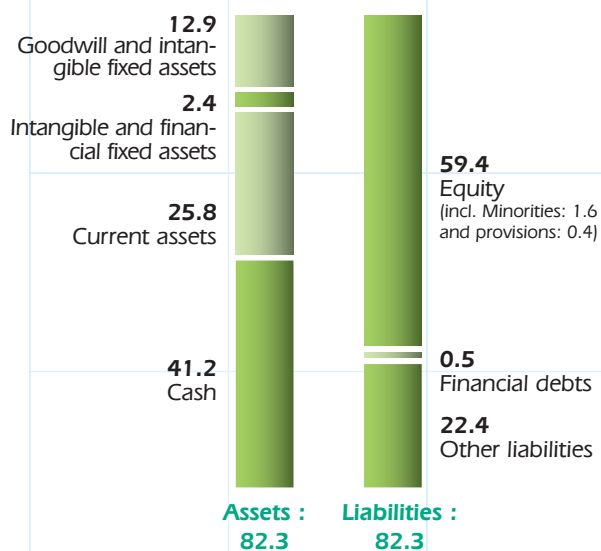
## Simplified 2003 income statement

(in millions of euros)	2003	2002	2001	2000
Revenues	92.7	92.6	85.9	66.0
Operating profit (after controlling interests)	7.6	9.7	8.2	5.0
% revenues	8.2 %	10.5 %	9.6 %	7.6 %
Financial income	0.8	1.0	1.1	0.8
Extraordinary Item	0	0	(0.1)	0
Income tax	(2.9)	(3.7)	(3.3)	(2.1)
Profit before goodwill	5.5	7.0	5.9	3.9
Deprec. of goodwill	(0.7)	(1.0)	(0.6)	(0.2)
Minorities	(0.3)	(0.4)	(0.1)	(0.2)
Net attributable profit (Gp share)	4.5	5.6	5.2	3.5
% revenues	4.9 %	6.1 %	6.1 %	5.3 %

## Cash-flows 2003

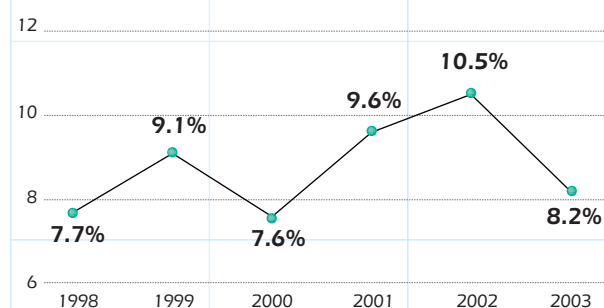
(in millions of euros)	2003	2002	2001	2000
Net profit	4.9	5.9	5.4	3.7
Deprec. and provisions	1.9	1.9	1.3	1.1
Cash-flow	6.8	7.8	6.7	4.8
Change in WCR (increase) decrease	1.3	(1.7)	2.5	(1.4)
Net industrial invest.	(1.1)	(0.9)	(1.2)	(1.0)
Free cash-flow	7.0	5.2	8.0	2.4
Net industrial invest.	(2.1)	(3.8)	-	(8.8)
Increase of capital	-	-	-	29.9
Other items	-	-	(0.2)	(0.1)
Change in cash flow	+4.9	+1.4	+7.8	+23.4
Cash flow at year-end	40.7	35.8	34.4	26.6

## Balance sheet as of 31/12/2003 (million €)



Equity net of goodwill and high net excess cash.

## Operating margin



Operating profit, without "extraordinary items", representative of elaborate offers





# Key events

## February

NEURONES is chosen by Crédit Lyonnais (Capital markets department) to deploy and operate dedicated Outsourcing on site – 6 sites – 1,500 users.

## March

A leading aeronautical equipment supplier decides to entrust NEURONES with the Outsourcing of its information system in partnership. The service covers the entire scope – 4 sites – 1,550 users – 65 servers – a 5-year contract.

## April

The NEURONES training department inaugurates the first training center exclusively dedicated to Microsoft technologies. The new Parisian center, located at La Défense, can welcome more than 70 people (8 rooms), and offers more than 70 different courses (technical and office automation) adapted to the needs of each client.

## July

The group obtained ISO 9001 version 2000 certification for one of its major businesses. This label, much appreciated by corporate customers was obtained in 9 months.

## September

The supervision tool of systems, networks and security in ASP mode, "Citadelle RTMS", developed by the NEURONES Security entity, passed the 300 servers supervised threshold.

## October

The Microsoft SharePoint Portal Server user club, coordinated by the NEURONES Applications Development entity, now has more than 300 members, from 110 French-speaking companies (France, Switzerland, Belgium, Canada, Ivory Coast, etc.), including many corporate customers.

## November

NEURONES is 76 in the 2003 "Europe's 500" for the 500 companies creating the most jobs in the European Union.

Winning of an Outsourcing contract of distributed systems for a major French player in publishing and distribution : help-desk and proximity support, operation of office automation servers and local networks on 35 sites (France and Belgium).

## December

The NEURONES Applications Development entity organized the "1ers Trophées Internet des Fédérations". Under the aegis of the Ministry of Economy, Finances and Industry, this event grouped more than 100 federations representing all key sectors in the French economy and rewarded those who had made the best use of Internet technologies in 2003.

The world leader of hygienic and cosmetic products entrusted NEURONES with the Outsourcing of two of its divisions: help-desk and support for 1,800 users on 6 sites, operation of 1,900 work-stations.



# Strategy and offer

Telephone switchboard of the Nanterre support platform

# 45%

Share in global business  
of service contracts with  
obligation of result

## A constant strategy for the long-term

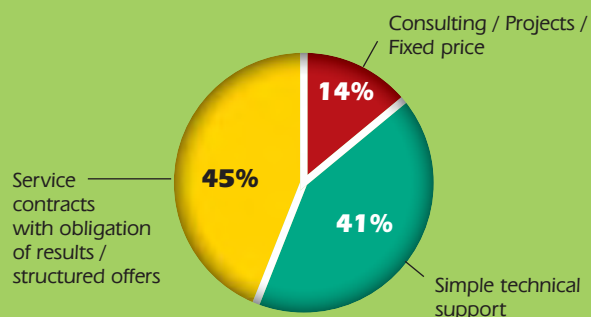
### The strategic axes of NEURONES:

- steadily increase the share of structured offers in its business, thanks to regular industrialization of services,
- invest in new nascent business lines at the right time,
- maintain its diversified nature with the right balance between the various businesses (design / build / run).

The NEURONES development model relies on managers associated in the capital at various levels. Special attention is paid to the convergence of their interests with those of NEURONES shareholders.

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### Breakdown of revenues 2003 Services by intervention mode



A majority of contracts with NEURONES prime contracting.







### A quality approach

Two processes are governed by quality assurance since 1996:

- recruiting,
- turnkey projects: review of offers, review of contracts.



NEURONES is ISO 9001 (version 2000) certified for its technical assistance business. The certification process is being extended to other entities.

### Complementary businesses and a coherent offer

NEURONES trades regroup the project (design/build) and recurring (operate) businesses. Today, the group is present both in infrastructures and application layers.

### Infrastructures

The project business around infrastructures (Integration of systems and networks, Security) are required for Outsourcing. In fact, the project teams bear the group technical doctrine. They are solicited on Outsourcing contracts at the initial phase of taking charge of sites. Throughout the entire period of the contract, they also provide a **solid technical rear** in support of the teams on site. Finally, they design and have our supervision and hosting centers (hardware and tools) evolve.

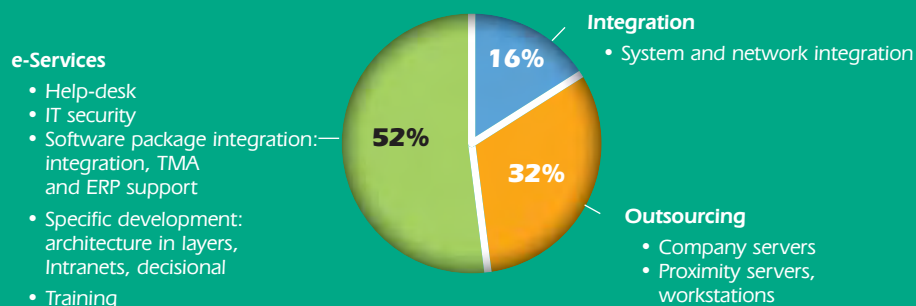
The leading position in help-desks is a big advantage for the NEURONES outsourcing offer.

NEURONES tries to keep a good balance between simple technical assistance and recurring contracts business with the NEURONES prime contracting and obligation of results. A substantial volume of technical assistance means teams can be deployed for big contracts in short delays.

### Applications

NEURONES tries to be present both in made-to-measure development (on state-of-the-art platforms, including free software), and software package integration. The accent is placed on phases upstream of functional analysis and on methodology of project developments (standard documentation, software engineering, standards, etc.), fields where training and control efforts are pooled.

### Breakdown of revenues by sector of business in 2003







Network hot-line assistance



System and network architecture

**This is the original business  
of NEURONES.  
It involves designing  
and implementing all or part  
of computing systems  
and networks  
requiring integration  
of multi-vendor elements  
in distributed environments.  
It is a project-oriented  
business, most of the time  
in turnkey mode.**

# Integration

## Up-market positioning

NEURONES has 19 years experience in fixed price projects.

The technical managers of NEURONES, coming from central host site environments at the end of the 80s, imported their know-how to the world of the workstation and local servers and did their utmost to guarantee:

- a methodology and systematic formalization of their operations: documentation for servers and typical stations, procedure documentation, etc.
- permanent quality: mandatory details of formalized service, review of offers, review of contracts and supply of services, satisfaction questionnaires at the end of project, approval of potential sub-contractors, technical HR management under quality assurance.

The NEURONES Integration segment is also a source of technical skills for the group systematically consulted before making commitments in management of distributed environments. They do the initial engineering services on startup of outsourcing contracts.

## Main types of system and network integration projects

- Audit, consulting
- LAN and WAN
- Quality of service (QOS)
- Optimisation of the passing band
- Design of servers and standard workstations, migration, deployment (Windows 2000, NetWare 5.x)
- Setting up of management methods for the masters evolution
- Company directories (NDS, Active Directory)
- Message systems and groupware (Notes, Exchange, Groupwise)
- SAN solutions (EMS, HP-Compaq, HDS) and availability (clusters)
- Consolidation of servers

# 16%

Share of this segment in global revenues:

## Methodology and formalization

Systems engineers comply with formalization procedures when they work in project mode on customer production environments.

In addition, NEURONES created a simple methodology, but really shared by all teams, for the management of deployment / migration projects (stages, standard documents, etc.).

## Network assistance contracts

For networks without a manager on location or for large organizations, NEURONES created a server operation offer.

This offer includes the following made-to-measure services depending on configurations:

- preventive visits,
- dedicated engineering hot-line (assistance for back-ups, etc.),
- operation and remote operation (alarm reporting, systematic checking, creation of accounts, etc.),
- priority to maintenance and guarantee of maintenance (within 2-4 hours, nights and week-ends).

At the end of 2003, 400 servers are under contract.

## ACHIEVEMENTS IN 2003 (extract)

**For a biological research institute**, consulting and assistance to rework the new groupware Domino architecture (message system and applications). 50 Windows 2000 and Unix servers, 6 Domino servers, 1,000 stations.

**For a major cash-in-transit company**, design and migration to Windows 2000 Active Directory. 67 servers, 460 work-stations, 1,200 users throughout France.

**For a chemical product distributor**, project to deploy a light client solution Citrix to centralize administration of the information system, centralized and secure storage of user data (cluster) and a second Active Directory controller under Windows 2003. 150 users, set of 5 servers (Windows 2003/Citrix) + 1 file server (Windows 2003).

**For a security company**, migration of 6 Domino version 5.x servers to the new version 6.0. 1,400 Notes users throughout France.

**For a foundation helping find jobs for youngsters in trouble**, assistance in prime contracting to rework the architecture of the information system.

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System and network project planning

- Light customer solutions (TSE, Citrix)
- Mobile internet and nomad processing (laptops, PDA, etc.)
- Remote access
- Setting up of system and network supervision tools





Help-desk team on a Neuron site



Remote system and network supervision: Network Operations Center (NOC)

This business covers  
all assignments related  
to administration  
and operation of distributed  
environments  
(Unix and NT servers,  
work-stations  
and related active elements).

#### Proven experience

Having developed its distributed environments outsourcing offer since 1995, NEURONES now manages several dozen sites of 200 to several thousands work-stations.

More than  
1,000 workstations  
**20 contracts**

Between 200 and  
1,000 workstations  
**35 contracts**

## Outsourcing

### Types of missions

- complete running of sites with commitments to levels of service (outsourcing). In this case, the sales cycle is approximately six months and contracts traditionally for a period of three years or more, with obligation to results,
- outsourcing of services (with teams partially on client site and partially in NEURONES sites operating remotely).
- simple technical support.

### Outsourcing is a major axis of development for NEURONES

On the strength of its 19 years experience, NEURONES has become a recognized Outsourcer.

- specialization in distributed environments,
- expertise in key businesses for global contracts with obligation to results (help-desk, operation of company servers, networks, proximity servers and work-stations, security),
- efficient technical rear base,
- hosting platforms and structure of remote piloting, remote administration,
- project culture.

### Key figures

#### Outsourcing

- 55** clients outsourced
- 350** employees working on contracts
- 3,000** servers
- 50,000** work-stations
- 150,000** calls to the help-desk per month
- including **80,000** on our platforms at Nanterre and Ivry-sur-Seine
- 11** ITIL certified consultants
- 1** NEURONES documentary server (SDN) standard used in all contracts
- 15** new contracts signed in 2003

#### Supervision, remote piloting (24h/24, 7j/7), Network Operations Center (NOC), Security Operations Center (SOC)

- 12** people: consoling 24h/24, 7j/7, RTMS tools (made-to-measure) and HPOV
- 600** supervised servers
- 12** tera octets

#### Hosting

- 11** bays
- 110** servers hosted
- 2** tera octets
- 1** back-up robot



# 32%

Share of this segment in global revenues:

## The advantages of outsourcing as developed by NEURONES

- **Systematic application of progress plans by the NEURONES operational staff**, their determination, once the level of contractual services is achieved, to be in a logic of permanent improvement, the possibility of taking a step back to rethink objectives of the information system regularly and align them on company objectives.
- **Pooling and remote interventions** systematically preferred when defining organization of contracts.
- **The complementary strength of the different businesses represented by each entity**: each entity is independent and develops its skills in its core business,
- **The existence of a transverse outsourcing structure directly depending on the general management**: this team is in charge of preparing offers, establishing methods and supervising the accomplishment of outsourcing projects,
- **Designation of an entity as unique contracting authority and responsible for the completion of a contract**: this is the unique customer interface. This ensures respect of service contract commitments by relying on all the skills of group entities in a transparent way,
- **The monitoring of homogenous methodology** applied in all services included in outsourcing (help-desk, engineering system, office automation support on site, etc.), whichever subsidiary is appointed as contracting authority,

- **Access to pooled technical rear bases,**
- **Use of specific and innovative tools** to manage distributed environments remotely (monitoring, supervision, remote administration).
- **Mastering of ITIL**, the reference in businesses related to information systems.

## ACHIEVEMENTS IN 2003 (extract)

- **For a world oil group**, deployment and operation of the service desk (user assistance).  
2,000 work-stations in a Windows NT4 and Office 2000 environment.
- **For a French bank**, Outsourcing of the help-desk and support of work-stations. 1,500 users including 70% VIP, 5 sites in Paris in a Windows 2000/NT4 environment.
- **For a reinsurance company**, 24/24h piloting of production server operation and the international "CORPNET" network from Monday 7 h to Saturday 7 h  
(1 ES9000, 100 servers).
- **For a household appliance manufacturer and distributor**, deployment and Outsourcing of the help-desk.  
1,000 work-stations
- **For a European bank**, global prime contracting of operations in the framework of a contract with commitment for office automation support service.  
500 work-stations, 50 servers, Windows NT/2000.
- **For the world leader of aeronautical braking systems**, global Outsourcing of distributed systems in the framework of a 5-year contract with obligation of results.  
1,500 users, 50 servers in 4 sites throughout France.

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## Main components of a global Outsourcing service

- |  |   |  |
|--|---|--|
| <ul style="list-style-type: none"> <li>■ Help-desk.</li> <li>■ Production computing servers<br/>Unix and NT: consulting, administration of systems (Unix, Dec), administration of data bases (Oracle, Sybase, Ingres). This business calls upon the</li> </ul> | <p>following different types of profile: pilots, operating analysts (support, piloting, preparation), production engineers and production project managers.</p> <ul style="list-style-type: none"> <li>■ Administration and operation of NT servers.</li> </ul> | <ul style="list-style-type: none"> <li>■ Maintenance on stations.</li> <li>■ Installations, moves and add-ons,</li> <li>■ Management of the purchase cycle.</li> <li>■ Structuring and control of services.</li> </ul> |
|--|---|--|



ERP integration and outsourcing



IT security

# e-Services

**In 2003, hosting and supervision centers linked to help-desks and those linked to security were merged.**

**Round-the-clock supervision was set up, the threshold of 600 supervised servers, mainly with our in-house tool RTMS, was exceeded.**

## Help-desk and call centers engineering

NEURONES designs its help-desk business like a cog in the computing division of a company, an intermediary between computing system users and computer experts, to optimize the flows between both groups.

This high value added service is particularly concentrated on methods and human resources. The business covers consulting, help-desk from NEURONES platforms and help-desk on site.

The consulting teams for installing the help-desks also work on the Value Added Call Centers (VACC) market, with or without CTI (Computer Telephony Integration).

## Security

This business covers qualification assignments (audits and intrusion tests), consulting (security policies and plans), development and integration of solutions (virus protection, data protection, access management, identification, authentication and confidentiality), security monitoring (administration, hosting, support and maintenance) of training and finally, technological watch.

## Application development

Consulting, intranets, extranets, portals, applications

Training in new technologies



# 52%

Share of this segment in global revenues:

built with application servers (Websphere or .Net), web customers and traditional data bases, support decision (BI), CRM, EAI. NEURONES skills allow us to offer customers a unique Project manager, capable of mastering different technologies, human and organizational aspects. NEURONES runs mixed projects requiring global solutions using new technologies.

## ERP integration and outsourcing

This business relies on two lines of expertise:

- ERP integration (consulting and deployment) with functional experience (and specific knowledge of the retail business sector),
- help users familiarize with ERP systems thanks to documentation, training, support, third-party maintenance of applications, filing processing.

It primarily concerns SAP.

## Training in new technologies

This business covers sessions of training, consulting to devise training plans (training engineering), outsourcing of training plan management (orchestration of training plans), training courses, distance learning, e-learning.

NEURONES training centers are naturally specialized in made-to-measure training related to large projects (support in specific courses, planning management, synchronization with deployment, etc.).

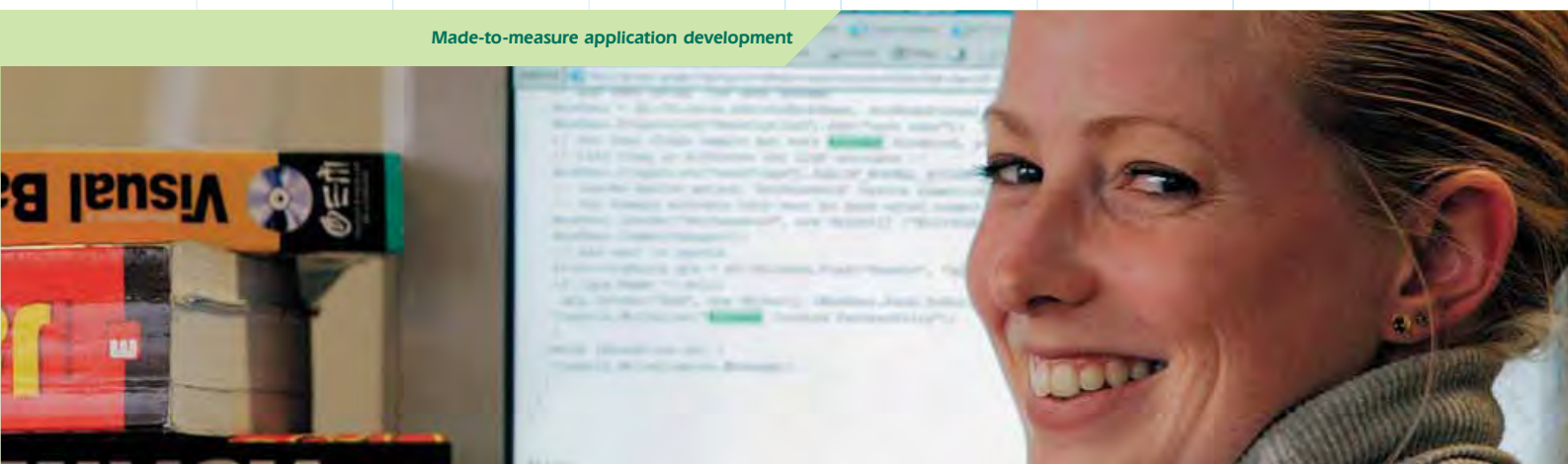
## ACHIEVEMENTS IN 2003 (extract)

**For a major player on the French gas market**, setting up of a web frequentation consulting interface (internet / intranet) with deployment of a datawarehouse completed with a reporting tool in the Oracle, Unix and Windows NT environment.

**For a world chemical sector leader**, complete reworking of an investment monitoring and analysis tool. Transformation of a Client / Server interface in intranet application with light client. Use of Business Objects to extract data.

**For an international oil group**, setting up of a Europe SAP "template": detailed design, configuring, tests, user assistance, transfer of skills. SAP R/3 environment and PS and IM modules.

**For a naval constructor**, training of 22 administrators of the DSI spread throughout France in the framework of migration of Lotus V4.x servers to version 5.x.







# An integrated group

Complementary skills federated by outsourcing

**The fact that most NEURONES entities are in the same geographic location facilitates integration of offers and services.**

**Two functions are centralized and coordinate the actions of the different entities.**

**A transverse central team manages global relations with some corporate customers**

As back-up to the sales forces of the different businesses, this central team fulfils the following missions:

- management of overall relations with some corporate customers,
- piloting and management of major projects in the framework of unique prime contracting.

The rules governing relations between entities are formalized in a constantly updated document: the "White book" of group procedures.

More than

# 30%

of contracts concern several business entities





## A unique piloting structure is dedicated to outsourcing

Outsourcing is a major axis of development for NEURONES.

To have customers benefit from the complementarity of its various businesses, NEURONES developed a unique and transverse outsourcing offer for all its entities. This strategic offer is steered directly by the General Management. It now accounts for more than a quarter of group businesses.

Missions of the piloting structure dedicated to outsourcing are as follows:

- **Preparation of offers:** in phase with qualification of a requirement, a "Pre-sales project manager" is appointed to design and prepare technical and financial propositions. In the completion of the mission he relies on all technical experts at NEURONES,

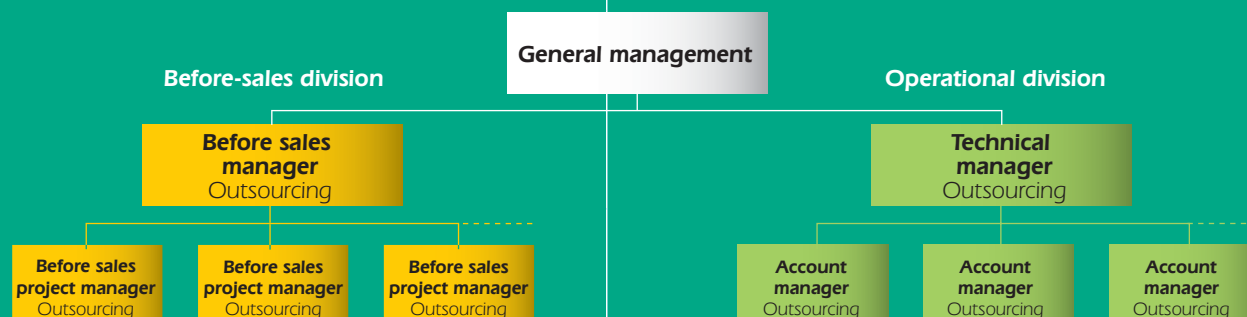
- **Supervision of outsourcing project work:** in the operational phase an "Account manager" is appointed as unique counterpart of the contracting authority. He guarantees the quality of service and has the principal missions of:

- setting up of the project organization and documentation in the launch phase,
- control of service quality and the respect of commitments,
- piloting of all services and operators in a constant logic of quality and efficiency,
- checking that the Quality assurance plan is adhered to,
- management of changes in the scope and project documentation,
- participation in piloting and strategic committees,
- creation of service monitoring logbooks,
- assistance and consulting of the contracting authority in technical or organizational decisions.

- **Establishment of methods:** in the framework of managing the outsourcing business, the transverse team is in charge of preparing, implementing and constant improvement of a unique reference and common methodology for the entire group in all outsourcing projects.

17

The structure of dedicated Outsourcing piloting depends on General management and is organized in 2 segments :







# Human resources

200 collaborateurs recrutés en 2003

**Human resources are priority n°1  
and the main condition  
for group success.**

**Vis-à-vis its teams and candidates,  
NEURONES believes  
it is important to have  
stable policy and behavior  
over time, independent  
of the economic  
cycles experienced  
by the IT services market.**

The 30th French IT services company, NEURONES is the 12th largest recruiter in the profession.

## The main axes of the group HR policy

- **A long-term training policy:** 1,700 days of training were held in 2003, helped by the fact that NEURONES has its own training centers. NEURONES encourages staff to pass certifications validated by the main market players (Microsoft, Lotus, Cisco, etc.),
- **The "Masters":** a theoretical and practical training (6 weeks of course, followed by an internship of 4 weeks with a NEURONES client) intended for young, non-computer engineers with 4 or 5 years of higher education. 120 masters have already been trained,
- **"Laboratories" and latest generation technical test platforms** available for the training of technology buffs,

**31** years  
is the average age of employees







- **General profit-sharing and stock option plans** (more than 240 beneficiaries of stock options, 20% of employees),
- **Internal gateways** that allow colleagues to develop and change specialization within the group,
- **Selective recruiting procedures under quality assurance** (15,500 CVs handled in 2003, two mandatory interviews, mandatory technical multiply choice question papers, etc.),
- **An ambitious HR institutional communications campaign** to boost NEURONES' reputation among candidates,
- **Very handsome internal communication budgets** (Intranets, competition, cooptation, etc.),
- **Sustained and regular relations** with engineering and business schools.

## Careers, developments

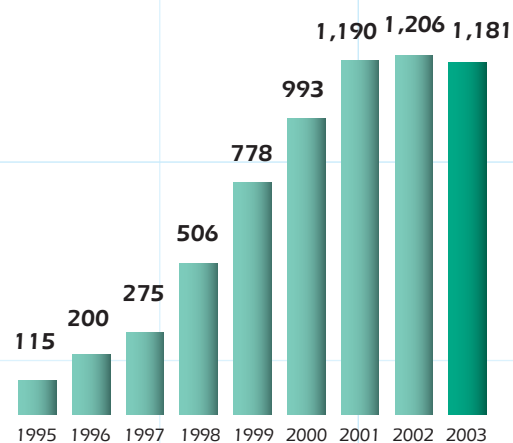
The objectives and ambitions of NEURONES staff are satisfied by the numerous opportunities to develop



within the same line of business or transversally. This is made easier by the fact that the group is organized in human-scale entities specialized by trade. Gateways are even created between techniques, sales and managerial functions and from one specialization to another.

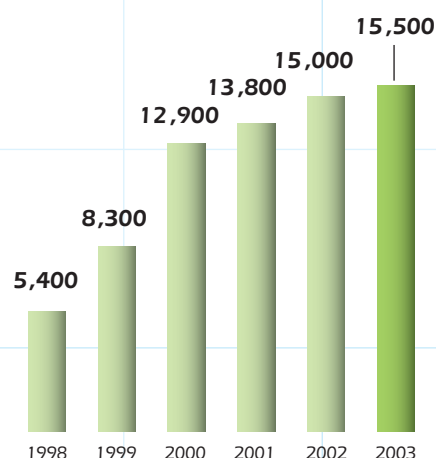
All stations open are available on the NEURONES Intranet. This job pool is enhanced and updated every month, to encourage internal mobility.

## Change in payroll



Payroll multiplied by 10 in 8 years.

## Number of candidates received



The number of candidates multiplied by 3 in 5 years.

# Contacts

## Directors and Investor Relations

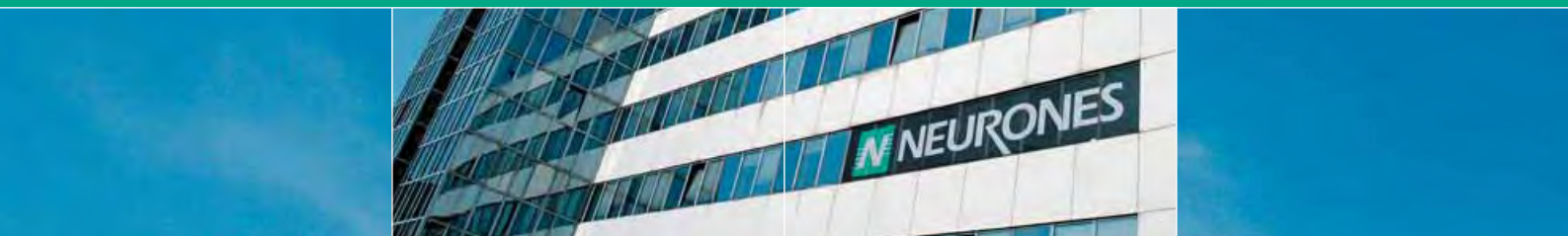
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# Reference document 2003



In compliance with COB rule n°95-01, this reference document has been filed with the Financial Market Authority (Autorité des Marchés Financiers) on 9 April 2004.

It can only be used in support of a financial transaction if completed by a transaction memorandum signed by the AMF. This reference document has been drafted by the issuer and incurs the liability of the signatories.<sup>0</sup>



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# 1. Businesses

## 1.1. General presentation

With approximately 1,200 staff on 31 December 2003, NEURONES is among the leading forty IT services companies on the French market and in the first ten French IT services companies listed on the Paris stock exchange.

The group was formed by setting up profession-specialized subsidiaries with their own technical know-how and even their own commercial brand. The assignment of these entities was to acquire critical mass in their field rapidly so as to provide the best possible service under firmly controlled economic conditions. A transverse team coordinates entities working on group contracts involving several complementary businesses.

Created from scratch, NEURONES has developed firmly and constantly since 1985. This was more than 80% due to virtuous internal growth (on average + 26% a year over the last ten years). As a result, NEURONES formed a very solid base to nurture internal dynamism and expand by taking over companies with similar or complementary professions.

### 1.1.1. History

#### 1985-1993 : Expertise in Wintel local networks

- As of 1985, NEURONES was one of the first local network integrators on Wintel platforms.
- Each year, all profits were systematically reinvested to create new service structures.
- From the start of the 1990s, several group managers from central site environments imported and fine-tuned management procedures and rules for distributed environments (Unix, Novell, NT servers, active elements and work-stations) as part of the first site management contracts.

#### 1994-1996 : Help-desk. Outsourcing of distributed environments. Quality.

- NEURONES set the pace by investing in a business specialized to remote technical support (help-desk).
- The help-desk speeded up development of the outsourcing business.
- NEURONES structured HRD and applied quality assurance to its main procedures:
  - project approach (review of bids, review of contracts),
  - precontractual stage (compulsory formulation of service details),
  - quality assurance plans and standardized contracts,
  - recruiting procedures (multiple choice question papers, work-flow tracking of candidates, etc.).

#### 1997-1999 : Internet, creation and development of the e-Services segment..

The arrival of Internet allowed all organizations to provide not just a universal message system and institutional sites but transactional applications using the Internet navigator as a universal interface (Intranets, Extranets, trading sites, etc.). NEURONES completed the following stages:

- creation of an Internet application development entity staffed

by 80 engineers: Intranets/Extranets, e-business, CRM, decision support,

- hiring of a well-known specialist in computer security and software publisher of a secure Internet payment software,
- for requirements of outsourcing contracts, availability on Extranet of all data bases for business tracking (help-desk tracking, on-site maintenance, etc.).

#### 2000-2003 : IPO (Initial Public Offering), start of external growth

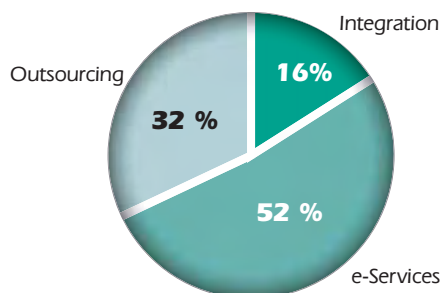
- May 2000 : listed on the Nouveau Marché.
- Company founding stock option and stock purchase warrant plan for 240 employees,
- September 2000 : acquisition of AS International (Unix production engineering, DBMS).
- December 2000: takeover of Label Systems telecom/GSM business (deployment and operation of telecommunication networks).
- March 2002 : a majority stake taken in a SAP integrator, with the intention of creating a SAP network in the group with already existing support businesses.
- October 2002: acquisition of an application development company to increase the total number of personnel in the business to 150 people and better absorb technological watch and structure costs.
- December 2002 : Production of system supervision and developed networks tools internally from free software blocks.
- July 2003 : ISO 9001 quality certification version 2000 for technical assistance activities.

### 1.1.2. Business units

The NEURONES businesses are divided into three business segments of comparable size with substantial synergies between them:

- a system and network Integration segment,
- a distributed environment Outsourcing segment,
- an e-Services segment.

Breakdown of 2003 revenues by business segment





The relative change in revenues by business segment was as follows:

(in millions of euros)	2001	%	2002	%	2003	%
INTEGRATION	16.9	20 %	19.5	21 %	14.8	16 %
OUTSOURCING	33.5	39 %	32.3	35 %	29.8	32 %
e-SERVICES	35.5	41 %	40.8	44 %	48.1	52 %
<b>Total revenues</b>	<b>85.9</b>	<b>100 %</b>	<b>92.6</b>	<b>100 %</b>	<b>92.7</b>	<b>100 %</b>

Geographically, NEURONES business is conducted in France, mainly in the greater Paris region.

### 1.1.3. Detail of professions making up the segments

Each business segment consists of one or several professions. Each profession is housed in a specific legal structure, giving the group a straightforward legal structure patterned on its organization by profession. Minority stakes are exclusively owned by managers of subsidiaries who thus operate as real entrepreneurs.

Entities	Business	N° SIREN	% interest and control 12/03	12/02
<b>Parent company</b>				
NEURONES		331 408 336	-	-
<b>Subsidiaries</b>				
<b>INTEGRATION SEGMENT</b>				
Neurones Solutions	System and network integration	428 210 140	100 %	100 %
<b>OUTSOURCING SEGMENT</b>				
Skills Consulting	Consulting & operating assistance	428 209 308	100 %	100 %
AS International	Unix production engineering, DBMS	421 255 829	100 %	100 %
<b>e-SERVICES SEGMENT</b>				
Help-Line	Help-desk	398 300 061	87 %	87 %
BrainSoft	Application development (Intranets, e-business, decision, CRM...)	410 219 943	86,7 %	85,9 %
Inexware Services	Application development (Java, Websphere...)	443 739 693	100 %	100 %
UpGrade	New technologies training	415 149 830	100 %	100 %
Intrinsic	Internet Security – Development Open Source	402 336 085	90 %	90 %
Codilog-Knowledge	ERP Integration, Support & optimisation	432 673 838	71 %	90 %
Codilog Conseil		419 766 811	merged	70 %

Between 1 January and 31 March 2004, NEURONES increased its stake in Help-Line from 87% to 93% and reduced its percentage stake in Neurones Solutions, from 100% to 95.05%.

### 1.1.4. Global transverse offers, management of global relations with corporate customers

For several years now, NEURONES has opted for and then developed its profession entities with the strategic aim of building and then permanently improving its global offers, especially outsourcing of distributed environments.

A central team was set up at group level to fulfill the following two basic assignments:

- management of global relations with corporate customers: a person in overall charge of the account coordinates the work of entity sales engineers, who are specialized by type of service and sector of business for the main corporate customers. This person also reports on the business according to the desired frequency;
- piloting and management of major projects especially outsourcing of distributed environments: The central team then takes charge

of the entire precontractual phase. organization and coordination of the solution (presentations, references, forming of the adequate team, etc.).

Once the project is launched, the person is also in charge of tracking the project:

- probation stage,
- quality tracking during the current operating stage.

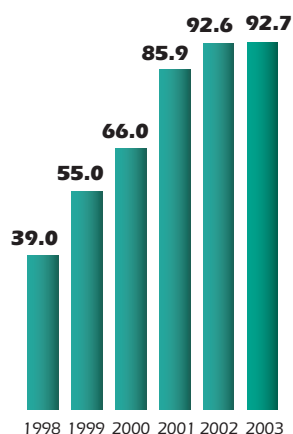
For a project involving several entities, the person is responsible for all the group's commitments towards the client.

The rules governing relations between entities are formalized in a regularly updated group document.

### 1.1.5. Key figures

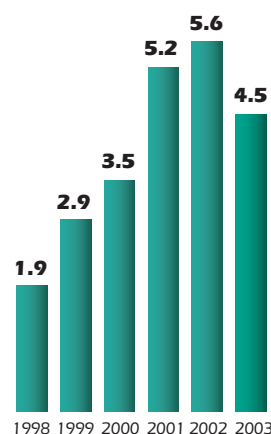
#### Consolidated revenues

(in millions of euros)



#### Net attributable profit (group share)

(in millions of euros)



Changes to NEURONES key figures are as follows:

(in millions of euros)	1998	1999	2000	2001	2002	2003
Consolidated revenues	39.0	55.0	66.0	85.9	92.6	92.7
Operating profit after Employee profit-sharing	3.0	5.0	5.0	8.2	9.7	7.6
Operating margin	7.7 %	9.1 %	7.6 %	9.6 %	10.5 %	8.2 %
Profit before depreciation of goodwill	1.9	3.0	3.8	5.9	7.0	5.5
Depreciation of goodwill	0.0	0.0	0.1	0.6	1.0	0.7
Minorities	0.0	0.1	0.2	0.1	0.4	0.3
Net attributable profit (group share) after depreciation of goodwill	1.9	2.9	3.5	5.2	5.6	4.5
Net attributable profit (group share) after depreciation of differentials of depreciation of goodwill / revenues	4.9 %	5.3 %	5.3 %	6.1 %	6.1 %	4.9 %
Employees at year-end	506	778	993	1,190	1,206	1,181

## 1.2. IT services market

According to the various economic forecasters (IDC, Pierre Audoin Consultants, Syntec), in 2003 the French software and IT services market in France would decline, in value, by between 3% and 5% (estimates at the end of 2003) after a drop of 3% in 2002.

The sector accounts for about 280,000 employees in France, with 29,500 companies of which 1,900 have more than ten employees. We should not forget that our sector averaged 8% growth a year over the last ten years, including 2002 and 2003.

The discrepancy between 2003/2002 will be more a price effect than one of volume.

The change in demand would be due to:

- the increased role of purchasing management,
- referencing of a reduced number of strategic partners,
- strong pressure on prices,
- the choice of shorter and more selective projects in terms of ROI,
- the specific evolution towards software package integration,
- offshore and nearshore requests for application development,
- demand for industrialization (from simple technical assistance to Outsourcing and TMA).

Trends would be the same as those of last year. The following businesses suffered the most:

- consulting in management and information systems: -10% to -12%, after -7% in 2002,
- systems integration: -7% to -9%, postponing and/or cancellation of projects,
- simple technical assistance: -8% to -10%, after -12% in 2002, pressure on prices, limited number of referenced service providers,
- training: -10% to -12%, further decline in corporate customer training budgets and fall in IT services company budgets for their employees.

The high technology consulting market (or outsourced R & D) in 2003 experienced the same as poor trend, albeit to a lesser degree (-3% to -5%), as the technical assistance markets in general, of which they are a sub-family.

Conversely, the following businesses could be up sharply:

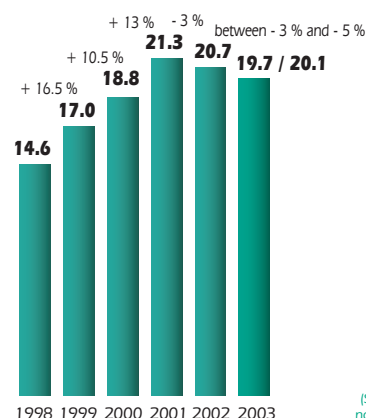
- Outsourcing (global, distributed environments): + 6% to + 8% (+ 9% in 2002),
- Third-party Maintenance Applications (TMA): + 8% to + 10% (+ 11% in 2002).

The telecoms and media sectors (-7%) and insurance (-6%) were the most affected. The only segment to rise was the public sector (+ 4%).

The economy forecasters wonder whether the low point has been reached (H1 2002): 0% compared with H1 2001, H2 2002: - 6%, H1 2003 - 6%, H2 2003 is estimated at - 1% to - 3%), when a recovery might happen and its intensity.

While they agree that growth rates are forecast to rise substantially in the medium-term, thanks to powerful growth engines (adaptation to change, optimization of SI costs, outsourcing, IT on demand, etc.), they are cautious as regards 2004: very slow and gradual recovery, stabilized prices but lower fixed price contract prices.

**IT services market**  
in France 1998-2003 (billions of euros)



(Source : Syntec  
november 2003)

### 1.3. Group professions

Contribution to consolidated revenues of the various business segments and changes in 2003 compared with 2002 is as follows:

(in millions of euros)	2003	2002	Variation	Including internal
Integration services revenues	7.5	8.8	-15 %	- 15 %
Outsourcing services revenues	29.7	31.8	- 7 %	- 7 %
e-Services revenues	46.5	39.6	+ 17 %	+ 10 %
Total services revenues	83.7	80.2	+ 4.4 %	+ 0 %
Licenses and equipment revenues	9.0	12.4	- 27 %	- 27 %
<b>Total revenues</b>	<b>92.7</b>	<b>92.6</b>	<b>+ 0.1 %</b>	<b>- 3.6 %</b>

In the make-up of operating profit (OP) of 8.2% in 2003, the business segments contributed as follows:

(in millions of euros)	% OP 2003	OP 2003	% OP 2002	OP 2002	Variation
Integration	2.7 %	0.4	6.7 %	1.3	- 69 %
Outsourcing	14.3 %	4.3	17.2 %	5.6	- 18 %
e-Services	6.1 %	2.9	6.9 %	2.8	+ 4 %
<b>Total</b>	<b>8.2 %</b>	<b>7.6</b>	<b>10.5 %</b>	<b>9.7</b>	<b>- 22 %</b>

The table of synthesis of business parent-segment relations is as follows:

#### Consolidated contributions

(in millions of euros)	Company listed	Segment Integration	Segment Outsourcing	Segment e-Services	TOTAL
Net fixed assets (including goodwill)	11.2	0.5	0.2	3.3	15.2
Net financial debt ex-group	-	-	-	-	-
Cash on close of balance sheet	14.7	1.5	14.4	10.1	40.7
Cash flows linked to the business	0.1	0.4	3	4.7	8.2
Dividends paid during the year and coming back to the listed company	-	-	-	-	-

For the rest of paragraph 1.3., revenues presented come from company accounts of the company concerned.



### 1.3.1. System and network integration

This business involves the design and implementing of all or part of computer systems and networks requiring the integration of heterogeneous elements in distributed environments (local and remote networks): Unix, NT, Linux, Netware servers, active and passive elements, work-stations. In the framework of its system and network integration business, NEURONES operates as prime contractor working on general specifications supplied by the contracting authorities.

It is a project-based profession, most of the time for a fixed price (approximately 70% of the cases for NEURONES).

Unlike mainly proprietary central site or mini-computer computing, distributed computing implies a large number of "layers" of software and equipment designed by various manufacturers, that must be "piled up" coherently and operated constantly over time.

The expertise in this profession consists of identifying long-lasting, productive and operationally robust solutions. Given the broad diversity of products and their rapid evolution, it is common that several technical experts are required to estimate a worksite. A project manager coordinates these experts and is in sole charge of all NEURONES' commitments. Quality assurance has been applied to the entire client response process since 1995.

In the context of global projects, NEURONES provides software (system, anti-virus, message systems, etc.), network equipment (servers, switches, routers, etc.). This business, considered as very marginal in terms of added value, allows contact with the base. Actual practice of implementing products with rapidly changing versions is necessary to complete the experience acquired by NEURONES engineers during training with manufacturers. This servitude, which comes at a certain cost, is a value added profession compared with so-called "technical support" companies.

The technical employees in this business are committed to maintaining a "technical base" of at least 80 operational and keyed-up engineers and technicians. These teams have to provide a rapid answer to complex demands from clients as well as the needs of other group professions. They also monitor technological developments in their field.

The size of the fixed-price integration teams at NEURONES and their capacity to provide prime contracting services for major projects is a big factor in setting them ahead of the pack.

#### Key figures

(in millions of euros)	2001	2002	2003	03/02
Service revenues	10.1	11.4	9.9	- 13 %
License and equipment revenues	8.9	11.2	7.4	- 33 %
Total revenues	19.0	22.6	17.3	- 23 %

2003 was a bad year partially because of postponed infrastructure renewal projects decided by corporate customers in a generally poor economic situation. A group manager, with us since 1994, took charge of this segment at the beginning of 2004.

Examples of assignments:

- Preparation of servers, design of standard stations, deployment and recovery of old stations with a synchronized training program:
- Lan/Wan architecture, creation of "thin clients", clusters, SAN solutions:
- Audit and reworking of directory services, message systems:
- Processing of mobility, firewalls, remote access.

### 1.3.2. Outsourcing in the distributed environment

#### 1.3.2.1. Operation of proximity servers and work-stations

This business covers all assignments related to running client sites: simple technical support assignments, outsourcing of services (with teams partially on the client site and partially in NEURONES sites operating remotely), complete operation of sites with NEURONES prime contracting and commitments to levels of service (managed services, outsourcing). The technical scope assumed by NEURONES is traditionally as follows: work-stations, local and remote servers (local and company servers) and active elements (switches, routers, etc.).

For the outsourcing in the distributed environment business, the entry barrier is high because a candidate must have the following skills:

- capacity to provide the prime contracting function,
- capacity to implement and operate a help-desk,
- technical expertise in systems and networks (remote administration, remote distribution, deployment of technical productivity and control tools, etc.),
- capacity to assign a team to the project rapidly.

As a result, NEURONES regularly bids against the same limited number of competitors. Some of them are global outsourcers (central sites and distributed computing, application system outsourcing or TMA, etc.). Others are outsourcers whose business, like NEURONES, is specialized in distributed computing.

The outsourcing sales cycle is about six months. Relatively large teams are required during the precontractual stage (creation of quality assurance plans, etc.) and the ramping up stage.

There is a lot of repeat business here as contracts are generally signed for at least three years.

Simple technical support assignments are subject to purchase referencing unlike outsourcing contracts, negotiated then started at general management or IT division level.

Many rivals announce their desire to launch into outsourcing presented as a new Eldorado. NEURONES signed its first contracts in 1995-1996 and reckons that it takes several years to achieve cruising speed.

#### Key figures

(in millions of euros)	2001	2002	2003	03/02
revenues	21.4	20.4	19.4	- 5 %

The overall 5% decline is the result of progress in long-term contracts and a stronger fall in simple technical assistance (volume and price pressure). The rate of NEURONES technical team activity, resulting from these two contradictory trends, improved in 2003 on last year.

Examples of assignments:

- Contracts of more than 1,000 to 3,000 work-stations: these contracts generally concern a central site and some other sites often in the provinces. One or several functions are outsourced. Outsourcing of functions is performed in one or several stages. Often, another contractor, along with NEURONES is in charge of TMA (see glossary). Ten or so contracts underway.
- Contracts of 200 to 1,000 stations. Several tens of contracts underway.
- Organization contracts for numerous basic sites of a few stations (hotels, service stations, etc.). The help-desk is managed remotely in the NEURONES support centers. Administration/supervision and interventions are done remotely, travel to the site is limited.

### 1.3.2.2. Production engineering of Unix company servers and DBMS

This business is also a distributed environment outsourcing business. Computer production using Unix servers, Open VMS and data base management systems (DBMS like Oracle, Sybase, etc.) calls upon the following different types of profiles: pilots, operating analysts (support, piloting, preparation), production engineers, system engineers and production project managers.

Today, computer production deals mainly with real-time applications and has developed considerably as have the methods and software tools on which it relies. Apart from Unix, this business requires expertise in the principal market schedulers (\$Universe and Control M), supervision and alert tools and the main back-ups (Netback-up, Networker).

It is strategically important for NEURONES to have expertise and critical mass in these environments because numerous clients with both NT and Unix servers in production, want to work with a single service provider.

Clients of this business mainly consist of corporate customers in the banking/insurance sector.

#### Key figures

(in millions of euros)	2001	2002	2003	03/02
revenues	14.7	14.3	12.8	- 10 %

Examples of assignments:

- System administration (Unix, NT, networks, VMS), data base administration (Oracle, Sybase, Ingres) in the main computing production sites of a leading French bank. More than 300 applications in production.
- Consulting missions for the automation and industrialization of IT production for another leading bank.
- Organization of the back-up plan and scheduling of back-up exercises for a leading insurance firm.

### 1.3.3. e-Service segment professions

#### 1.3.3.1. Help-desk and call centers engineering

A help-desk is a structure (telephone, computing and human) intending to welcome and handle all requests from information system users, solve them or have them solved by other entities ("escalation"). A help-desk may be located on the site of a company or elsewhere on the service provider's platform.

The use of such specialized structures is becoming common in large organizations: complete tracking of the business, quality, professional response times, etc.

Setting up a help-desk is a major project requiring heavy commitment of project leaders (there are fifteen help-desk project leaders in the group specialized by market software: Remedy, Peregrine, Staff & Line, Network Associates, etc.). Once the help-desk is up and running, the professional attitude of the support technicians in answering the phone is as important as their technical knowledge. Our employees are regularly trained in client service techniques.

Set up in 1994 at the right time to market and backed by the technical skills of NEURONES, the help-desk business grew briskly and by March 2004 had a staff of about 410.

Since 1995, clients can consult data bases listing incidents in real time on specialized Extranets. This faculty sets us apart from the competition once again.

The group also provides a hot-line for manufacturers, the relative proportion of this business is declining (13% of revenues in 2003). The purpose of the hot-line is to welcome, diagnose, solve or escalate an incident for a given software or equipment.

Thanks to these infrastructures, the help-desk naturally developed more complex offers notably: SAP support (world leader in integrated management software packages), now housed in the group's SAP entity, sales force support after assimilation of the main market software packages (medical world: Cegedim, Dendrite, etc.), specific business application support.

What is more, our consulting teams set up a value added help-desk specialized in the call center market, with or without CTC (Coupling Telephony Computing). In this case, our services are deliberately limited to consulting and integration but not to the actual running of the call centers. Call centers are structures (buildings, phone system, computer system, etc.) intended to receive phone calls. The NEURONES help-desk subsidiary handles the call center aspect of NEURONES CRM (Customer Relationship Management) offers, the rest of the offer is dealt with by the group application development entities.

Finally, help-desk teams are involved in all group outsourcing projects.

#### Key figures

(in millions of euros)	2001	2002	2003	03/02
revenues	20.1	22.5	25.5	+ 13 %

Examples of assignments:

- Consulting, prime contracting assistance on existing or future help-desks.
- Help-desk on customer site: case for a corporate head office. Traditionally, from 1,000 to 3,000 users in a head office or several sites. Handling of all incidents encountered by the user (network, printing, office automation, profession applications, etc.).
- Help-desk in NEURONES support centers: case of organizations with numerous sites throughout France. From 1,000 to 10,000 users.
- Hot-line for manufacturers.
- Integration of technologies for value added front office call centers.

### 1.3.3.2. Consulting and application development

As of the end of 1996, NEURONES launched into application development and the business was housed in a first entity. A second entity joined the group on 1 October 2002, forming a group of 150 application development engineers, with greater flexibility in the allocation of teams and complete coverage of technologies to be mastered.

The application development business in new technologies is now structured in five fields:

- consulting (including transversally: Knowledge Management problems),
- e-Solutions: Intranets, Extranets, gateway sites, groupware, web integration projects: Websphere (IBM), Net (Microsoft),
- BI-Solutions (Business Intelligence): datawarehouses, decision support, queries, etc.
- IT-Solutions: data bases, client/server (C++ , SQL...), EAI approach.
- TMA (Third-party Maintenance Application).

With an information system culture, the specialized group entity only marginally developed its offer in e-business sites disconnected from production data bases. There were no web designers in the teams and the graphics part of the work was sub-contracted and not integrated. As there were no start-ups among the clients, the group was not affected by the collapse of the dotcoms market and the explosion of the Internet bubble in 2000.

Conversely, for corporate customers, this entity was solicited for numerous web integration projects: universal Internet client interface connected via an application server to production data bases.

#### Key figures

(in millions of euros)	2001	2002	2003	03/02
revenues	7.1	7.6	10.9	+ 43 %

The figures above are those of the two application development entities in the group. In 2002, they included 1.4 million euros in revenues from the entity acquired on 1 October 2002 and 4.8 million euros in 2003, the revenues made during the full year.

Examples of assignments:

- Consulting and KM: for a sports federation and a leading tour operator.
- e-Solutions intranets/extranets/groupware/Web-integration: for a major player in the gas market and a national hotel chain.
- BI-Solutions (business intelligence, decision support): for a leading chemical company.
- IT-Solutions: for a large universal laboratory.
- TMA : for the leading world cosmetic firm.

### 1.3.3.3. ERP integration and outsourcing

The SAP outsourcing section of the business was started from scratch in 2000, when NEURONES found that numerous corporate customers, especially clients of the help-desk business who started production of one or more ERP modules (Enterprise Resource Planning -Integrated Management Software Packages), had major concerns of post-implementation and an ill-satisfied support need.

NEURONES provides three types of service:

- support for assimilation and ERP in place (documentation, training, help-desk, processing start-up problems),
- management of changes for the ERP solution in place (new versions, new modules, reworking, roll-out),
- Third-party Maintenance Application (TMA).

On March 1 2002, NEURONES took a majority stake in an ERP integrator run by two of the former "big four". Consultants of the ERP integrator are exclusively functional contrary to consultants in the ERP support entity who are technical.

The two entities merged as announced with effect from 1 January 2003.

#### Key figures

(in millions of euros)	2001	2002	2003	03/02
revenues	0.7	2.7	2.5	- 7 %

SAP outsourcing generated 1 million euros for 2002 revenues (a complete year of business) and the integration business, 1.7 million euros (ten months of business, after their entry in the scope of consolidation on 1 March 2002). The two firms were merged on 1 January 2003.

Examples of assignments:

- Turnkey projects to change over to SAP with commitment on the start-up date by batch (including the changeover plan, training and double entry, resumption of data, etc.):
- Specialization in the SAP retail version:
- Roll-out countries: installation in France then in other European countries:
- SAP support along with work-station support:
- Second-level maintenance for some group clients with SAP in production and formalizing of the documentary base (FAQ, etc.):
- Documentation and user training for SAP,
- Processing of post-start-up problems for some modules.

### 1.3.3.4. Computer security

The security market developed as information systems became more widespread making them more fragile: message systems, systematic opening to Internet, interconnections between a company, its clients and its suppliers, generalized remote access from computers or portable terminals (nomad workers, access from home, etc.).

The security business covers the following assignments:

- qualification: audit and intrusion tests,
- consulting: definition of policies and security plans, assistance to the contracting authority,
- development and integration of solutions: virus protection, content control, data protection, access management, identification, authentication and confidentiality,
- outsourcing security: administration, hosting, support and maintenance,
- training,
- technological watch (Citadelle offer).

It uses the following technologies especially:

- authentication/access control: PKI instead of passwords, electronic signature, SSO (Single Sign On) replacing passwords linked to each application,
- integrity/confidentiality/availability: encryption, VPN.

What is more the group security entity developed numerous open source environment intranets as a second line of business. The group maintains a technological watch making a permanent comparison between state of the art developments on conventional architecture and open source developments.

In 2002, remote supervision tools for servers were developed for group requirements on the basis of free software blocks (HPOV type, Patrol detectors). Since then, these tools are systematically integrated in our offers of outsourcing, network assistance and security supervision (supervision of firewalls especially).

To ensure the technological watch, a secure intranet ("Citadelle") is available to clients. The latter will find there: all known weaknesses and their corresponding remedies, as well as an exchange forum guaranteeing an answer within eight hours. This offer already includes several tens of corporate customers subscribing by the year.



## Key figures

(in millions of euros)	2001	2002	2003	03/02
revenues	2.1	2.6	2.8	+ 8 %

Examples of assignments:

Confidentiality commitments made by the group for audit security and intrusion test assignments do not allow us to list the missions resumed above.

### 1.3.3.5. Training for new technologies

This business covers sessions of training, consulting for the design of training plans (training engineering, orchestration of training plans), training programs, distance learning, training using Internet tools ("e-learning").

NEURONES training centers are naturally specialized in customized training for deployment projects (specific supports to training courses, planning management, synchronization with deployment, etc.) and management of change.

In 2003, group training centers provided about 40,000 training days. This year again, IT services companies drastically reduced their training investments. Our centers provided 1,400 training days for the group, namely the lion's share of NEURONES continuing training (1,700 days in 2002). Training on behalf of the group alone accounts for approximately 3.5% of our training centers' activity.

The courses concerning either new, non-computer engineers or central site engineers in the framework of their reconversion to distributed environments have been suspended due to the current glut of computing skills on the market.

Like the marketing and communication budgets, training budgets are sensitive to the general economy, and they fell in 2002 and 2003.

## Key figures

(in millions of euros)	2001	2002	2003	03/02
revenues	7.2	7.1	8.6	+ 21 %

The apparent increase in revenues is linked to a training plan management contract signed with a large French group that will not be repeated in 2004. Without that contract, revenues would have been as follows:

(in millions of euros)	2001	2002	2003	03/02
revenues	7.2	5.4	5.7	+ 5.5 %

## 1.4. Partners

### A policy of impartial prescription

For 19 years now, NEURONES has remained strictly independent of all software publisher, service company or manufacturer so as to provide clients complete impartiality, an essential factor in working with companies to acquire their confidence over the long-term.

### Principal partners and certifications

This does not stop NEURONES from being recognized as a technological partner in the various professions exercised by the group, often for a large number of years.

System and network integration:

Microsoft Certified Partner – Lotus Business Partner Premium – Citrix Gold Partner – Novell Business Expert – Cisco Pro Premier Reseller

– EMC Value Added System Integrator – HP Partenaire Commercial – IBM Partenaire Commercial – Oracle – Sun Microsystems.

Groupware: Lotus Notes – Microsoft Exchange.  
ERP, CRM, management of sales forces: SAP – Siebel – PeopleSoft/Vantive – Clarify – Cegedim–Dendrite.

Decision support: Business Objects – Brio Technology – Cognos – Informatica.

Internet consulting and development, I\*net and e-Commerce: WebSphere, Site Server, Microsoft .Net, Visual Interdev.

Customer / Server: Oracle – Delphi – Microsoft Visual Basic.

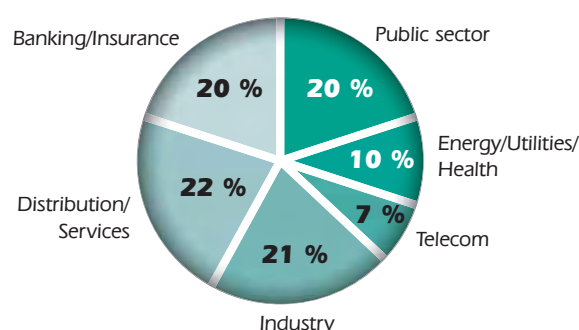
Help-desk / Telephony / CTI: Peregrine – Remedy – eGain – Omnicontact – Rialto – Nortel Networks – Alcatel – Genesys.

Training: Microsoft Gold Certified Partner for Learning Solutions – Lotus Authorized Education Center – Novell Authorized Education Center – NetG Authorised Channel Partner – Vue Authorized Testing Center – GTS Partner – Caldera Authorized Education Center – Caliber Global Learning Alliance – Igeneration.

## 1.5. Clients

The NEURONES client base is made up of large and medium-size organizations (generally more than 200 work-stations). NEURONES accomplished intermediate projects on their behalf (up to 3 million euros a year).

Similar to that of 2002, breakdown of 2003 revenues by sector is as follows:



Over five years, contribution of the 20, 10 and 5 foremost clients to group revenues is:

(in millions of euros)	1999	2000	2001	2002	2003
<b>20 foremost customers</b>					
In value	17.2	28.2	35.6	43.0	45.0
As % of consolidated revenue	28.6 %	39 %	41.4 %	46.4 %	48.5 %
<b>10 foremost customers</b>					
In value	11.9	20.4	23.0	29.7	30.9
As % of consolidated revenue	19.7 %	28 %	26.9 %	32.1 %	33.4 %
<b>5 foremost customers</b>					
In value	7.7	13.8	14.5	17.0	18.6
As % of consolidated revenue	12.8 %	19 %	16.9 %	18.4 %	20.1 %

In 2003, the main client represented 4.7% of revenues (compared with 4.8% in 2002 and 4.5% in 2001) and NEURONES invoiced more than 2,000 clients in the year.

Among NEURONES clients, 90% of them are groups on the CAC 40.

In 2003, the first 20 clients in alphabetical order are: Accor, Axa, Assedic-Unedic, BNP-Paribas, Crédit Agricole/Crédit Lyonnais, Bouygues group, CEA, France Telecom, Glaxo Smithkline, HSBC, LVMH, Ministry of Social Affairs, PSA, Saint-Gobain, Société Générale, SNCF, Suez, Thales, Total, Veolia Environment.

Four of them join the list this year (HSBC, Ministry of Social Affairs, PSA and SNCF) and three leave (Alcatel, Lafarge and Toshiba). The Crédit Agricole and Crédit Lyonnais are now considered as one client.

As of 31/12/2003, client accounts represent 73 days of revenues, instead of 76 days as of 31/12/2002. NEURONES uses neither factoring nor exchange of securities for debt.

- quality (certification, monitoring, improvement plans),
- accounting and management,
- computing and general resources.

As of 31/12/2003, cash-generating staff represented 84% of the total payroll.

The group is built around profit centers with a very broad autonomy with central functions reduced to a minimum. Each subsidiary communicates on its profession in its own name. Overall coherence is guaranteed by the information system: sales, human resources and management control.

The sales business (accounts, contacts, business underway, actions) is tracked in an in-house common information system. A group task-force organizes solutions for projects involving several entities (approximately 20% of projects) and implementation of services.

All HR relays and group HRD share a pooled information system:

- "CV-library" (in-house workflow tool) managing all candidates encountered by the group during recruiting interviews,
- "Zadig" (standard software) manages all personnel files of group employees.

The management committee is made up of 16 executive staff, either shareholders of the company they manage or have created, or with stock-options, or directly linked to results of the companies they manage.

### Technical organization

The technical divisions are spread among the subsidiaries, profession by profession. Only the "task-force" studies outsourcing projects at group level. Each subsidiary manages its technical knowledge in its Intranets, which always include a technical part. A group portal gateway completes the system.

Formal meetings ("the Technological College") among the profession technical divisions are organized to deal with transverse themes.

For projects involving several professions, technical project leaders meet in the context of quality procedures: during the precontractual stage, review of the offer and the contract.

### Sales organization

The NEURONES sales organization consists of two levels:

- the profession sales forces spread among the entities, profession by profession. Sales engineers are specialized by type of service and sector of client business,
- for the main corporate customers and as a complement, a central team at NEURONES level. In this team, the person in overall

## 1.6. Organization

### Operational organization chart

NEURONES has its head office in Nanterre (92 - Hauts-de-Seine) with 6,950 m<sup>2</sup> of the total 8,100 m<sup>2</sup> used by the group. The other locations are:

- a training center at la Défense,
- a help-desk in Ivry,
- three sales branches in Aix en Provence, Lille and Toulouse,
- the historic head office of one of the entities on rue du Faubourg Saint Honoré in Paris.

The following functions are centralized:

- group management,
- financial division (finance, consolidation, management control, legal),
- human resources (coordination of recruiting, training, career plans, HR communications),
- group marketing and communication,
- outsourcing and major projects task-force,
- quality (coordination).

Operational subsidiaries ensure the following functions:

- management,
- sales,
- service production (allocation of teams, drafting and follow-up of contracts),
- marketing,
- human resource management and pay,

charge of the account coordinates the actions of the sales engineers from the various entities. He also ensures reporting of the business according to the frequency desired.

While employees of the profession sales forces are in the majority, the transverse team is expanding steadily and in a practical manner.

To ensure coherence of the client approach and to make the most of its commercial experience, sales forces have a common commercial management business base. This in-house tool enables the allocation of several sales engineers (one per profession) to the same account. It automates commercial business reports and organizes sharing of knowledge.

For reasons of independence, NEURONES has always refused to follow in the steps of a major manufacturer. As a result of having to count on its own sales forces, the group has developed a strong culture in this field.

### Marketing and communication organization

The marketing and communication service depends on general management.

This team designs and implements operational marketing for the sales force and marketing of group reputation and image for the long term. It covers both external communications (clients, recruiting, shareholders and investors) and in-house communications.

NEURONES shares its marketing and communication budget (stable at approximately 1% of revenues per year) on various actions and does not take part in any big event or sponsoring of sports, boat races, etc., nor in institutional communications (in the press, billboards, radio, television, etc.).

### Administrative and financial organization

Centralized functions are:

- cost control,
- budget procedure,
- monthly consolidation,
- consideration to expansion projects,
- the legal function in liaison with group consultants.

Each subsidiary deals with its own accounts and manages its working capital requirement.

### Internal control

Internal control at NEURONES is based on two processes:

- the forecast process: annual budget in November and December for year N-1, new forecast in September of year N,
- the work monitoring process: monthly financial reporting (situation consolidated at the end of the month available the 20th of the following month) with complete application each month of consolidation rules. In addition, operational business is tracked by a management reporting of changes in employees and physical indicators by profession (number of applications received, occupancy rate, etc.).

Furthermore, NEURONES has a regularly enhanced "group management rules" manual listing management procedures and rules applicable for all subsidiaries.

### Human resources organization

Transversally, the Human resources division provides the following key functions for all employees:

- allocation of inter-department staff (centralization of resource demands, allocation of resources available),
- management of training plans for the technical workforce (90% of training in our own training centers and certification tests for Unix, Cisco, Sun, Nortel, Microsoft, Citrix, Lotus, Novell, etc.),
- management of medium term evolution and changes among

departments,

- recruiting marketing (Internet, ads in the press, fairs and leading engineering schools, etc.).

### Quality approach certified technical assistance ISO 9001 version 2000

NEURONES is committed to the ISO 9001 (version 2000) certification process and now has for each of its professions:

- a quality manual,
- a series of formalized procedures.

In 2003, the technical assistance business was ISO 9001 version 2000 approved. The process is underway of extension to the helpdesk and security.

### Information system

The NEURONES information system relies on the following main software tools:

- management of group prospection: "Prospector" under Oracle (internal development),
- planning: in-house tools under Domino Notes,
- entry of time/production for the month: in-house tools under Oracle and Notes or software packages specialized per entity,
- commercial and accounting management: Sage software package,
- consolidation: Concept,
- management of candidatures and the recruiting cycle: "CV-library" (internal development under Domino Notes),
- human resources management: Zedig standard software package from ADP GSI.

### Parent company/subsidiary relations

NEURONES invoices its subsidiaries for the centralized functions performed on their behalf. In 2003, management fees amounted to 1.4 million euros (1.2 million euros in 2002).

## 1.7. Human resources

More than 98.5% of the staff are on a full-time work, the remainder are temporary staff or short-term contracts especially qualification contracts.

Since 1995, NEURONES has an active recruiting policy thanks to a structured HRD along the lines of the major audit and consulting firms. The recruiting procedures subject to quality assurance provide for:

- multiples choice technical questions by specialty,
- at least one technical interview,
- at least one personality interview.

The entire recruiting process is tracked with a groupware tool. This system enables monitoring over time of the degree of selectivity of group recruiting (on average one person recruited for 25 candidates).

NEURONES recruited 200 people in 2003 (compared with 200 in 2002, 550 in 2001 and 450 in 2000). The first two months of 2004 maintain the trend observed in 2003.

### Almost 20% of employees own stock options

These plans were approved in November 1999, July 2000, July 2001 and January 2003. Remember that one of the main objectives in floating the company on the market was to ensure liquidity of stock-options thereby making executives faithful to the group.



## The career development plan

The following measures were implemented to enhance mobility:

- personnel files and especially annual evaluations are recorded in a computing system (Zadig Hypervision) consulted selectively by the HR departments and authorized managers,
- the group has set subsidiary managers internal mobility objectives for their employees.

## Constant and original in-house training

The presence of a training business in the group is a great advantage as it is a major French IT trainer. The NEURONES training plan (1,700 days in 2003, 1,500 in 2002, 5,000 in 2001, 8,000 in 2000) was 90% in our own premises: simplified registration/cancellation procedures, availability of course supports, in-house certification (the group is certified as an exam and technical certification center by organizations like Drake). Taking these valorizing exams and certificates is encouraged.

In 2003, the effort in adult professional training (approximately 1.5% of the payroll package) was higher than the legal requirement.

## Active in-house communications

Each subsidiary has its Intranet and in-house journal. The group has a gateway site and a magazine. There are many non-technical games available - necessary to the life of any IT services company but not always sufficient.

## A positive average age

As the group came into being just when distributed computing and new technologies were developing, hence its absence in central site computing and proprietary system businesses, the average age of employees - 31.1 at the end of 2003 - is not very old.

## Changes in numbers of employees and turnover

	Employees at year-end
1996	200
1997	275
1998	506
1999	778
2000	993
2001	1,190
2002	1,206
2003	1,181

When the software and IT services market falls 3%, that means about 10,000 jobs are lost in France. Thanks to its diversified businesses and long-term contracts with obligation of results, NEURONES has managed to keep its staff and did not require any restructuring during the year.

In 2003, turnover (the number of departures during the year compared with the average number of employees in the year) settled at 11%, a record low. Remember that all our businesses are in the greater Paris region where turnover is traditionally much higher than in other regions of France.

The breakdown of departures by destination is as follows: 70% of people leave to corporate customer users, 10% to the provinces or abroad and 20% to manufacturers and sister IT services companies.

# 1.8. Brands and patents - Industrial and intellectual property

## Software

The group owns:

- all software used in "e-payment", secure payment range on Internet integrated in the Payline range sold by Experian,
- software e-business blocks "e-shop",
- trade management software "Prospector",
- application management software "CV-library".

## Patents

In compliance with the law, software cannot be patented as such, there are no patent license contracts.

## Brands

The group owns the brands used for the commercial denomination of its entities.

# 1.9. Investment policy

Investments are decided and managed by the group management Committee. The investment plan (mainly renewal investments) amounts to 0.8 to 1 million euros a year:

(en thousands of euros)	1999	2000	2001	2002	2003	2004
	actual	actual	actual	actual	actual	forecasts
Fittings	228	218	258	270	248	250
Transport equipment	104	102	162	116	46	100
Computer equipment and telephony	465	453	494	311	573	500
Software	152	52	133	145	90	100
<b>Total</b>	<b>949</b>	<b>825</b>	<b>1,047</b>	<b>842</b>	<b>957</b>	<b>950</b>

Every year it is almost the same as for depreciation expenses. In 2003, the investment plan was financed by free cashflow from the various NEURONES entities.

The group rents all premises that it uses (as of 1 January 2003, approximately: 8,100 m<sup>2</sup> in all, with 6,950 m<sup>2</sup> in Nanterre, 400 m<sup>2</sup>

in Ivry, 350 m<sup>2</sup> at la Défense, 250 m<sup>2</sup> rue du Faubourg-Saint-Honoré Paris 8e, 150 m<sup>2</sup> in Aix en Provence, Lille and Toulouse) from external owners with no links to NEURONES shareholders or its subsidiaries.

## Research and development

Research and development investments are not centralized at group level but scheduled and applied by individual subsidiaries. Days spent in technological watch and research and development are not immobilized on the balance sheet.

## Financial investments

The group has no stake in an unconsolidated company, except for a 4% investment in Réseau Aredia sarl, a network of independent companies covering the whole of France, held by the System and network integration entity.

In four years (2000-2003) NEURONES made four acquisitions for a total on 31 December 2003 of 14.6 million euros and a maximum additional potential of 0.7 million euros in 2004 and thereafter. These investments were financed by free cash flow generated by operations over the same period (22.6 million euros), as shown in the simplified statement of changes in financial position for the last four years:

(in millions of euros)	2000	2001	2002	2003
Net profit	3.7	5.4	5.9	4.9
Depreciation provisions, non-monetary elements	1.1	1.3	1.9	1.9
Cash flow	4.8	6.7	7.8	6.8
Change in WCR (increase) decrease	(1.4)	2.5	(1.7)	1.3
Net industrial investments	(1.0)	(1.2)	(0.9)	(1.1)
Free cash flow	2.4	8.0	5.2	7.0
Net financial investments	(8.8)	-	(3.8)	(2.1)
Increase of capital	29.9	-	-	-
Other items	(0.1)	(0.2)	-	-
Change in cash flow	+ 23.4	+ 7.8	+ 1.4	+ 4.9
Cash flow at year-end	26.6	34.4	35.8	40.7

## 1.10. Insurance policies

The main insurance policies of NEURONES cover the entire group for the following risks:

- professional civil liability: 3 million euros (material damage and pure financial loss),
- operational civil liability: 7.5 million euros,
- loss (theft/fire) with operational loss: 15 million euros of gross margin with a contractual indemnity limit of 3.8 million euros,
- client credit insurance (except for entities providing recurring services for which NEURONES reckons a halt to these services is sufficient coverage),
- directors' insurance.

Total premiums (excluding vehicle insurance) amounts to about 0.25% of consolidated revenues.

## 1.11. Subcontracting

### Subcontracting upstream

NEURONES generates a very small part of its revenues (in the region of 2%) as sub-contractor to a manufacturer or sister company.

### Subcontracting downstream

NEURONES occasionally calls on independent sub-contractors integrated in project teams. NEURONES does not outsource projects, either partially, or completely, to others. Calling on independents

is very concentrated in two businesses: training and Unix and DBMS production engineering. In 2003, the amount of subcontracting purchases amounted to 12.5% of group revenues (compared with 9% in 2002 and 8.7% in 2001). The increase is mainly due to a training plan management contract that will not be renewed in 2004. For 2004, the level of subcontracting purchases is expected to fall back to about 9% of revenues.

## 1.12. Competition

NEURONES is in competition on its markets with all IT services companies doing business related to new technologies and distributed environments. Consequently, the group thinks that, above all, it is dealing with competition by profession rather than global rivals.

System and network integration: the market is largely disputed by divisions of large IT services companies, manufacturer divisions (IBM, Unisys) and dedicated companies of various sizes (remote network integrators uniquely, for example) and distributors.

Outsourcing of distributed environments: in view of the cost of entering this profession, the group is up against only a dozen players who are, either global infomanagers like IBM Global Services, EDS, Cap Gemini and Atos-Origin, or infomanagers specialized in distributed computing like Steria, CS-SI, Euriware or Thalès-SI (ex-Syseca).

Help-desk: the specialist entity of the group, leader on its market, is primarily in competition with infomanager help-desks or company in-house solutions.

ERP Integration and Outsourcing: in integration, competitors are mainly Accenture or specialized divisions of large IT services companies (IBM, EDS, Cap Gemini, etc.). TMA and training are relatively well covered by these players. On the other hand, support seems less well catered to.

Application development: specialist competitors like Micropole-Univers, Business and Decision or divisions of large IT services companies such as Cap Gemini, Unilog, GFI.

Security computing: in this young profession, players are still very fragmented.

Training: the dedicated NEURONES subsidiary is among the leading five players specialized in computer training in France with Cegos, Azlan, GKN and Learning Tree (apart from the training divisions of manufacturers or IT services companies).

## 1.13. Risk factors

### Risks related to recruiting and keeping personnel

The group cannot guarantee that it will have the capacity to hire and keep its engineers and technicians required to achieve its objectives, especially if the lack of executives announced as of 2005 is confirmed. Despite a turnover that is high for the greater Paris region, the capacity of NEURONES to recruit has been sufficient to date without lowering its recruiting standards.

### Risks related to competition

The information technology market presents few entry barriers likely to stop the arrival of newcomers, which can be a threat for some businesses in the group.

The businesses the least threatened are:

- the help-desk: barrier due to the investment on entry,
- outsourcing: barrier due to the necessary size to have all the skills (prime contracting, help-desk, technical systems and networks expertise, ability to assign sizeable teams) and to the fact that the sales cycle is long.

### Technological risks

Markets where NEURONES operates typically change very rapidly technologically-speaking, with changes in industrial standards, arrival of new competitors and frequent appearance of new services, software and other products. The future success of the group will depend partially on its ability to adapt its offer without delay to satisfy changing needs of clients at the lowest possible price.

### Client risks

The foremost client of the group has never represented more than 5% of revenues when accumulating all orders made by independent entities of the same group. For all major customers, several entities of the NEURONES group contract with the numerous and various divisions or companies of the client group.

The majority of sales derive from corporate customers. The risk of such a client defaulting on payment is consequently relatively low and are mainly insured with Euler-SFAC.

### Risks related to non respect of an obligation of result

Since the beginning, NEURONES operates part of its business in the form of fixed price contracts, which means an obligation of result:

	Time spent	Fixed price
Integration syst. & networks	30 %	70 %
Outsourcing	70 %	30 %
Help-desk	100 %	0 %
Security	90 %	10 %
Application dev.	70 %	30 %
ERP integration	20 %	80 %
Support ERP	90 %	10 %
Training	100 %	0 %

The risk of not respecting an obligation of results is very small as it is analyzed permanently:

#### a) During the stage prior to sale:

Technically-speaking, the answer to client tenders is validated by 2 or 3 people (depending on the size of the project) during bid reviews.

Legally speaking, standard group contracts are used whenever possible. If the client imposes a contract model, it is discussed and validated by the group's legal advisers.

Economically speaking, contractual commitments do not exceed 0.5 million euros of services per contract.

#### b) During project application:

The project team scrupulously follows quality control stages. Project progress is recorded in the information system of the entity every month by NEURONES operators (with entry of "work remaining" by elementary task). It is on the basis of this data that management control checks project progress every month. So, each month

the discrepancies between forecasts and work done are known. In case of significant discrepancy, the general management of the entity is warned and corrective action is taken.

Overall, although you cannot eliminate the risk of fixed price projects going awry, experience shows that it is limited. In case of an accident, NEURONES is covered by legal and professional liability insurance policies.

### Risks related to acquisition operations

In future acquisition operations, NEURONES will select medium-size enterprises whose teams can be integrated in the group. In all instances, managers will share a culture similar to that of current managers, enabling their entities to remain autonomous yet creating synergies with other group companies. Special attention will be applied so that owners and managing or key executives moving over to NEURONES find financial motivation comparable to their previous situation.

### Foreign exchange and rate risks

Group operations in foreign currency are for the present quite rare. As a result, the foreign exchange risk is insignificant.

The group has no net debt and tends to use its excess cash for acquisitions. Consequently, the rate risk is actually relatively low.

### Risks related to investments and debt

NEURONES excess cash is invested in cash instruments with remuneration very similar to the money market. It has never been invested in equity or bond base supports. NEURONES has never, for the time being, owned its own securities.

In the past, medium-term credits used have always been on a fixed rate. Given its situation of excess cash, NEURONES does not have an average rate of cost of debt.

### Off-balance sheet commitments

NEURONES off-balance sheet commitments are as follows:

- earn outs conditioned on reaching a level of net profit in 2004. As of 31/12/2003, the maximum amount of earn out that could have to be paid amounted to 0.760 million euros and the probability of its being paid was very low. That is well below the net profits that conditioned the earn outs in question,
- option for sale at 5% of INTRINsec shares, at a price of 8.84 euros per share. As the financial conditions were combined on 31/12/03 to exercise this option (level of equity as of 31/12/03), the beneficiaries had until 30 June 2004 to exercise their option.
- office rentals: traditional commercial leases of 3, 6 and 9 years.
- maintenance rentals and contracts relating to standard office equipment (photocopier maintenance over 3 years, etc.).

Earn-outs are calculated depending on the degree achieved of the net profit objective of the purchased company. When net profit objectives are exceeded, a ceiling is put on earn-outs.

NEURONES has no other off-balance sheet commitment (not matured discounted notes, conditional commitments, financial guarantees, conveyance, etc.).

### Extraordinary facts, litigation and cases underway

To the knowledge of NEURONES, there is no extraordinary fact or litigation in the recent past likely to have or have had significant negative incidence on the business, assets or financial standing of the group.



## 1.14. Strategy and development

### Development strategy

To keep a step ahead of the market in its field, NEURONES deploys a strategy operating on the following principles:

- Profiting from a groundswell movement of outsourcing of distributed IT-linked services (generally to infrastructures) and acquiring a leading position in Outsourcing of distributed IT. Increase the number of renewed contracts: the group has the necessary resources to work with its clients in the framework of increasingly elaborate contractual forms:
  - simple technical support,
  - service contracts with invoicing per unit,
  - finally, outsourcing contracts over several years with invoicing by work-station.

Development and investment are aimed at increasing the rate of outsourcing contracts over several years. The key factors of success and choice of service providers for such contracts are:

- capacity of the service provider to provide prime contracting,
- technical and organizational skills in network management (typical stations, supervision, remote distribution, etc.),
- help-desk expertise,
- capacity to allocate resources rapidly to work alongside the client;
- investing the e-Services sector. Participate in its consolidation: "Internetting" of information systems is the heavy trend. All related service businesses will experience higher than average service growth in the next five years.
- broadening relations with corporate customers: NEURONES believes that offering a high quality service is essential in the building of relations with existing clients. NEURONES currently works with only approximately 200 clients of the 600 or more French corporate customers. The group reckons that there is a deep reserve for growth in the very large corporate customers who will be targeted more methodically. The size of central teams in charge of overall relations with corporate customers is increasing regularly.
- welcoming original start-ups within the group as regards services: organization of the group in autonomous profit centers, with their own operating accounts and means, gave NEURONES practice in dealing with associate entrepreneurs. The group makes available its tools, its structure and its commercial network. On condition that the personality of the bosses and distinct advantages of independent IT services companies rejoining the group are respected, as a result the marriage of two cultures is very promising.
- participating in restructuring of the IT services company sector: NEURONES is a serious candidate to take part in sector restructuring which has started but far less fast than one might have imagined. NEURONES acquisition criteria are as follows:
  - profitable companies or their divisions,
  - constant management,
  - operations that boost EPS.
- expansion by geographic coverage (regions, international): to achieve critical mass, NEURONES has so far concentrated its energies on professions. The group remained in Paris and the surrounding region, neglecting other geographic zones that are potential sources of growth. NEURONES is now ready as a function of the opportunities and client demands to develop its professions in a selective manner elsewhere in France and then abroad.

### Permanent principles

Apart from these strategic points of development, NEURONES relies on the following permanent principles that correspond, according to

the management, to fundamental demand of corporate customers and guarantee group presence on the market for the medium and long term:

- recruiting, training and encouraging top-level consultants with special emphasis on the ability for project prime contracting: NEURONES is looking to recruit the most qualified consultants offering them a rich and dynamic environment and culture, a handsome pay package and promising career possibilities. The group offers them the opportunity to accelerate their professional development by working on real prime contracting tasks in complex projects;
- maintaining sufficient fixed-price teams: the natural tendency leads IT services companies to opt for service offers in the form of technical assistance (invoicing with engineers generally on client site for long periods) compared with the turnkey service and project offers.

Given increasing environmental complexity, NEURONES finds that numerous complementary technical experts need to be gathered to give a pertinent opinion on a client project.

Group managers are convinced that long-term presence on the market involves providing a pertinent and rapid technical solution to increasingly complex problems. To do that, it is essential to maintain and retain a strong technical kernel of expert engineers working uniquely on fixed-price projects, otherwise it is not feasible to ensure real project prime contracting. This structure also allows for a profound technical link among teams, in addition to the necessary tools of knowledge management, Intranets and other formal and transverse technical meetings.

- Keep under quality insurance in consulting and fixed price projects the two following fundamental processes of: recruiting and the precontractual stage in response to client projects. To control future growth, NEURONES regularly develops its organization and infrastructures, HRD, financial and legal departments, quality division, information systems, all in a flexible manner.

Beyond, NEURONES considers it fundamental for firm control of growth to master the following two processes under quality assurance since 1996. The group has installed the necessary systems and tools for complete tracking of them both:

- recruiting: 15,000 applications received in 2003, mandatory multiple choice questions, mandatory personal interview, management of applications using the "CV-library" tool,
- the precontractual stage in response to client demand: "go/no go" procedures with evaluation of risks, mandatory formalized detail of the service, systematic allocation of a single person in charge for all replies to a client demand.

## 1.15. Recent developments and prospects

### Growth and operating profit by quarter

(in millions of euros)	Q1	Q2	Q3	Q4	2003
revenues	23.5	23.3	22.3	23.6	92.7
Change on 2002	+ 4.7 %	+ 1.4 %	- 2.6 %	- 2.7 %	+ 0.1 %
Of which % organic (like-for-like)	- 2.6 %	- 3.3 %	- 6.4 %	- 2.7 %	- 3.6 %

NEURONES posted the following operating profits but did not observe a recovery at the end of 2003:

	Q1	Q2	Q3	Q4	2003
Operating profit	7.5 %	7.7 %	10.3 %	7.3 %	8.2 %

### Rates of business

In 2003, rates of business were as follows:

	Rates of business 2003	Rates of business 2002
Integration	75 %	78 %
Outsourcing NT work-stations	95 %	92.5 %
Outsourcing UNIX, DBMS	92 %	95 %
e-Services	Non significant	Non significant

For integration businesses where fixed price projects are many, daily sales prices include time spent before sales, technological watch and training time on software and equipment. Given the proportion of fixed price projects, the rate of business in Integration cannot achieve the rates found in Outsourcing even if part of the Integration teams were employed on Outsourcing projects.

For outsourcing businesses, non-invoiced days correspond to "inter-contract" days.

Finally, for e-services, the occupancy rate is not significant. In fact, it must be analyzed in addition to productivity indicators (number of calls handled by technician on the help-desk for example) at occupancy rates (e.g. for training number of trainees by room, number of rooms occupied) to explain the correct use of technical resources in a pertinent manner.

For the first two months of 2004, rates of business were stable.

### Recent developments and prospects

At a meeting on 12 February 2004 with financial analysts, NEURONES specified that it did not think there would be a recovery at the beginning of 2004 and pointed out the following factors:

Factors positive for growth:

- a persistently strong market for outsourcing,
- corporate customers reference NEURONES quite naturally,
- renewal of infrastructures which has been modest since 1999, is expected to speed up.

Negative factors:

- some IT services companies are very aggressive in terms of price,
- a drop in lump-sum prices: the low prices for contracts signed in 2003 will have effect in full-year 2004.

For lack of visibility, NEURONES did not make a forecast in figures for 2004 at the meeting on 12 February 2004, but did so in a press release on 29 April 2004.

### Forecast calendar for financial communications

Publication of revenues:

- 29 April 2004 (1st quarter 2004),
- 29 July 2004 (1st half 2004),
- 28 October 2004 (3rd quarter 2004).

Publication of results:

- 30 September 2004 (1st half 2004).

## 2. Financial performance

### 2.1. Board of directors report to the Combined General Meeting on 25 June 2004

Dear Shareholders,

We are gathered in the Combined General Meeting in compliance with legal and statutory regulations to inform you of our group's business in the past financial year, submit for your approval the annual and consolidated accounts for the financial year ending 31 December 2003 and to inform you of future prospects.

#### Consolidated accounts

##### Remarks on group business in 2003

According to authorized observers, the IT services market in France overall experienced two consecutive years of decline, in 2002 (-3%) and in 2003 (between -3 and -5% depending on estimates at the end of 2003).

In this context, NEURONES reported stable consolidated revenues (+0.1%), down 3.6% on a constant basis. This fall is due to the drop in sales of licenses and equipment (-27%), sales of services were up 4.4% in published data and stable on a constant basis.

Revenues amounted to 92.7 million euros, of which 83.7 million for services provided and 9 million for sales of licenses and equipment, compared with 92.6 million euros in 2002 (of which 80.2 million for services provided and 12.4 million for sales of licenses and equipment).

Operating profit amounted to 7.6 million euros in 2003, compared with 9.7 million euros in 2002 and accounted for 8.2% of revenues, compared with 10.5% in 2002. The fall in operating profit was mainly due to the fall in sales of licenses and equipment and the drop in service margins, an increase in volumes of sub-contracting handled, the strong pressure on sales prices, despite the better occupancy rate of production teams.

We would stress that NEURONES books not non-recurring cost in extraordinary items, and that performance of 8.2% operating margin on revenues places NEURONES among the leaders in French IT services companies in terms of operating profitability.

The financial profit fell from 1 million to 0.8 million euros. This 20% fall results from the cut of about 30% in the average rate of remuneration between 2002 and 2003, nevertheless offset by an increase in available average cash of 11%.

The corporate tax burden increased to 2.8 million euros, compared with 3.6 million euros the year before. The average corporate tax rate works out at 34%.

Depreciation of goodwill fell from 1 million to 0.7 million euros. The level of goodwill depreciation in 2002 was increased excep-

tionally after the booking of an extraordinary depreciation in one of the subsidiaries. Impairment test procedures were run. No additional depreciation was observed in 2003, all impairment tests proved negative.

Net attributable profit (group share) after depreciation of goodwill amounts to 4.5 million euros, compared with 5.6 million euros last year, and now represents 4.9% of consolidated revenues.

#### Comments on the consolidated financial position

##### Assets

Fixed assets (goodwill, intangible, intangible and financial fixed assets) remain globally stable.

Investments this year in tangible fixed assets amounted to 0.9 million euros and mainly correspond to investments for renewal (fittings, equipment and IT software for internal use, company cars).

Working capital requirements was reduced by 1.3 million euros, especially by a cut in the client item, for the third year in a row. Current deferred tax mainly corresponds to raising of tax on employee profit-sharing.

Cash generated by operations in 2003 is higher than net profit, amounting to 8.2 million euros. This performance, achieved for the third consecutive year, is the outcome of strict management of working capital requirements. Net cash as of 31 December 2003 amounts to 40.7 million euros.

##### Liabilities

Provisions for risks mainly correspond to provisions for operating risks. Supplier, welfare and tax debts remain stable, the result of a weaker growth, especially as regards employees. Other debts fell sharply thanks to payments of price complements and deferred prices on acquisitions made during previous years.

#### Future prospects

Falling sales prices granted in 2003 will take full effect in 2004. This drop in operating margin can only be compensated by a recovery in volumes that are not apparent for the time being and that the economic forecasters announce as being very gradual in 2004 and significant as of 2005.



## Acquisition of stakes

During 2003, NEURONES made no acquisitions (after two acquisitions in 2002). Changes in scope of consolidation for 2003 were as follows:

- Merger-absorption of Codilog by Knowledge, retroactively on 1st January 2003. Given the exchange parities retained, the percentage stake held by NEURONES in Knowledge went from 90% to 71%.
- Purchase in 2003 of 0.8% of de Brainsoft shares by a company director.

- Finally, the creation of Axones in October 2003 (no business for the moment) made in the aim of housing new businesses as part of group development (partial contribution of assets, takeover of business, creation of business from scratch, etc.).

## Subsidiary businesses

Businesses of the NEURONES group are divided into three business segments:

- System and network integration,
- Outsourcing of distributed environments,
- e-Services.

NEURONES subsidiaries, their belonging to the various segments, and contributions to the main consolidated aggregates in 2003 are summarized below:

(in thousands of euros)

Segment	Company	revenues 2003	Result 2003	Net profit 2003
<b>Parent company</b>				
	NEURONES S.A.	4	(148)	(370)
<b>System and network integration:</b>				
	Neurones Solutions	14,795	406	277
<b>Outsourcing of distributed environments:</b>				
	Skills Consulting	17,385	2,822	1,935
	Sub-Group AS International	12,375	1,521	1,065
<b>e-Services</b>				
	Help-Line	24,612	2,219	1,298
	Brainsoft	5,720	263	160
	UpGrade	8,305	(392)	(390)
	Intrinsec	2,737	239	145
	Codilog-Knowledge	2,399	359	211
	Inexware Services	4,400	299	207
<b>Total</b>		<b>92,732</b>	<b>7,588</b>	<b>4,538</b>

Data provided is calculated on the basis of contributions to consolidated aggregates, including operations of internal elimination (revenues, consolidated adjustments, etc.).

## System and network integration

Revenues slipped 25%, consisting of a 32% drop for the sale of licenses and equipment business and a 15% slide in the services business. Operating profit remains positive at 2.7% of revenues, despite the substantial fall in volumes. With a globally dismal situation in numerous economic sectors, projects for IT infrastructure renewal tended to be postponed. A manager, already working for the group, was appointed to run this segment as of 1 January 2004.

## Outsourcing of distributed environments

Revenues for the segment fell 7% in 2003 despite a record rate of business at 94% and a record low level of turnover (10%). The simple technical assistance market remained under pressure, in volume and sales price. In some situations, we gave up on some operations that would have damaged margins. In other instances, we had to make do to keep our positions and ensure the volume required.

Outsourcing and other contractual forms designed (long-term contracts, multiservices, with obligation of results) progressed once again.

Globally, the drop in sales price was estimated at 3% for this business. Operating profit is down 23%, but in absolute values remains higher than the average. The ratio of operating profit to revenues is 14.3% in 2003, after 17.2% in 2002.

## e-Services segment

The company dedicated to remote IT assistance (help-desk) continued its path of firm internal growth at +15%. Operating profit rose in the same proportion (+13%). The company is steadily confirming its leading position on the IT help-desk market in France.

The security business grew once more, i.e. +10% in revenues with operating profit at 9% of revenues.

Integration of two acquisitions in 2002 happened conform to expectations.

For its first year of twelve months, the Internet applications development company acquired on 1 October 2002 generated revenues of 4.4 million euros and an operating profit representing 6.8% of revenues. Synergies with the entity already present in the group on this business were real and helped improve operating

margin, which amounted to 5%. In application development, margins are nevertheless under pressure and competition strong.

As announced, the SAP integrator joined the group on 1 March 2002 and merged with our SAP support entity on 1 January 2003. The new SAP-dedicated services entity (integration and support) generated an operating profit of 15% of revenues, a higher rate than the group average.

The IT training market was very difficult in 2003. There was a sharp fall in orders from colleague IT services companies for technical training (half of our business) and a definite slump in major client user training budgets (the other half).

Revenues from our entity rose 23% to 8.3 million euros, but that was due to a training plan management contract on behalf of a corporate customer, at a low margin, that we decided not to renew in 2004. The company posted an operating loss of 0.4 million euros. A plan to reach breakeven started in 2002 was achieved in 2003. These non recurring costs were entirely assumed during the year. Since October 2003, the company has turned a profit every month.

## Financial statements - Neurones S.A.

### Comments on NEURONES S.A. business in 2003

Revenues amounted to 8.3 million euros, compared with 4.5 million euros the previous year. Revenues come from fees for services to group subsidiaries, and charging back of revenues earned by group companies with corporate customers who listed the parent company as the supplier representing the group, where NEURONES S.A. plays the role of "letter box". The increase in revenues is exclusively due to higher volume charged back in "letter box" made by NEURONES S.A. on behalf of its subsidiaries.

An operating loss of 143 thousand euros was reported. Net profit amounted to 289 thousand euros, largely due to financial income (388 thousand euros) generated when investing the balance of sums not used after the IPO and to the profit of tax integration.

### Future prospects

Since 1 January 2000, NEURONES S.A. is a holding company concentrating its functions: group management, finance, human resources, marketing and group communications, major project task force, quality. The company balanced its current operating expenses, except for stock exchange listing charges, by charging back the services to the various group subsidiaries.

### Allocation of profit

We suggest allocating the profit for the year, i.e. 288,940.73 euros as follows:

- allocation to retained earnings, 288,940.73 euros which increase from 30,181,911.95 euros to 30,470,852.68 euros.

We also remind you that the company has not paid out dividends in the last three years.

### Replacement of an Auditor and their substitute.

One of the two auditors and their substitute, Ernst & Young Audit and Mr. Guy Papouin, retired early, we suggest appointing as replacements and for the remaining term of the mandate, i.e. one year, KPMG Audit as Auditors and Mr. Christian Liberos as substitute auditor. The mandate will expire at the end of the Annual General Meeting summoned to approve the accounts for the financial year ending 31 December 2004

## Other financial information

### Events after the date of closing accounts

No major event, likely to put accounts presented here into question, occurred between the time of closing accounts and the date of this report.

### Research and development operations

R&D investments are made by individual group companies. Costs, mainly corresponding to time spent, are booked to charges for the year concerned and are not capitalized.

### Environmental risks

NEURONES nor any of its subsidiaries causes any special risk to the environment in the performance of IT services and consulting.

### Other risks (country, market, rates)

#### Country risks

NEURONES, because of its presence in France only, has no special country risk.

#### Market, foreign exchange risks

NEURONES, and all its subsidiaries, are not significantly exposed to market or foreign exchange risks:

- surplus cash is only invested on monetary support with highly solvent banks.
- NEURONES has no financial debt and consequently is not exposed to risks of changing interest rates.

### Change in accounting reference – switch to IFRS standards – Degree of project progress and identification of the main challenges

The project to change accounting reference on 1 January 2005 and to adopt IFRS standards is managed in two stages:

- A first stage to identify and list standards by which NEURONES might be concerned, and an analysis to identify if the application of the new standards would lead to a change in method or not compared with the accounting rules and methods currently applied by NEURONES. The change of method was assessed in comparison with principles already applied on 31 December 2003.
- A second stage of evaluation mainly concerned the impacts in terms of organization, the management tool, and a first rapid estimate of the financial impact of a change in method, if necessary (significant / not significant / cannot be assessed for the moment).

#### Stage 1 - Identification, inventory

We would point out at this stage, NEURONES only owns French companies, whose administrative and financial organization is strongly centralized. The inventory of standards for which NEURONES would be concerned takes account of the relative simplicity of the current legal, financial and operational structure of the group.

The first stage can be summarized as follows:

IAS	Standard	Change of method / presentation identified	
		Yes	No
IAS 11 / IAS 18	Recognition of revenue • Booking of revenues in advance		•
IAS 14	Sector information	•	
IAS 16	Tangible assets		•
IAS 17	Rental contracts • Leasing • Long-term rental	•	•
IAS 19	Personnel advantages		•
IAS 38	Intangible assets		•
IFRS 2	Stocks options	•	
IAS 38	R&D expenses		•
IAS 39	Discounting of current assets and liabilities of more than one year	•	

Other standards are not applicable to NEURONES currently.

## Stage 2 - Evaluation of the impact on organization, management and finance systems

This work is now finished and will help reduce an opening balance sheet as of 1 January 2004, with figures for the main impacts due to the change in method in the context of the switchover to IFRS standards, on publication of half-year accounts cut off on 30 June 2004.

### Consequences on employees

The average payroll in 2003 was 1,156, compared with 1,143 on average during 2002, practically stable if one ignores the two acquisitions in 2002. As of 31 December 2003, the average age was 31.

The overall payroll package rose by 2.9%, for an average staff increase of 1.1%. The 1.8% difference is due to combined effects of individual increases, changes in mix and turnover. This has been in constant decline for 5 years and amounted to 11% in 2003, 15% in 2002, 19% in 2001, 24% in 2000 and 19% in 1999. The effort at training in 2003 was slightly higher in 2003 and represented 1,700 days, against 1,500 days in 2002. This effort is in excess of legal obligations.

Group companies pay the legal participation when statutory conditions are met. Participation management is entrusted to a bank

outside of the group. What is more, stock option plans, details of which are given in the following paragraph, have been deliberately granted to a large proportion of group employees (more than 20%). Finally, a contribution of 0.2% of the payroll package is paid to the worker's council of companies fulfilling statutory conditions.

### Operations accomplished on behalf of employee stock option subscription

The General Meeting authorized the following plans:

- on 29 November 1999, granting by the General Meeting of stock purchase warrants (the right to subscribe to 476,385 shares),
- on 29 November 1999, authorization given to the Board of directors to grant stock options for a period of five years in one or several times, on 964,875 shares.
- on 25 June 2003, authorization given to the Board of directors to grant stock options in one or several times, for a period of thirty eight months on 250,000 shares.

The Board of Directors then made full use of this authorization and granted stock options with rules as follows:

	Stock purchase warrants	Plan n° 1	Plan n° 2	Plan n° 3	Plan n° 4
Date of the meeting	29/11/1999		29/11/1999		
Date of Board of directors meeting	-	29/11/1999	27/07/2000	11/07/2001	23/01/2003
Maturity date of plans	29/11/2004	29/11/2004	27/07/2005	11/07/2006	01/03/2007
Expiry date of plans	28/11/2005	28/11/2014	26/07/2015	11/07/2011	28/02/2011
Number of beneficiaries	49	19	171	238	60
Incl. managers	2	-	-	-	-
Number of options granted	476,385	165,550	304,363	320,210	174,000
Number of expired options as of 31/12/2003	(55,975)	(66,695)	(153,851)	(81,183)	(4,000)
Maximum number of options remaining exercisable	420,410	98,855	150,512	239,027	170,000
Subscription price (in euros)	3.20	3.20	7.50	3.80	3.20
Number of shares bought to date	-	-	-	-	-
Potential dilution deducted - % of current capital	1.85 %	0.43 %	0.66 %	1.05 %	0.75 %
<b>Total potential dilution</b>					<b>4.74 %</b>



The authorization given to the Board of directors on 29 November 1999 expired in June 2003, the remaining 752 options not attributed in the framework of this authorization was cancelled by the General Meeting on 25 June 2003. The authorization given to the Board of directors on 25 June 2003 has not yet been used by the Board.

### Own shares - Held by the company

We state that the company owns no treasury stock to date.

### Authorization to create options or stock option plans within a limit of 0.4% of the capital

We ask you to authorize the Board of directors to grant in one or several times, a total of 100,000 subscription options or options for a period of thirty eight months.

- This number corresponds to the options attributed in previous plans, and becoming void during 2003.
- The maximum potential dilution for all stock option and stock option warrant plans, following this new authorization, will be increased to 6.27% of the capital, taking account of options already attributed and to be exercised, and the maximum number of options to be granted, including this new authorization.
- In case of purchase option, the share purchase price paid by the beneficiaries is decided on the day the options are granted by the Board of directors and cannot be less than 80% of the average price in the 20 market sessions prior to the day the options will be granted, nor less than 80% of the average price of shares held by the company according to articles L.225-206 and L.225-209 of the Code of Commerce,
- The beneficiaries of these options may only be the employees or some of them and legally approved legal representatives of NEURONES and all other French and foreign companies directly or indirectly associated according to the provisions of article L.225-180 of the Code of Commerce. Beneficiaries must be working as employees or legal representatives continuously from the time they are granted the options until they exercise them,
- The Board of directors will have all the powers to implement, under conditions set by the law, this delegation and especially to set the conditions under which these options are granted, decide on the list of beneficiaries, set the exercise period(s) for options granted (it is specified that the options cannot exceed a period of 10 years as of the date they are granted) and to accomplish all acts and formalities necessary.

### Authorization to increase capital under the provisions stipulated in article L. 443-5 of the Labor code

Furthermore, and in compliance with the law 2001-152 dated 19 February 2001, we ask you to vote for a resolution authorizing the Board of directors to increase capital under the provisions provided for in article L.443-5 of the Labor code if shares held by company personnel and affiliate companies in the sense of article L.225-180 represent less than 3% of the capital.

This delegation includes express renunciation of shareholders to their preferential subscription right, and is valid for 26 months as of this meeting and for a maximum nominal amount of 300,000 euros.

The Board of directors has all the powers to decide on the companies whose employees or pensioners can subscribe to this increase of capital, to set all conditions and methods of the operations (especially define the period of time spent by the beneficiaries in the company, the amount of the issue, the subscription price, it being specified that the subscription price cannot be greater than the average listed price of the 20 market sessions prior to the day of the decision by the Board of directors, nor less than 20% of that average), and to accomplish all acts and formalities necessary.

Given the fact that there are founder share option plans and a share option plan, we would ask you to decide if it is not time to increase the capital under the provisions provided for in article L.443-5 of the Labor code.

### State of employee profit-sharing

In compliance with the law dated 25 July 1994, we inform you that employees hold no company shares in the framework of a company savings plan, investment company for employees or for the period of non-availability provided in articles L.225-194 and L.225-197 of the Code of Commerce and article L.442-7 of the Labor code.

### Authorization for the company to buy its own shares

The company would like to have the possibility of buying its own shares, especially to:

- Intervene in buying and selling depending on market situations,
- Proceed in the sale, exchange or transfer of securities bought depending on opportunities especially in the context of acquisitions,
- Attribute securities bought to employees and/or legal representatives who have been granted options,
- Support the company's market price by systematically counter-acting negative effects on the share's behavior wherever it is listed.
- cancel shares bought back.

We ask you to authorize the Board of directors and delegate the faculty of implementing share purchasing programs in the context defined below:

- the delegation is valid for 18 months, as of this meeting,
- purchase of shares may be by support on the market or by buying blocks, with no special limit for the acquisition of blocks,
- the maximum purchase price is set at 12 euros, the minimum sale price is set at 4 euros,
- the maximum number of shares likely to be bought by the company is limited to 10% of the total number of shares in the company capital, i.e. 2,277,105 shares, representing a maximum purchase amount of 27,325,260 euros,
- this number of shares and capping on share sales and purchases will, if necessary, be adjusted at the time of any financial operations made by the company or on decisions affecting the company capital.

The Board of directors shall provide shareholders with all information concerning the buying and selling of shares in its report to the Ordinary General Meeting,. This authorization replaces that given by the Combined General Meeting of 25 June 2003.

### Authorization for the company to reduce capital

In the framework of share buyback programs, the company wants to have the possibility of canceling all or part of shares bought back. We ask you vote a resolution allowing the Board of directors, for a five-year period, to reduce capital in one or several times, canceling all or part of shares acquired by the company itself, with a limit of 10% of company capital, by period of 24 months, the difference between the book value of cancelled shares and their face value shall be booked to all reserves and premium items, and to proceed to the related modification to by-laws and accomplish all formalities required by law.

The maximum number of shares likely to be cancelled under these conditions cannot exceed 2,277,105, representing 27,325,260

euros.

### Authorization for the company to issue marketable securities giving right to a round lot of the capital.

We ask for this authorization in order to finance group acquisitions.

We ask you to authorize the Board of directors to increase the capital, in one or several times, by issuing marketable securities, including autonomous notes in France and abroad, giving immediate or future access to a round lot of company capital, except for preferential shares or investment certificates within the limits stipulated below.

The nominal ceiling of capital increases likely to result from the issue of marketable securities is set at 4 million euros and the total nominal amount of issues of marketable securities representing receivables giving access to capital may not exceed 80 million euros.

In such a case, the amount returning or subsequently returning to the company for each share issued or created by subscription,

conversion, exchange, redemption or exercise of warrants or others, shall be at least equal to the average of the last 20 days market price prior to the issue of the marketable securities.

In a first resolution, this authorization is given to your Board of directors with the preferential subscription right for shareholders.

In a second resolution, and in order to offer maximum flexibility in implementing this authorization and in the issue of marketable securities, we suggest suppressing the preferential subscription right of shareholders as regards the issue of these marketable securities. The Board can, if it deems necessary, reserve a subscription priority for shareholders.

If the global authorization for the nominal issue of 4 million euros was used, a shareholder owning 1% of the company capital would see his share reduced to 0.69%.

The Board will have all powers to decide on the form and characteristics of the marketable securities. This delegation is valid for twenty six months.

### State of accumulated dilution after the various capital operations

	Current situation 31/12/2003	Exercise of stock option warrants, stocks options (plans attributed and remaining to attribute)	Increase of capital – Article L.443-5 of the Labor code	Increase of capital by issue of marketable securities	Total after all operations
Number of shares	22,771,050	1,428,804	750,000	10,000,000	12,178,804
% Dilution	-	6.27 %	3.29 %	43.92 %	53.48 %

### Renewal of directors mandate

The mandate of directors expiring at the end of the Ordinary General Meeting to approve accounts closing on 31 December 2003, we suggest the General Meeting renews their mandates for a year, in compliance with the by-laws.

### Remuneration of directors and list of mandates performed

Mr. Luc de Chamnard is Chairman and Chief Executive Officer of NEURONES. He is also Chairman of Axones, a 100% subsidiary of NEURONES.

Mr. Bertrand Ducurtil is deputy Chief Executive Officer and director of NEURONES. He is also Chairman of Skills Consulting, Inexware Services, manager of AS Technologies and AS Télécom & Réseaux, all these companies being direct and indirect subsidiaries of the group.

Mr. Ducurtil is also manager of S.A.R.L. HOST, a company which is not part of the NEURONES group.

Mr. de Catuelan is director of NEURONES. He is also director of S.A. Immopark, manager of FCH participations, director of the company Activités Auto Contrôle S.A. and co-manager of S.A.R.L. Auto Contrôle Voisins. These companies are not part of the NEURONES group.

Mr. Pacquement is director of NEURONES and has no other mandates.

During 2003, Mr de Chamnard was paid 157,547 euros, including 6,220 euros as perquisites. Mr. Ducurtil was paid 106,714 euros. Messrs de Catuelan and Pacquement were not paid for their duties as directors.

### Identity of shareholders

We inform you that Mr. Luc de Chamnard owns directly and indirectly more than two thirds of the capital and voting rights in the company

During 2003, Mr. Bertrand Ducurtil broke down through the 5% threshold of voting rights and now owns 4.2% of the capital and 4.6% of voting rights.

No other breaking of thresholds has been declared to the company.

### Conclusion

We ask you to approve accounts and the balance sheet for the financial year ending 31 December 2003, the management report drafted by your Board of directors and, consequently, approve the management for the financial year and adopt the resolutions subject to your vote.

**The Board of directors**

## 2.2. Special report from the Chairman to the General Assembly on conditions of preparation and organization of the Board of Director's work and internal control

(Article L.225-37 of the Code of Commerce)

In compliance with article L.225-37 of the Code of Commerce, we report to you on the conditions of preparation and organization of the Board of directors' work, and present our report on management control.

### Conditions of preparation and organization of the Board's work

#### Make-up of the Board of directors

The NEURONES Board is made up of 4 members:

- two members, the Chairman-CEO and the deputy CEO, who have an operational role in the company and the group and work there full time,
- two outside directors, with no operational role in the company or the group, and with no business relation with NEURONES. Founding shareholders of NEURONES, they have followed the development as directors since 1985 and have been in business for more than 25 years each.

#### Powers of the Chairman and the deputy CEO of the parent company

The powers of the Chairman and the deputy CEO are those provided by the law. The by-laws, however, provide that the Board of directors may limit them for internal purposes, not opposable by third parties. The Board of directors has added no further limitation to the powers of the Chairman and the deputy CEO.

#### Frequency of Board meetings and functioning

The NEURONES Board of directors meets at least four times a year:

date	agenda
beginning of January	Approval of statutory conventions and fixing of company legal representatives fees for the coming year.
February	Cut-off of annual statements and consolidated statements.
end of June (at the end of the Ordinary General Meeting)	Following the appointment of directors for the coming year by the General Meeting held the same day, election of the Chairman of the Board of directors.
September	Cut-off of consolidated half-year statements.

The Auditors are summoned and present at the two meetings for account closing (February and September).

Bearing in mind its size, its geographic proximity to its subsidiaries (located in the same building or adjacent buildings for most of them), the fact that managers hold shares of capital in most of the entities making up the group, the operational role of two of the four members of the Board of directors and their overall majority interest in capital of the company, NEURONES considers that for the moment, setting up committees reporting to the Board of directors (audit committee, remuneration committee, etc.) is more of a disadvantage than a convenience.

Apart from these four meetings a year, the Board meets every time the situation requires (approval of acquisition operations, convening of an Extraordinary General Meeting, contribution of assets, mergers, etc.).

#### Board work (account cut-off)

Statements (balance sheet, income statement and notes in project mode) are generally closed two weeks before the Board meeting (end of January for annual accounts, end of August for half-year accounts). These statements are prepared by the group financial department and are first validated by NEURONES' two operational directors.

These statements are given to:

- the external auditors at the same time as the summons to the Board meeting for account cut-off to which they are attached. The outside directors have a two-week period to ask the necessary questions of the other two directors or the financial department, at their choice,
- the Auditors who start their verification work immediately.

On completion of the Auditors verification work, and at the latest, on the eve of the Board meeting for cutting off accounts, a summary meeting is organized with at least one director (the deputy CEO most of the time), the group financial director and the Auditors. The latter make the necessary remarks and possible adjustments to the statements. After discussion and approval by the Auditors, the statements are presented to the Board of directors for their approval in the adequate form.

The Board of directors then approves the statements in that form. The half-year consolidated statements, the annual statements and the consolidated annual statements are approved and then presented for approval by the Ordinary General Meeting of shareholders.

### Internal control report

#### Introduction - Reminder of objectives as regards internal control

Taking calculated risks is a deliberate and necessary action, inherent to any company. To be in a position to develop with reasonable assurance of operational, legal, financial and accounting safety, NEURONES has implemented a risk management system based on procedures, methods and tools.

One of the objectives of internal control is to warn and control risks resulting from company business and risks of error or fraud, especially in the accounting and financial fields. Like any control system, it cannot provide an absolute guarantee that these risks are totally removed.

The main objectives of procedures of risk management or internal control are:

- to list potential risks and assess them (probability of occurring, impact), whether accounting and financial or operational,
- to define and implement actions to master and control these risks.



**In the accounting and financial field**, the most important control procedures (likely to have an impact on accounts) aim to master the following processes:

- recognition of revenue (project progress, overshooting and risk of invoicing without orders, especially),
- off-balance sheet commitments (rental contracts especially),
- cash.

**At the operational level**, the main potential risks identified by NEURONES (sale process and provision of services) are as follows:

- non respect of the "go/no go" procedure and review of offer insufficiently accomplished (need for a single person in charge of the technical offer, review of commercial conditions, etc.),
- incompatibility between standard elements of manufacturers on fixed sums of infrastructure integration (risk of procedures compromising manufacturers),
- overshooting fixed sums in application development (and the resulting risk of financial loss),
- late detection of client dissatisfaction in the context of a project or operational project,
- incomplete respect of the recruiting process,
- non respect of acquisition assessment process.

Operational risks are limited by the breakdown of revenues (foremost client < 5% of revenues, biggest fixed sum contract < 1% of revenues).

This analysis was made by the group's general management after preparation of a risk map. It was submitted to the group auditors plus the following documents:

- group management rules (1999),
- group accounting and financial procedures manual (2000),
- risk map (2004).

### Legal organization and powers

NEURONES is a group made up of a holding (NEURONES S.A.) and twelve subsidiaries, all under majority control (in excess of 70%). These subsidiaries are all French and grouped in the greater Paris region (Nanterre -Hauts de Seine- and Paris). Some offices in the provinces are directly attached to the company head offices in Nanterre and have no management autonomy.

NEURONES S.A. is controlled by a Board of directors. It did not seem necessary to set up an audit committee, nor a disclosure committee responsible for checking financial information relative to risks.

The legal forms of the subsidiaries are simplified joint stock companies (for nine of them) with a Chairman (no board of directors nor supervisory board), or limited liability companies (for three of them). The Chairmen of subsidiaries often hold a minority stake of the company they manage (from 5 to 15%). Although the Chairmen have the broadest powers as regards third parties, as the law stipulates, their powers are limited with regard to internal management and the various directors must ask the General Meeting of associates for authorization of any decision exceeding daily management.

Subsidiary directors manage their investments (limited to renewal investments for which they make an annual global forecast at budget time; annual industrial investments are in the region of 1% of revenues) and their current overheads. Given the subsidiary directors' position as associates, the risks taken by the group in these two fields are considered as controlled.

### Accounting system organization - Information system

Centrally, the group Administrative and Financial department regroups the legal functions (relying on outside consultants, depending on the fields), and the accounting functions

(accounting, reporting, consolidating, tax, finance) and management control. The current organization can be schematized in three distinct administrative sub-assemblies, which are attached and report directly to the group administrative and financial department.

#### Sub-assembly n° 1

8 legal structures located in Nanterre (in the same 5-storey building), 60% of revenues and 50% of NEURONES payroll.

The group financial department, assisted by pooled management, is directly operational on this sub-assembly. The information system is articulated around standard market software packages (Sage line 500 Integral and ADP-Zadig mainly), whose main processes are interfaced (sale chain, purchase chain, pay management). This sub-assembly comes directly under the control of the group financial department.

#### Sub-assembly n° 2

1 legal structure located in Nanterre, 25% of group revenues, 34% of group payroll.

This structure has an autonomous management team, assisted by an outside certified accountant. The information system is articulated around standard market software packages (Sage line 100 and Zadig mainly), whose main processes are interfaced (sale chain, pay management).

#### Sub-assembly n° 3

A holding and 3 legal structures located in Paris, 15% of group revenues, 16% of group payroll. Sub-assembly 3 works on technical assistance and outsourcing. It is not involved in projects and does not sell licenses and equipment.

This structure has an autonomous management team, assisted by an outside certified accountant. The information system is articulated around standard market software packages (Sage line 500 mainly), whose main processes are interfaced (sale chain, pay management).

The managers of the accounting entity in sub-assemblies 2 and 3 report directly to the managers of these structures and functionally to the group Financial Department.

#### Role of the group administrative and financial department.

In its role of central function, the group financial department distributes the "manual of group financial and accounting procedures" (first version in 2000) among group subsidiaries, makes sure that they are observed and guarantees that to the general management and the group Board of directors. It coordinates and runs the budget and reporting processes. It reports to the group general management and ensures production of consolidation.

### Roles of players with internal control activities

Control of group management is the responsibility of internal control.

### Procedure guide - Audit of risk management

At the beginning of every year since 1999, NEURONES distributes to all entity managers the updated version of "group management rules" which contains the procedures and rules of behavior recommended by the group.

A first version of the risk map was prepared in 2004.

Group management control is responsible for guaranteeing that the principles and methods of risk management are correctly applied by the employees involved. To date, given the still modest size of most of the entities concerned, there has been no formalized audit of risk management, neither internally nor externally. For that matter, there has been no formalized improvement plan.

## Internal control - Procedures relative to the preparation and processing of accounting and financial information

### Budget procedures / monthly reporting

General control procedures are centralized and articulated around two main processes:

- the annual "forecast / budget" process. An annual budget, month by month is prepared at the beginning of the year for each legal entity (and operational). A budgetary revision is made in September, once half-year results are released,
- the monthly reporting process. This process is completed every month (D+15). This involves sending a balance sheet every month (with the main significant ratios), an income statement (complete, to corporate tax line), and a cashflow table. The group has deliberately opted for a light reporting system, as regards the quantity of information to be sent, but as complete as possible. Analysis of the different significant reporting indicators, over a short period (one month), allows the group financial department to analyze the actual discrepancies in relation to initial forecasts, and to detect significant errors, if any, in the accounts by cross-checking key indicators (revenues, profit, cash generation, etc.). A complete monthly consolidation is run on the basis of monthly accounts sent by the various subsidiaries.

To do that, the subsidiaries rely on the group accounting and financial procedures manual. No subsidiary is exempt from the process.

These procedures are directly monitored and controlled by the group financial department.

Each company then has local internal control procedures at their own level (delegation of bank signatures, control of current operations, etc.).

### Recognition of revenue

The main subsidiaries concerned by recognition of revenues as they advance (fixed sum) are equipped with analytical management tools per contract, enabling the monitoring of margins by project and the accounting progress on each monthly cut-off.

The risk of error, or fraud, concerning invoicing is considered as limited thanks to the complete monthly reporting system (income statement / balance sheet / statement of changes in financial position) which would sound an alert quickly (in 2 to 3 months) in case of abnormal and unjustified increase in a client item occurred in a subsidiary.

### Off-balance sheet commitments

Earn outs are dealt with in the acquisition process. NEURONES has no other off-balance sheet commitments except for the commitments to buy back secondhand equipment that does not exceed 1% of its original value for equipment over 36 months and 25% for brand equipment of 2 years ("group management rules").

### Treasury cycle

Traditionally considered as a sensitive process, NEURONES set up (management sub-assembly n° 1) and imposed (sub-assemblies n° 2 and 3) an organization with separation of tasks.

- For the paying out cycle, the staff changes for the following tasks: delivery of a note to pay / issue of the payment form / signature of the payment form (check, transfer) / booking / bank rapprochement / check of bank rapprochement.
- In the same way, for the paying in cycle, the staff changes for the following tasks: client reminders / reception of client payment forms / handing in for cashing in / booking / bank rapprochement / check of bank rapprochement.

## Internal control - Operational trade procedures

### Pre-sales and client contracts

Each entity has a "go/no go" procedure adapted to its trade and a procedure to review the offer especially concerning commercial conditions ("group management rules"). It takes the decision to sell or perform a project with regard to the risks incurred.

Group references are limited to 12 months maximum and sent to the group financial department when they concern a single subsidiary. The commercial conditions of referencing concerning the entire NEURONES group are validated by the group management.

Complex contracts with obligation of results are prepared by a central team and directly validated by the group management control. These offers most often concern several trades, involving different entities. Commitments are thus known, measured and centralized. The legal aspects are also reviewed and handled centrally by management control.

The risk of bad debt is globally covered by an insurance credit policy with Euler Sfac.

Commitments to buy on rental offers are limited.

Only authorized sub-contractors are authorized (risk considered significant for cabling). All free-lancers, short-term contracts and temporary staff have personal files identical to those of the permanent staff.

### Performance of service

The motives for client dissatisfaction must be discovered early so that corrective action plans can be started, at the risk of suffering overshoots, penalties or even losing clients.

Projects : The control mechanism relies on progress capture systems which anticipate and re-estimate at the end of every month the best forecast of foreseeable overshoot.

Recurring contracts for simple technical assistance: the Agency Technical Managers have site visit quotas and formally report client complaints in the quality system. These complaints are handled at the monthly quality meeting.

Recurring contracts with NEURONES prime contracting: the Account Operational Managers hold monthly meetings with a formalized report in conclusion. For Help-desk contracts, the system is completed with audits by a flying quality team of four people (individual coaching of behavior, basic knowledge documentation and conformity to the Quality Assurance Plan).

### Equipment inventories

IT equipment loses its value very quickly. Nevertheless, the group only buys equipment when they have a client order in hand. So, there is not storage risk. In addition, sales of licenses and equipment account for less than 10% of group revenues and the total of inventories is about 0.3% of revenues (contracts in the process of delivery at year-end). The risk of financial loss on inventories is considered as insignificant.

### Human resources, recruiting, management of the payroll

Although coordinated by the group Human Resources department, the key process of recruiting is decentralized to operational subsidiary level. Technical candidates have at least two interviews (personality and technique) and a technical questionnaire in their specialty. For candidates looking for sales or executive jobs, the recruiting process is also defined.

Decisions for change in the payroll package are subject of an orientation memo from the general management / HRD on each budget process. These commitments are discussed with each subsidiary once a year, on presentation of the budget, and are defined for the coming year. Control of the payroll package relies on the use of a unique data base (except for sub-assembly n°3) which provides a vision in real time of all data concerning remunerations and which provides all simulations on request.

### Acquisition operations

This process is directly dealt with by group general management and is under its control. To fend off the risk of rational loss on such or such an operation, the procedures provide that assessment of each dossier is formalized and discussed at a meeting of at least three people.

Earn outs are limited to 20% of the purchase price so as to limit the probability of the catastrophe scenario happening in case of director fraud.

### Change in internal control

NEURONES adopts a logic of permanent improvement to the internal control system.

The financial control system (budget / reporting) has been in operation since 1999. The tools we use seem efficient at our size but they would need to be adapted in case of significant group growth.

The procedure documents have been updated since their issue in 1999 and they are stabilized:

- group management rules (1999),
- group accounting and financial procedures manual (2000),
- risk map (2004).

The control function of the right application of rules is ensured by the structure and control of group management. Depending on its development, NEURONES will build up this function practically (reinforcement of management control, perfecting of the organization and systems, appointment of a full-time risk manager, etc.).

NEURONES will have to audit its risk management periodically, either internally or externally and formalize action plans for regular improvement.

## 2.3. Resolutions proposed to the Combined General Meeting of 25 June 2004

The resolutions presented below were decided by the Board of directors. The resolutions to be submitted to the General Meeting are likely to be completed by shareholders who have the power in the time set by the texts.

### To be decided by the Ordinary General Meeting:

#### FIRST RESOLUTION

The General Meeting, having taken cognizance of:

- the Board of directors management report,
- the Chairman's report as provided in article L.225-37 of the Code of Commerce,
- the general report of the Auditors,
- the special report of the Auditors on the report prepared by the Chairman of the Board of directors,
  - approves the accounts for the year, showing a net book profit of 288,941 euros.
  - approves, in addition, all operations and measures translated by these accounts or summarized in the board of directors management report.

#### SECOND RESOLUTION

The General Meeting, having taken cognizance of:

- the Board of directors management report,
- the Chairman's report as provided in article L.225-37 of the Code of Commerce,
- the Auditor's report on consolidated accounts,
- the special report of the Auditors on the report prepared by the Chairman of the Board of directors,
  - approves the consolidated accounts,
  - approves, in addition, all operations and measures translated by these accounts or summarized in the board of directors management report.

#### THIRD RESOLUTION

The General Meeting decides to allocate the profit for the year of 288,940.73 euros as follows:

- the sum of 288,940.73 euros to retained earnings. The balance of retained earnings increases from 30,181,911.95 euros to 30,470,852.68 euros.

In compliance with legal provisions, the General Meeting takes cognizance of the fact that no dividend was paid out in 2001, 2002 and 2003.

#### FOURTH RESOLUTION

The Meeting approves and ratifies, as may be required, the conventions that the Auditors reported upon in their special report drafted in application of the provisions in article L. 225-38 of the Code of Commerce.



## FIFTH RESOLUTION

The General Meeting decides to renew the mandate of  
- Mr. Luc de Chamnard

for one year, or until the day of the Ordinary General Meeting called to approve accounts for the year ending 31 December 2004. He declares he accepts renewal of his functions.

## SIXTH RESOLUTION

The General Meeting decides to renew the mandate of  
- Mr Bertrand Ducurtail

for one year, or until the day of the Ordinary General Meeting called to approve accounts for the year ending 31 December 2004. He declares he accepts renewal of his functions.

## SEVENTH RESOLUTION

The General Meeting decides to renew the mandate of  
- Mr. Patrick de Catuelan

for one year, or until the day of the Ordinary General Meeting called to approve accounts for the year ending 31 December 2004. He declares he accepts renewal of his functions.

## EIGHTH RESOLUTION

The General Meeting decides to renew the mandate of  
- Mr. Jean-Louis Pacquement

for one year, or until the day of the Ordinary General Meeting called to approve accounts for the year ending 31 December 2004. He declares he accepts renewal of his functions.

## NINTH RESOLUTION

The General Meeting entirely, definitively and without reserve approves the management of the Board of directors as of 31 December 2003.

## TENTH RESOLUTION

The General Meeting, taking cognizance of the early retirement of Ernst & Young Audit (incumbent Auditors) and their substitute Mr. Guy Papouin (substitute Auditor), decides to appoint KPMG Audit as Auditors for the remaining period of the mandate, namely one year, and Mr. Christian Liberos, as substitute Auditor.

## For the Extraordinary General Meeting

## ELEVENTH RESOLUTION

### Authorization for the company to buy its own shares

The General Meeting, ruling in application of the provisions of article L. 225-209 of the new Code of Commerce, and after hearing the board of directors report, authorizes, as of this meeting and for a maximum of eighteen months, the Board of directors to purchase shares of the company so as to:

- Intervene in buying and selling depending on market situations,
- Proceed in the sale, exchange or transfer of securities bought depending on opportunities especially in the context of acquisitions,
- Attribute securities bought to employees and/or legal representatives who have been granted options,
- Support the company's market price by systematically counter-acting negative effects on the share's behavior wherever it is listed.
- cancel shares bought back.

The purchase of shares may be by support on the market or by buying blocks, with no special limit for the acquisition of blocks.

The maximum purchase price per share is set at 12 euros, the minimum sale price is set at 4 euros.

The maximum number of shares likely to be thus bought by the company is limited to 10% of the total number of shares in the company capital, i.e. 2,277,105 shares, representing a maximum purchase amount of 27,325,260 euros.

The number of shares and buy/sell price limits will, if necessary, be adjusted at the time of any financial operations made by the company or on decisions affecting the company capital.

The General Meeting grants all powers to the Board of directors, that it may delegate, to make all stock market orders, sign agreements, make all declarations and carry out formalities with all organizations and, generally speaking, do whatever is necessary.

The Board of directors shall provide shareholders with all information concerning the buying and selling of shares in its report to the Ordinary General Meeting.

This authorization replaces the authorization given by the Combined General Meeting of 25 June 2003.

## TWELFTH RESOLUTION

### Authorization to cancel the company's own shares

The Extraordinary General Meeting, after taking cognizance of the report from the Board of directors and the Auditor's special report, authorizes the Board of directors, for a period that cannot exceed 5 years as of this meeting, in application of article L.225-209 of the Code of Commerce:

- to reduce company capital, in one or several times, by cancelling all or part of shares acquired by the company itself, in a limit of 10% of company capital, by period of twenty-four months,
- to impute the difference between book value of cancelled shares and their nominal amount on all items of reserves and premiums,
- to proceed to the related modification of by-laws, accomplish formalities required by the law and rules in force and, generally, do the necessary.

The maximum number of shares likely to be cancelled under these conditions cannot exceed 2,271,105, representing 27,325,260 euros.

All this, in compliance with legal measures in force at the time of applying this authorization.

## THIRTEENTH RESOLUTION

### Authorization to give so as to create stock options or buying of existing shares

The General Meeting, having taken cognizance of the Board of directors report and the Auditor's special report, and in compliance with the provisions of articles L.225-177 and L.225-179 of the Code of Commerce:

- delegates, for a period of thirty eight months, the necessary powers to the Board of directors to grant, in one or several times, options giving the right to subscribe to new shares to be issued in capital increases, or, to purchase existing shares after buybacks performed under legal conditions in force,
- decides that the beneficiaries of these options may only be the employees or some of them and legally approved legal representatives of NEURONES and all other French and foreign companies directly or indirectly associated according to the provisions of article L.225-180 of the Code of Commerce. Beneficiaries must be working as employees or legal representatives continuously from the time they are granted the options

until they exercise them,

- decides that the maximum number of shares subject to subscription or purchase options granted is set at 100,000,
- decides in case of subscription, the stock subscription price paid by the beneficiaries is decided on the day the options are granted by the Board of directors and cannot be less than 80% of the average price in the 20 market sessions prior to the day the options will be granted,
- decides that in case of a buy option, the purchase price of shares by the beneficiaries will be set on the day they are approved by the Board of directors and cannot be less than 80% of the average listed price in the last 20 sessions on the market prior to the day the options will be granted, nor less than 80% of the average purchase price of shares held by the company as per articles L.225-206 and L.225-209 of the Code of Commerce,
- recognizes that in application of article L.225-178 of the Code of Commerce, this authorization admits the deliberate renunciation of shareholders' preferential subscription right to shares issued when taking up subscription options, to the profit of beneficiaries,
- decides that the Board of directors shall have all powers to implement, under legal conditions in force, this delegation with the purpose of:
  - a) setting the conditions in which options shall be granted and drawing up the list of option beneficiaries; deciding on conditions for price adjustment and the number of shares,
  - b) setting the period(s) for exercise of granted options, on the understanding that they cannot be for a period longer than ten years as of the time these options are granted,
  - c) accomplishing all acts and formalities to finalize the capital increase(s) permissible by virtue of this authorization, to modify the by-laws in consequence and do whatever is necessary.

At the first meeting following the end of each financial year, the Board of directors shall state, if necessary, the number and amount of shares issued during the year following the exercise of options and make the resulting modifications to by-laws. The Board of directors may also perform these operations during the year if it deems preferable. The Board of directors may also delegate the power to perform these operations to the chairman.

The Board of directors shall have all necessary powers to set all other conditions and modalities of the operation and fulfill the resulting formalities.

#### FOURTEENTH RESOLUTION

##### **Authorization to give so as to increase capital reserved for employees**

The General Meeting, taking cognizance of the provisions of article 29 of law 2001-152 of 19 February 2001 concerning employee savings, having heard the reports of the Board of directors and the Auditors, authorizes the Board of directors, in application of the provisions of articles L.225-129 and L.225-138 of the Code of Commerce and under the provisions stipulated in article L.443-5 of the Labor code, to increase the capital, in one or several times, and on their decision alone, for a maximum nominal amount of 300,000 euros per year by issue of shares to be subscribed in cash and reserved, by separate tranches if necessary, for employees and former retired or early retired employees of the company, members of a company savings plan or a voluntary company employee partnership savings plan.

This delegation carries the deliberate renunciation of shareholders to their authorized preferential right to subscribe to increases of capital.

The delegation is valid for a period of 26 months as of this meeting.

The General Meeting delegates all powers to the Board of directors to accomplish the authorized increase of capital, and especially to:

- determine, if necessary, those companies whose employees and former retired or early retired employees may subscribe to shares issued in application of this authorization,
- decide on all conditions and modalities of the operation(s) to perform and especially:
  - set, if necessary, the conditions of seniority that beneficiaries of the new shares must fulfill and the time afforded for subscription to liberate these shares,
  - decide on the amount of the issue, the subscription price, the duration of the subscription period, the accrual date, even retroactive, of the new shares, and more generally, all modalities for each issue; it is stipulated that the stock subscription price cannot be higher than the average prices quoted in the 20 market sessions prior to the day of the decision of the Board of directors setting the date of subscription opening, nor less than 20% of this average,
  - on its decision alone, after each increase of capital, charge operation expenses to the amount of related premiums,
  - accomplish all acts and formalities so that on each increase of capital the amount of shares are actually subscribed for, make the related modifications to by-laws, proceed to all publication and, more generally, with a faculty of substitution, do all that is useful and necessary.

All this, in compliance with statutory and regulatory provisions in force at the time of applying this authorization.

#### FIFTEENTH RESOLUTION

##### **Authorization to give so as to increase capital by issue of securities**

The Combined General Meeting, having heard the report of the Board of directors and the special report of the Auditors, authorizes the Board of directors, with the faculty to sub-delegate to the Chairman according to legal measures in force, to increase the capital, in one or several times, by issuing in France or abroad, any securities, including autonomous notes, giving immediate or future access to a share of capital, except for preferred shares and investment certificates, within the ceiling limit stipulated below.

The General Meeting decides on the limits of authorized operations as follows: the global nominal ceiling of the capital increase likely to result from the issue of securities is set at 4 million euros, on the reserve, if necessary, of the amount of capital increases related to adjustments likely to be performed in compliance with the law.

Furthermore, the gross income of security issues representing claims giving access to the capital shall not exceed 80 million euros.

The above securities can be issued either in euros, or foreign currencies, in the ceiling limit authorized in euros or its counter-value in euros.

Shareholders, in proportion to the amount of their shares, shall have a preferential right to the securities issued under this delegation.

Furthermore, the Board of directors shall have the faculty to provide that the securities not subscribed for within the limit of demand, shall be attributed to shareholders who subscribed, beyond the limit of demand, for a number of securities in excess of what they can subscribe for preferentially in proportion to the subscription rights they have and in any case, within the limit of their requests.

In case the subscriptions within and if necessary, beyond the limit of demand, do not fully absorb the increase of capital, the Board may limit the issue to the amount of subscriptions received so long as it amounts to at least two thirds of the increase decided, share out the securities not subscribed for and/or offer them to the public. This decision contains express renunciation by shareholders to their preferential subscription right to all other securities giving access to the capital that the marketable securities issued give right to. The Board of directors can, in the framework of this delegation, increase the capital in one or several times by incorporating reserves, profits or issue premiums in the form of free share attribution, and/or raising of the nominal value of existing shares.

The General Meeting gives all powers to the Board of directors to decide on the form and characteristics of marketable securities to be created as well as the dates and methods of issue, to set the amounts to issue, to fix the accrual date, even retroactive, of securities to issue, set the conversion methods and bases if necessary, determine the redemption methods for debt securities, proceed with all adjustments required in compliance with statutory and regulatory provisions, book charges, taxes and fees incurred by issues on the amount of corresponding premiums, proceed to the quotation of securities to issue and generally assume all measures, conclude all agreements and accomplish all useful formalities for the completion and successful termination of the planned issues, record capital increases that result from these operations and modify the by-laws in accordance.

In case of capital increase by incorporation of reserves, profits or issue premiums, the General Meeting further gives all powers to the Board of directors to set, if necessary, the amount by which the nominal of existing shares will be increased and to decide, if needs be, by derogation to provisions of article L.225-149 of the Code of Commerce, that the rights forming odd lots will not be traded and the corresponding shares will be sold, sums coming from the sale will be allocated to the owners of the rights no later than thirty days after the date of the inscription to their account of the entire number of allocated shares.

The General Meeting sets the term of validity for this delegation at 26 months.

In compliance with the law, this delegation deprives, for the part not used, any delegation relative to the issue of securities of effect with immediate or future right to a round lot of company capital, that might have been granted previously.

## SIXTEENTH RESOLUTION

### **Possibility to suppress the preferential subscription right for increases of capital as provided for in the fifteenth resolution.**

The Combined General Meeting, after hearing the report of the Board of directors and the special report of the Auditors prepared in compliance with the law, decides that issues of securities giving immediate or future access to a round lot of company capital, likely to be accomplished by virtue of the authorization given to the Board of directors under the terms of the fifteenth resolution at this meeting, may be done by suppressing the preferential subscription right of shareholders, in the limits and under the following suspensive conditions:

- the nominal amount of capital increases likely to be accomplished in this context may not, in any case and not considering the adjustments likely to be operated in compliance with the law, exceed 4 million euros,
- furthermore, the gross income of security issues representing claims giving access to the capital shall not exceed 80 million euros.
- the sum going to or subsequently going to the company for each security to be issued or created by subscription, conversion, exchange, redemption, exercise of rights, or other, shall be equal, at least, to the average of the first prices traded on the stock exchange for shares during ten consecutive trading days chosen from among the twenty trading days preceding the start of the issue of the above-mentioned marketable securities,
- if the authorized issue(s) are on the French market, the Board of directors, may possibly reserve a subscription priority for shareholders, for a period and under conditions that it will decide upon.

## SEVENTEENTH RESOLUTION

### **Possibility to increase capital as provided for in the fifteenth and sixteenth resolutions during the takeover bid period**

The Extraordinary General Meeting, after hearing the report of the Board of directors, deliberately decides that the authorizations to increase capital conferred on the Board of directors under the terms of the fifteenth and sixteenth resolutions of this meeting, can be used, in any case and even during a takeover bid, public offering or exchange on the company securities.

In compliance with the law, this authorization is valid until the next General Meeting of the company called to approve accounts for the financial year 2004.

## EIGHTEENTH RESOLUTION

The General Meeting gives all powers to the bearer of a copy or extract of the minutes of this meeting to fulfill all formalities for its deposit and legal publication.



## 2.4. Consolidated accounts

Consolidated balance sheet as of 31 December 2003

<b>ASSETS</b>		<b>31 December</b>	
(in thousands of euros)	Notes	2003	2002
<b>FIXED ASSETS</b>			
Gross goodwill	Note 1	11,112	11,765
Intangible assets	Note 2	1,743	1,719
Tangible assets	Note 3	1,573	1,525
Long-term investments	Note 4	806	678
<b>Total fixed assets</b>		<b>15,234</b>	<b>15,688</b>
<b>CURRENT ASSETS</b>			
Inventories	Notes 5 / 14	139	284
Trade accounts and notes receivable	Notes 6 / 14	22,270	24,018
Other receivables and adjustment accounts	Notes 7 / 9	3 387	2,891
Investment securities	Note 8	35,278	31,471
Cash		5,970	4,520
<b>Total current assets</b>		<b>67,044</b>	<b>63,184</b>
<b>Total assets</b>		<b>82,278</b>	<b>78,872</b>
<b>LIABILITIES</b>			
(in thousands of euros)	Notes	2003	2002
<b>SHAREHOLDERS' EQUITY (group share)</b>			
Capital		9,108	9,108
Premiums		28,509	28,509
Reserves and consolidated results		19,780	15,275
<b>Equity (group share)</b>	Note 10	<b>57,398</b>	<b>52,893</b>
<b>Minority interests</b>		<b>1,562</b>	<b>1,221</b>
<b>Contingencies and loss provisions</b>	Notes 9 / 11	<b>448</b>	<b>168</b>
<b>PAYABLES</b>			
Sundry debts and liabilities	Note 12	515	205
Suppliers and related accounts	Note 13	5,626	5,052
Other payables and adjustment accounts	Note 13	16,730	19,332
<b>Total debt</b>		<b>22,871</b>	<b>24,589</b>
<b>Total liabilities</b>		<b>82,278</b>	<b>78,872</b>

## Consolidated income statement for the year ending on 31 December 2003

(in thousands of euros)	Notes	2003	2002
<b>REVENUES</b>	Note 15	<b>92,732</b>	<b>92,623</b>
<b>SALE OF EQUIPMENT BUSINESS</b>			
revenues		8,981	12,380
Cost of merchandise sold		(7,739)	(10,746)
Gross margin		1,242	1,634
% Gross margin		13.8 %	13.2 %
<b>PROVIDING OF SERVICES</b>			
revenues		83,751	80,243
Other operating income, writeback of provisions and transfer of charges	Note 18	1,023	500
Payroll charges	Note 19	(55,841)	(54,207)
Other operating charges	Note 20	(19,420)	(15,617)
Taxes and duties		(1,880)	(1,688)
Depreciation and provisions		(1,286)	(1,166)
<b>OPERATING PROFIT</b>	Note 16	<b>7,588</b>	<b>9,699</b>
% revenues		8.2 %	10.5 %
Financial income	Note 21	780	993
<b>CURRENT INCOME FROM CONSOLIDATED COMPANIES</b>		<b>8,368</b>	<b>10,692</b>
% revenues		9 %	11.5 %
Extraordinary Item	Note 22	(5)	(36)
Income tax	Notes 23 / 24	(2,846)	(3,679)
<b>NET INCOME FROM CONSOLIDATED COMPANIES</b>		<b>5,517</b>	<b>6,978</b>
% revenues		5.9 %	7.5 %
Goodwill provisions		(659)	(1,019)
<b>NET INCOME OF THE CONSOLIDATED ENTITY</b>		<b>4,858</b>	<b>5,958</b>
- incl. group share		4,538	5,625
- incl. minority stakes		320	333
Net earnings (group share) per share (*) - in euros		0.20	0.25
Net earnings diluted (group share) per share - in euros		0.19	0.24

(\*) Average number of shares in the year

## Statement of cash-flows for the financial year ending 31 December 2003

(in thousands of euros)	2003	2002
<b>NET INCOME OF THE CONSOLIDATED ENTITY</b>	<b>4,858</b>	<b>5,958</b>
Elimination of non-monetary elements:		
- Depreciation and provisions	1,703	1,947
- Variation of deferred tax	262	(63)
- Capital losses / (gains) from disposals, net of tax	(1)	(1)
<b>Operating Cash flow of consolidated companies</b>	<b>6,823</b>	<b>7,841</b>
Variation of cash on:		
- Working capital requirement	1,966	210
- Income tax	(595)	(1,898)
<b>CASH GENERATED BY THE BUSINESS</b>	<b>8,193</b>	<b>6,153</b>
Acquisitions of intangible and tangible assets	(1,011)	(842)
Disposal of fixed assets, net of tax	3	6
Variation of long-term investments	(128)	(115)
Payment of sums for companies acquired during the year	(1,984)	(3,136)
Cash from subsidiary acquired during the year	-	563
Payment on acquisition of business	(105)	(1,011)
Securities bought from subsidiary minority shareholders	(18)	(199)
<b>CASH ALLOCATED TO INVESTMENT OPERATIONS</b>	<b>(3,244)</b>	<b>(4,733)</b>
Repayment of borrowings	-	(62)
<b>CASH ALLOCATED TO FINANCING OPERATIONS</b>	<b>-</b>	<b>(62)</b>
<b>VARIATION IN CASH</b>	<b>4,949</b>	<b>1,357</b>
<b>CASH ON OPENING</b>	<b>35,793</b>	<b>34,436</b>
<b>CASH ON CLOSING</b>	<b>40,742</b>	<b>35,793</b>

## Statement of changes in consolidated equity

<b>SHAREHOLDERS' EQUITY GROUP SHARE</b> (en millions d'euros)	Capital	Premium	Reserves consolidated	Result for the year	Total capital of the year
<b>Equity as of 31 December 2001</b>	<b>9,108</b>	<b>28,509</b>	<b>4,414</b>	<b>5 236</b>	<b>47 268</b>
<b>Movements for the year 2002</b>					
Allocation of profit 2001	-	-	5,236	(5,236)	-
Consolidated profit for the year	-	-	-	5,625	5,625
<b>Equity as of 31 December 2002</b>	<b>9,108</b>	<b>28,509</b>	<b>9,650</b>	<b>5,625</b>	<b>52,893</b>
<b>Movements for the year 2003</b>					
Allocation of profit 2002	-	-	5,625	(5,625)	-
Consolidated profit for the year	-	-	-	4,538	4,538
Variation in % of interest cont'd internal merger	-	-	(33)	-	(33)
<b>Equity as of 31 December 2003</b>	<b>9,108</b>	<b>28,509</b>	<b>15,242</b>	<b>4,538</b>	<b>57,398</b>

## Minority interests

(in millions of euros)	Minority interests
<b>Minority stakes as of 31 December 2001</b>	<b>701</b>
<b>Movements for the year 2002</b>	
Profit for the year - Minority share	333
Change in scope	187
<b>Minority stakes as of 31 December 2002</b>	<b>1,221</b>
<b>Movements for the year 2003</b>	
Profit for the year - Minority share	320
Change in scope	21
<b>Minority interests as of 31/12/2003</b>	<b>1,562</b>

Minority stakes correspond exclusively to shares held by managers in subsidiaries.

## Appendix to consolidated accounts

### Accounting principles

#### Consolidated accounts

Consolidated accounts are prepared in compliance with CRC regulation No. 99-02. They are presented in euros, with due respect to principles of prudence, independence of financial exercises, constant accounting methods and in the context of ongoing operations.

#### Principles and scope of consolidation

Companies in which NEURONES S.A. has exclusive control are fully consolidated.

Companies are consolidated on the basis of their company accounts, in harmony with accounting principles used by the group. All companies end their financial years on 31 December. No company has been excluded from the scope.

Transactions, flows, results and capital gains within the group are cancelled out.

#### Gross goodwill and intangible fixed assets

##### Gross goodwill

When a company enters the scope of consolidation, its identifiable assets and liabilities are posted to the consolidated balance sheet at their fair value.

The difference between the acquisition cost of a company's securities and the share of the acquiring company in the assets and liabilities evaluated at their fair value, identified on the date of acquisition form the goodwill, posted to the "gross goodwill" item in balance sheet assets.

This gross goodwill is depreciated, on a case-by-case basis, using the straight-line method for no more than 20 years. Significant negative changes occurring in the elements used to determine the depreciation plan lead to recording of an extraordinary depreciation or modification of the depreciation plan, to bring the value of gross goodwill to their going value as defined below. If significant positive changes arise, they lead to a modification of the future depreciation schedule excluding any writeback of depreciation.

##### Business

Business is not depreciated at consolidated accounts level. Business recorded in the consolidated balance sheet assets correspond to buy backs of business in the framework of transfer of production units, paid in cash.

If necessary, a provision for depreciation is set aside when the book value is lower than the going value. Going value corresponds to the value of future advantages expected from the good or capital, as determined at the time of acquisition.

##### Other intangible fixed assets

- Development expenses are not capitalized at consolidated accounts level. Expenses activated in subsidiary company accounts are restated at consolidated level. The amount of research and development expenses are generally insignificant and are booked as charges.
- Other intangible assets, especially software acquired for in-house use, are depreciated over one to three years.
- Start-up costs are depreciated for not more than five years.

##### Monitoring of going value of gross goodwill and intangible fixed assets

The method of monitoring deployed to assess intangible assets is the DCF (discounted cash flow) method.

#### Principal criteria used in applying the DCF method

- The discounting rate used is 10.7%, bearing in mind the risk-free rate, the risk premium and  $\beta$ .
- The term of the explicit period is 5 years. The hypotheses retained for growth of revenues, operating margin, working capital requirement and investments are specific to each company, bearing in mind their size, sector and specific business.

#### Tangible assets

Tangible assets are evaluated at acquisition cost. They are depreciated according to the following methods:

Fittings and installations	Straight-line method 5 to 10 years
Transport equipment	Straight-line method 2 to 4 years
Computer equipment	Accelerated and straight-line method 3 years
Office equipment	Straight-line method 5 to 10 years

#### Leasing

Fixed assets acquired on lease are adjusted. The original value is posted to assets on the balance sheet and depreciated according to the methods described above. The corresponding financial debt is posted to liabilities. At income statement level, the leasing charge is neutralized and replaced by a depreciation expense and a financial charge.

#### Long-term investments

Non-consolidated securities represent securities of companies not controlled by NEURONES. They appear on the balance sheet at acquisition cost. A provision for depreciation is made when the going value of the investment falls below its acquisition cost. Going value is appreciated mainly as a function of prospects of returns.

#### Inventories

Inventories of merchandise are evaluated at acquisition cost, according to the average weighted cost method. A provision for depreciation is made on a case-by-case basis when the realizable value is below the balance sheet value.

#### Recording of service revenues

##### Fixed price projects

Revenues made from fixed price projects are booked as and when the project technically progresses. The difference between invoicing and revenues calculated on progress is taken into consideration in invoices to be prepared or in prepaid income, depending on the case. As soon as the risk of potential loss is anticipated, a provision is set aside for the entire loss.

##### Annual contracts

Revenues from annual contracts or over several years are booked prorata temporis.

##### Services sold in the form of checks to be spent

Some companies in the group sell checks for services in advance, representing days of engineering, technician maintenance or training.

Revenues earned through the sale of service checks are booked as the services are performed.



### Long-term outsourcing contracts

Long-term outsourcing contracts most often include two main types of service:

- Initial engineering, consisting of an autonomous project prior to the start of the operational contract. This project may be invoiced at one time on completion of the initial engineering phase and at the time of operational start-up, or financed over the term of the contract, with financial interest. In the case of financing, recognition of revenues may be made in two distinct ways depending on the legal nature of the contract:
  - When the contractual conditions are such as to provide a reasonable insurance that the start-up costs will be fully invoiced and recovered at the end (firm, signed contract over the entire period, reimbursement clause of start-up costs remaining due in case of early withdrawal from the contract, etc.), the amount of initial engineering is booked as an invoice to be prepared and in revenues as soon as contractual work starts. The amount is then absorbed in the issue of subsequent invoices.
  - When contractual conditions imply a low risk of non invoicing at the end of all start-up costs (contract signed over a period of several years, but expressly renewable every year, without a clause of reimbursement of start-up costs in case of early withdrawal, etc.), the amount of start-up costs financed is booked to charges to be broken down. Revenues are then recognized on the actual issue of invoices throughout the contractual period. Depreciation of charges to be broken down is booked at the same time as recognition of revenues.
- Current operation. The methods of invoicing most generally consist of invoicing a royalty for a fixed and identical amount every month of the year. Revenues are recognized prorata temporis.

These methods of accounting, which cover practically all contracts, can, if necessary, be adjusted to take account of specific clauses in some contracts.

### Discounting of the part of the debt at more than one year

Most often, these sums generate interest. As the asset (in the form of a charge to be broken down or future invoice) is recognized for the sum of capital financed without future interest, no discounting of debt of more than one year is made.

### Deferred taxes

Deferred taxes, assets or liabilities, are calculated according to the variable deferment method, on all existing temporary differences between book income and tax income of each consolidated tax entity, and consolidation-specific restatement.

The rate of tax retained for deferred tax on closing for the year is the provisional tax rate for the following year.

Loss and depreciation carry-overs reputedly deferred are activated when a return to profits is probable in the short-term.

### Receivables

Receivables are evaluated at their nominal value. A provision for depreciation is made on a case-by-case basis when the balance sheet value is below the book value.

### Case of receivables in foreign currencies

Unrealized gains or losses from foreign exchange booked to assets or liabilities in company accounts are booked as gains or losses. Provisions for foreign exchange losses booked to company accounts are neutralized.

### Investment securities and cash

Securities posted to assets correspond to the historic acquisition price.

Accrued interest on cash notes and certificates of deposit are booked prorata temporis on the period accrued until closing date.

If necessary, a provision for depreciation is practiced on a case-by-case basis when the balance sheet value is below the book value.

### Provision for pension allowances

This provision is to deal with commitments corresponding to the current value of rights acquired by employees concerning the conventional indemnities to which they are entitled on retirement. It is the result of a calculation made using a retrospective method that takes account of seniority, life expectancy and the personnel turnover rate, as well as the hypotheses of wage adjustments and discounting.

The main parameters used correspond to an average of facts observed in the last three years (personnel turnover rate between 5% and 15% depending on the business, wage growth rate of 5%, discounting rate of 7%).

### Distinction between operating result/extraordinary result

Non-recurring operations, including cases where income or charges concern events or transactions distinct from ordinary and recurring company business, are booked to operating results.

The extraordinary result includes, apart from charges of an exceptional nature, e.g. expropriation, earthquake, fire, etc.), operations on sale of fixed assets.

### Method of calculating diluted EPS

The number of shares taken into account in the calculation of diluted EPS is made up of:

- the average number of shares in the year,
- plus the number of stock purchase warrants attributed,
- plus the number stock options attributed.

## Scope of consolidation

### List of consolidated companies

Fully-consolidated companies par intégration globale	Registered head office	N° SIREN	% holding and control 12/03	12/02
Parent				
NEURONES S.A.	205, ave Georges Clemenceau – 92024 Nanterre	331 408 336	-	-
Subsidiaries				
Neurones Solutions SAS	205, ave Georges Clemenceau – 92024 Nanterre	428 210 140	100 %	100 %
Skills Consulting SAS	205, ave Georges Clemenceau – 92024 Nanterre	428 209 308	100 %	100 %
Help-Line SAS	171, ave Georges Clemenceau – 92024 Nanterre	398 300 061	87 %	87 %
Brainsoft SAS	205, ave Georges Clemenceau – 92024 Nanterre	410 219 943	86.7 %	85.9 %
UpGrade SAS	205, ave Georges Clemenceau – 92024 Nanterre	415 149 830	100 %	100 %
Intrinsec SARL	205, ave Georges Clemenceau – 92024 Nanterre	402 336 085	90 %	90 %
Codilog-Knowledge SAS	205, ave Georges Clemenceau – 92024 Nanterre	432 673 838	71 %	90 %
AS International Group SAS	83, rue du faubourg St Honoré – 75008 Paris	421 255 829	100 %	100 %
AS International SAS	83, rue du faubourg St Honoré – 75008 Paris	349 528 356	100 %	100 %
AS Télécom & Réseaux SARL	83, rue du faubourg St Honoré – 75008 Paris	400 332 524	100 %	100 %
AS Technologie SARL	83, rue du faubourg St Honoré – 75008 Paris	417 586 609	100 %	100 %
Codilog SAS	205, ave Georges Clemenceau – 92024 Nanterre	419 766 811	-	70 %
Inexware Services SAS	205, ave Georges Clemenceau – 92024 Nanterre	443 739 693	100 %	100 %
Axones SAS	205, ave Georges Clemenceau – 92024 Nanterre	450 758 040	100 %	-

### Change in scope

There was no entry into the scope during 2003, except for Axones, a company with no business for the time being, created in November 2003. The company was set up with the intention of using it for future group legal affairs (contribution of assets, buying of businesses, etc).

Changes in scope concern:

- the purchase of 0.8% of Brainsoft securities in April 2003 from a company employee,
- the merger, retroactive to 1 January 2003, of Codilog by Knowledge. Given the merger parities, the new percentage of interest in Knowledge (renamed Codilog-Knowledge at the time of the merger) went from 90% to 71%.

The new percentage of holding was retained for the entire period.

### Proforma accounts

The accumulated contribution of Inexware Services and Codilog (acquired in 2002) is less than 10% of revenues, 10% of operating profit and 12% of net profit.

As a result, proforma accounts are not presented.

## Notes to the balance sheet

### Note 1 - Gross goodwill

(in thousands of euros)	31/12/02	↗	↘	31/12/03
<b>Companies concerned:</b>				
Brainsoft	124	5	-	129
Intrinsec	356	-	-	356
AS International Group	10,516	-	-	10,516
Help-Line	100	-	-	100
Codilog-Knowledge	18	-	-	18
Codilog (merged in Codilog-Knowledge)	2,357	-	-	2,357
<b>Gross total</b>	<b>13,471</b>	<b>5</b>	<b>-</b>	<b>13,476</b>
Depreciation	(1,706)	(658)	-	(2,364)
<b>Net total</b>	<b>11,765</b>	<b>(653)</b>	<b>-</b>	<b>11,112</b>

Gross goodwill of BrainSoft, AS International Group and Codilog-Knowledge are depreciated over 20 years.

Gross goodwill resulting from premiums paid are depreciated over the remaining period of goodwill considered on entry in the scope of consolidation.

NEURONES purchased 0.8% of Brainsoft shares from a long-standing shareholder. The resultant gross goodwill was entirely depreciated in 2003, given its inconsequential nature.

#### Note on the acquisition of AS International

The contract provided for a payment schedule until December 2003 and an earn-out as a function of results from 2000 to 2002. On 31 December, there was no earn-out commitment on AS International, the last tranche was paid on 30 June 2003. There is also no debt relative to the principal payment of the earn-out.

#### Note on the acquisition of Codilog

The contract provides for a possible premium depending on future results. On 31 December 2002, and for the first financial year (2002), an earn-out of 460,000 euros, paid in March 2003, was included at share value level. That was depreciated as of 1 January 2003 on the residual term of gross goodwill recorded on entry into the scope of consolidation. On 31 December 2003, the conditions for payment of the second tranche of the earn-out were not complete, no re-evaluation of gross goodwill was made.

#### Off-balance sheet commitments

A maximum earn-out of 760,000 euros may be paid, depending on future results (2004 and thereafter) of companies bought. As of 31 December 2003, this commitment has not been booked, as it was an insignificant amount.

What is more, a sell option for 5% of Intrinsec shares was granted to two Intrinsec employees, if the net social situation of the company exceeded 763,000 euros on 31 December 2003. This condition was achieved, the employees had until 30 June 2004 to exercise their option at a price of 8.84 euros per share.

### Note 2 – Intangible assets

(in thousands of euros)	31/12/02	↗	↘	31/12/03
Startup costs	-	53	-	53
Concessions, patents, licenses	523	90	-	613
Business	1,635	-	-	1,635
<b>Gross total</b>	<b>2,158</b>	<b>143</b>	<b>-</b>	<b>2,301</b>
Depreciation	(439)	(119)	-	(558)
<b>Net total</b>	<b>1,719</b>	<b>24</b>	<b>-</b>	<b>1,743</b>

The other acquisitions mainly correspond to IT software for in-house use.

### Note 3 – Intangible assets

(in thousands of euros)	31/12/02	↗	↘	31/12/03
Fittings and installations	1,291	248	2	1,537
Transport equipment	453	46	34	465
Computer and office equipment	2,451	573	409	2,615
Fittings on lease	77	-	-	77
Computer equipment on lease	89	-	-	89
<b>Gross total</b>	<b>4,361</b>	<b>867</b>	<b>445</b>	<b>4,783</b>
Depreciation	(2,836)	(819)	445	(3,210)
<b>Net total</b>	<b>1,525</b>	<b>48</b>	<b>-</b>	<b>1,573</b>

Investments for the year mainly correspond to fittings intended for furnishing the new premises, IT equipment and company cars.

### Note 4 – Long-term investments

(in thousands of euros)	31/12/02	↗	↘	31/12/03
Non-consolidated securities	39	-	-	39
Loans	332	120	5	447
Other financial assets	328	73	60	341
<b>Gross total</b>	<b>699</b>	<b>193</b>	<b>65</b>	<b>827</b>
Provisions	(21)	-	-	(21)
<b>Net total</b>	<b>678</b>	<b>193</b>	<b>65</b>	<b>806</b>

Other long-term investments mainly correspond to deposits made in the form of borrowings in the framework of the 1% housing aid contribution and guarantee deposits (rents).

### Note 5 – Inventories

(in thousands of euros)	31/12/03	31/12/02
Merchandise	283	433
<b>Gross total</b>	<b>283</b>	<b>433</b>
Provisions	(144)	(149)
<b>Net total</b>	<b>139</b>	<b>284</b>

### Note 6 – Trade accounts and notes receivable

(in thousands of euros)	31/12/03	31/12/02
Client receivables	21,715	23,146
Invoices to be made	865	1 105
<b>Gross total</b>	<b>22,580</b>	<b>24,251</b>
Provisions	(310)	(233)
<b>Net total</b>	<b>22,270</b>	<b>24,018</b>



## Note 7 – Other receivables and adjustment accounts

(in thousands of euros)	31/12/03	31/12/02
Down payments on orders	-	15
Suppliers - Credit notes on future orders	31	16
VAT	1,321	1,307
Corporate tax credit	587	357
Deferred taxes - assets	246	335
Other accounts receivable	105	313
Prepaid expenses	603	548
Charges to be broken down	494	-
<b>Total</b>	<b>3,387</b>	<b>2,891</b>

The term of these items is less than one year, except for charges to be broken down, which are depreciated over 5 years.

### Note 7.1 – Prepaid expenses

(in thousands of euros)	31/12/03	31/12/02
Prepaid rents, charges and taxes	267	304
Other prepaid overheads	336	244
<b>Total</b>	<b>603</b>	<b>548</b>

### Note 7.2 – Changes in charges to be broken down

(in thousands of euros)	31/12/02	↗	↘	31/12/03
Charges to be broken down	-	522	-	522
<b>Gross total</b>	<b>-</b>	<b>522</b>	<b>-</b>	<b>522</b>
Depreciation	-	(28)	-	(28)
<b>Net total</b>	<b>-</b>	<b>494</b>	<b>-</b>	<b>494</b>

Charges to be broken down correspond to start-up costs of long-term outsourcing contracts, depreciated over the term of the contract.

## Note 8 – Investment securities

(in thousands of euros)	31/12/03		31/12/02	
	Purchase value	Market value	Purchase value	Market value
Commercial paper	8,449	8,488	9,213	9,287
Money market fund	26,829	27,063	22,258	22,397
<b>Total</b>	<b>35,278</b>	<b>35,551</b>	<b>31,471</b>	<b>31,684</b>

## Note 9 – Deferred taxes

### Note 9.1 – Deferred taxes booked

Deferred taxes appearing in the balance sheet concern the following items:

(in thousands of euros)	31/12/03	31/12/02
Employee profit-sharing	165	259
Other temporary tax differences	58	54
Provision for pension allowances	18	20
Readjustment on fixed asset depreciation (Partial contribution of UpGrade assets)	1	2
Elimination of internal margins - Charges to be broken down	4	-
<b>Deferred taxes - assets</b>	<b>246</b>	<b>335</b>
Charges to be broken down	173	-
<b>Deferred taxes, liabilities</b>	<b>173</b>	<b>-</b>

## Note 9.2 – Losses to be carried forward (not booked)

As of 31 December 2003, 127,000 euros of tax losses to be carried forward were booked to results, generating a tax savings of 44,000 euros.

As of 31 December 2003, there were no more booked and non-booked deficits to be carried forward.

## Note 10 – Equity

### Note 10.1 – Capital

As of 31 December 2003, company capital consists of 22,771,050 shares with a nominal value of 0.4 euro and amounts to 9,108,420 euros.

The capital is 80% held by managers of the group and 20% by the public. The company has been listed on the Nouveau Marché of the Euronext Paris since May 2000.

## Note 10.2 – Stock option plan

- The Extraordinary General Meeting of 29 November 1999 attributed 476,385 stock option warrants and authorized the attribution of a maximum of 964,875 stock options (representing 5% of the capital). This authorization was definitively closed during 2003, 964,123 options were attributed between 29/11/1999 and 23/01/2003. The remaining 752 options not attributed, were cancelled by the General Meeting on 25 June 2003.
- The Extraordinary General Meeting on 25 June 2003 authorized the Board of directors to attribute a new stock option plan for a maximum of 250,000 options (representing 1.1% of the capital). This authorization is valid for thirty eight months. As of 31 December 2003, the Board of directors has not used this authorization.

The different stock option plans attributed by the Board of directors have the following characteristics:

### Payment of plans

	Stock purchase warrants	Stock option Option n°1	Stock option Option n°2	Stock option Option n°3	Stock option Option n°4
Date of the General Meeting	29/11/1999	29/11/1999	29/11/1999	29/11/1999	29/11/1999
Date of the Board meeting	-	29/11/1999	27/07/2000	11/07/2001	23/01/2003
Expiry date of plans	29/11/2004	29/11/2004	27/07/2005	11/07/2006	01/03/2007
Expiry date of plans	28/11/2005	28/11/2014	26/07/2015	10/07/2011	28/02/2011
Number of beneficiaries	49	19	171	238	60
Incl. managers	2	-	-	-	-
Number of options granted	476,385	165,550	304,363	320,210	174,000
Number of expired options as of 31/12/2003	(55,975)	(66,695)	(153,851)	(81,183)	(4,000)
Maximum number of options remaining exercisable	420,410	98,855	150,512	239,027	170,000
Number of shares bought to date	None	None	None	None	None
Subscription price	3.2 euros	3.2 euros	7.5 euros	3.8 euros	3.2 euros
Potential dilution (void deducted) - % current capital	1.85 %	0.43 %	0.66 %	1.05 %	0.75 %
<b>Total potential dilution</b>					<b>4.74 %</b>

The stock subscription price paid by the beneficiaries is decided on the day the options are granted by the Board of directors and cannot be less than 80% of the average price in the 20 market sessions prior to the day the options will be granted.

## Note 11 – Provisions for contingencies and losses

(in thousands of euros)	31/12/2002	Provision for the year	Writeback of the year (provision used)	Writeback of the year (provision not used)	31/12/2003
Provision for contingencies and losses	110	189	78	-	221
Prov. Indemnities for retirement	58	9	13	-	54
Provision for deferred taxes	-	173	-	-	173
<b>Total</b>	<b>168</b>	<b>371</b>	<b>91</b>	<b>-</b>	<b>448</b>
Impact (net of incurred charges)	-	-	-	-	-
Operating profit	-	193	-	-	-
Financial income	-	-	-	-	-
Extraordinary Item	-	5	-	-	-
Corporate tax	-	173	-	-	-

Provisions for contingencies and losses mainly correspond to social problems.

## Note 12 – Sundry debts and liabilities

The schedule of sundry debts and liabilities is as follows:

(in thousands of euros)	Total	Amount < 1 year	Amount > 1 and < 5 years	Amount > 5 years
Bank overdrafts	506	506	-	-
<b>Sub-total borrowings and payables to banks</b>	<b>506</b>	<b>506</b>	<b>-</b>	<b>-</b>
Deposits received	9	-	-	9
<b>Sub-total borrowings and payables</b>	<b>9</b>	<b>-</b>	<b>-</b>	<b>9</b>
<b>Total</b>	<b>515</b>	<b>506</b>	<b>-</b>	<b>9</b>

## Note 13 – Suppliers and related accounts, other payables and adjustment accounts

(in thousands of euros)	31/12/03	31/12/02
Suppliers payable and related accounts	5,626	5,052
<b>Sub-total suppliers payable</b>	<b>5,626</b>	<b>5,052</b>
Employee profit-sharing	509	837
Tax and social payables	13,882	14,067
Corporate tax debt	133	497
Other payables	548	2,692
Prepaid income	1,658	1,239
<b>Other payables and adjustment accounts</b>	<b>16,730</b>	<b>19,332</b>
<b>Total</b>	<b>22,356</b>	<b>24,384</b>

Prepaid income corresponds to annual contracts invoiced in advance, to "check-books" of services sold to clients remaining to be used, and the difference between revenues invoiced and revenues recognized as fixed sum projects advance.

The drop in the « other debt » item is due to the payment during 2003 of earn-outs and spreads in prices of acquisitions made.

All other operational payables fall due within one year.

## Note 14 – Variation of provisions on current assets

(in thousands of euros)	31/12/02	↗	↘	31/12/03
Inventories	149	1	6	144
Clients	233	124	47	310
Charges to be broken down	-	28	-	28
<b>Total</b>	<b>382</b>	<b>153</b>	<b>53</b>	<b>482</b>

## Notes to the income statement

### Note 15 – Analysis of revenues

Breakdown of revenues by sector of business is as follows:

(in thousands of euros)	2003	%	2002	%
System and network integration	14,799	16 %	19,557	21 %
Outsourcing of distributed environments	29,760	32 %	32,310	35 %
e-Services	48,173	52 %	40,756	44 %
<b>Total</b>	<b>92,732</b>	<b>100 %</b>	<b>92,623</b>	<b>100 %</b>

Breakdown of revenues by sector of business is as follows:

(in thousands of euros)	% growth 2003 / 2002	% organic growth 2003 / 2002
System and network integration	(24 %)	(24 %)
Outsourcing of distributed environments	(8 %)	(8 %)
e-Services	+ 18 %	+ 11 %
<b>Total</b>	<b>+ 0.1 %</b>	<b>(3.6 %)</b>

Revenues mainly come from France.

### Note 16 – Analysis of operating profit

Breakdown of operating profit by sector of business is as follows:

(in thousands of euros)	2003	%	2002	%
System and network integration	398	5 %	1,309	4 %
Outsourcing of distributed environments	4,260	56 %	5,566	57 %
e-Services	2,930	39 %	2,824	29 %
<b>Total</b>	<b>7,588</b>	<b>100 %</b>	<b>9,699</b>	<b>100 %</b>

The operating margin, by business, in relation to revenues is as follows :

(in thousands of euros)	2003	2002
System and network integration	2.7 %	6.7 %
Outsourcing of distributed environments	14.3 %	17.2 %
e-Services	6.1 %	6.9 %
<b>Total</b>	<b>8.2 %</b>	<b>10.5 %</b>

### Note 17 – Table of simplified cash flow by sector of business - 2003

(in thousands of euros)	Parent company	Integration	Outsourcing	e-Services	Total
Net profit	(368)	277	3,000	1,950	4,859
Non monetary elements (deprec. & prov., deferred taxes)	607	234	350	772	1,963
Change in WCR	(104)	(126)	(321)	1,922	1,371
<b>Cash generated by the business</b>	<b>135</b>	<b>385</b>	<b>3,029</b>	<b>4,644</b>	<b>8,193</b>
Productive investments	9	(106)	(91)	(948)	(1,136)
<b>Free cash flow</b>	<b>144</b>	<b>279</b>	<b>2 938</b>	<b>3 696</b>	<b>7,057</b>
Investments - acquisitions	(2,003)	-	-	(105)	(2,108)
<b>Change in cash flow</b>	<b>(1,859)</b>	<b>279</b>	<b>2,938</b>	<b>3,591</b>	<b>4,949</b>
Cash on opening	16,540	1,247	11,446	6,560	35,793
Cash on closing	14,681	1,526	14,384	10,151	40,742



## Note 18 – Other operating income, writeback of provisions and transfer of charges

(in thousands of euros)	2003	2002
Other income	290	164
Operating subsidies	39	24
Adjustments on provisions	147	281
Expense transfer	547	31
<b>Total</b>	<b>1 023</b>	<b>500</b>

## Note 19 – Payroll charges

(in thousands of euros)	2003	2002
Wages and charges	55,332	53,410
Employee profit-sharing	509	797
<b>Total</b>	<b>55,841</b>	<b>54,207</b>

## Note 20 – Other operating charges

(in thousands of euros)	2003	2002
Outsourcing purchases	11,513	8,312
Non stored materials and supplies purchased	303	340
Outside personnel	1,187	758
Other outside services	6,216	5,665
Other charges	201	542
<b>Total</b>	<b>19,420</b>	<b>15,617</b>

## Note 21 – Analysis of financial income

(in thousands of euros)	2003	2002
Capital gains on money market funds	553	682
Other interest and assimilated income	342	431
Writeback of provision	-	15
<b>Total financial income</b>	<b>895</b>	<b>1 128</b>
Interest and assimilated charges	113	130
FX losses/gains	2	1
Net charges on sale of investment marketable securities	-	4
<b>Total financial charges</b>	<b>115</b>	<b>135</b>
<b>Financial income</b>	<b>780</b>	<b>993</b>

## Note 22 – Analysis of Extraordinary Item

(in thousands of euros)	2003	2002
Income from disposal of assets sold	3	6
<b>Total extraordinary income</b>	<b>3</b>	<b>6</b>
Extraordinary charges from management operations	3	3
Net book value of assets sold	-	5
Provisions	5	34
<b>Total Extraordinary charges</b>	<b>8</b>	<b>42</b>
<b>Extraordinary Item</b>	<b>(5)</b>	<b>(36)</b>

## Note 23 – Income tax

(in thousands of euros)	2003	2002
Tax payable	2,584	3,712
Deferred taxes	262	(33)
<b>Total</b>	<b>2,846</b>	<b>3,679</b>

## Note 24 – Evidence of tax

(in thousands of euros)	Base	Taux	Impôt
Earnings before taxes and goodwill depreciation	8,363	34.33 %	2,872
Impact of charges definitively not deductible	31	34.33 %	11
Use of tax deficits	(127)	34.33 %	(44)
Restatement not taxed	(3)	34.33 %	(1)
Social contribution on profits (*)	-	-	4
Fines	-	-	4
<b>Effective tax charge</b>			<b>2,846</b>
Average rate of tax			34 %

(\*) Supplement of tax beyond 763,000 euros of tax (+ 3.33%).

## Note 25 – Current tax saving by the group in the framework of tax consolidation

A tax consolidation scope was formed on the sub-scope of the group and in 2003 includes, NEURONES, Neurones Solutions, Skills Consulting, UpGrade and Inexware Services.

(in thousands of euros)	
Tax booked by the parent company	(44)
Tax assumed by the parent company, for lack of tax consolidation	86

By convention, profits generated by the group subsequent to losses made by subsidiaries are not paid back.

## Various information

### Off-balance sheet commitments

There are no off-balance sheet commitments, other than those mentioned in note 1, for earn-outs on acquisition of securities.

### Degree of exposure to rate and foreign exchange risks

Due to the nature of its business, mainly in France by French subsidiaries, invoiced mainly in euros, NEURONES is not exposed to any significant rate and foreign exchange risk.

### Tax regime of group companies

As of 1 January 2000, NEURONES opted for the tax consolidation regime for 2000 to 2004. The consolidated group includes NEURONES S.A., Neurones Solutions SAS, Skills Consulting SAS and UpGrade and Inexware Services.

Average payroll	2003	2002
Executives	633	613
Employees	523	530
<b>Total</b>	<b>1,156</b>	<b>1,143</b>

### Remuneration of directors

The total amount of remunerations allocated to members of the NEURONES S.A. board of directors is 264,261 euros for the year.

## 2.5. The Auditor's report on consolidated accounts, (year ending 31 December 2003)

Ladies and Gentlemen the shareholders,

Pursuant to the assignment that was entrusted to us by the General Meeting, we report below on the consolidated accounts of NEURONES for the financial year ending 31 December 2003 as attached to this report.

Consolidated accounts were closed by the Board of directors. It is for us, on the basis of our audit, to express an opinion on these accounts.

### I. Opinion on consolidated accounts

We performed our audit according to the standards of the profession applicable in France ; these standards require deployment of diligence guaranteeing reasonable assurance that the consolidated accounts contain no significant anomalies. An audit involves examining by sampling pertinent elements justifying the data in these accounts. It also involves appreciating accounting principles used and the significant estimates retained in closing of the accounts and the appreciation of their overall presentation. We believe our verifications provide a reasonable basis for the opinion expressed below.

We certify that the consolidated accounts, prepared in compliance with rules and accounting principles applicable in France, are regular and sincere and present fairly the assets, the financial position and the results of all consolidated group companies.

Nous certifions que les comptes consolidés sont, au regard des règles et principes comptables français, réguliers et sincères et donnent une image fidèle du patrimoine, de la situation financière, ainsi que du résultat de l'ensemble constitué par les entreprises comprises dans la consolidation.

### II. Justification of appreciation

In application of provisions of article L.225-235 of the Code of Commerce relative to the justification of our appreciation, introduced by the law of financial security on 1 August 2003 and applicable for the first time this year, we would draw your attention to the following factors:

#### Gross goodwill

As described in the accounting principles in appendix, your company may be required to record an extraordinary depreciation on gross goodwill or to modify the depreciation plan, if significant negative changes occur, in order to bring gross goodwill in line with going value.

Our work consisted of appreciating the data and hypotheses on which a given going value is based, revising the calculations made by your company, comparing these estimates in relation to prior periods and examining approval procedures of these estimates by management.

In the framework of our appreciation, we are confident in the reasonable nature of these estimates.

#### Receivables

Your company may be required to set aside provisions for depreciation on receivables when their inventory value is lower than their book value, as described in the accounting rules and methods in appendix.

On the basis of elements available to date, our appreciation of provisions is based on the analysis of processes deployed by the company to identify and assess risks, and the inspection of the situation at the time of our intervention.

In the framework of our appreciation, we are confident in the reasonable nature of these estimates.

The appreciation thus made are part of our audit approach for consolidated accounts, taken overall, and thus contributed to the basis of our opinion without reserve, expressed in the first part of the report.

### III. Specific verifications

What is more, we also checked the information concerning the group given in the management report. We have no observations to make on the fairness and consistency with the consolidated accounts.

6 April 2004

Auditors

Bellot Mullenbach & Associés

Ernst & Young Audit

Thierry Bellot

Jean-Luc Loir

Any Antola

## 2.6. Special report of the Auditor's on the Chairman of the Board of Director's report on internal control

Ladies and Gentlemen the shareholders,

As Auditors of NEURONES and in application of the measures in the last paragraph of article L.225-235 of the Code of Commerce, we present our report on the report prepared by the Chairman of your company in compliance with provisions in article L.225-37 of the Code of Commerce for the year ending on 31 December 2003.

Under the responsibility of the Board of directors, it is for the management to define and implement adequate and efficient internal control procedures. It is for the Chairman to mention, in his report, the conditions for preparation and organization of the Board of directors work and procedures of internal control deployed within the company.

It is for us to share our observations that require from us information given in the Chairman's report, concerning internal control procedures relative to the drafting and processing of accounting and financial information.

We performed our task applying the professional doctrine applicable in France. This required deploying diligence to appreciate the

information given in the Chairman's report, concerning internal control procedures relative to the drafting and processing of accounting and financial information. This diligence notably consists of:

- taking cognizance of internal control objectives and general organization, as well as the internal control procedures relative to the drafting and processing of accounting and financial information presented in the Chairman's report.
- taking cognizance of work underlying the information thus given in the report.

On the basis of this work, we have no observations to make on the information concerning internal control procedures relative to the drafting and processing of accounting and financial information contained in the report of the Chairman of the Board of directors, prepared in application of the provisions in the last paragraph of article L.225-37 of the Code of Commerce.

6 April 2004

Auditors

Bellot Mullenbach & Associés

Ernst & Young Audit

Thierry Bellot

Jean-Luc Loir

Any Antola



## 2.7. Annual accounts as of 31 December 2003

<b>ASSETS</b>					
(in euros)	Notes	Gross	31/12/2003 Depreciation and provisions	Net	31/12/2002 Net
Concessions, patents and similar rights		20,443	20,443	-	-
Business		1,524	-	1,524	1,524
<b>INTANGIBLE FIXED ASSETS</b>	<b>Note 1</b>	<b>21,968</b>	<b>20,443</b>	<b>1,524</b>	<b>1,524</b>
Other tangible assets		40,736	32,862	7,873	12,146
<b>TANGIBLE ASSETS</b>	<b>Note 2</b>	<b>40,736</b>	<b>32,862</b>	<b>7,873</b>	<b>12,146</b>
Controlling interests		53,544,990	-	53,544,990	53,486,666
Other capitalized securities		6,098	6,098	-	-
Loans		39,734	-	39,734	44,410
Other financial assets		5,059	-	5,059	17,600
<b>FINANCIAL ASSETS</b>	<b>Notes 3 / 4</b>	<b>53,595,881</b>	<b>6,098</b>	<b>53,589,783</b>	<b>53,548,677</b>
<b>Total fixed assets</b>		<b>53,658,585</b>	<b>59,404</b>	<b>53,599,181</b>	<b>53,562,347</b>
Trade accounts and notes receivable	Note 5	1,452,774	-	1,452,774	949,911
Other receivables	Note 6	790,004	-	790,004	432,800
Investment securities	Note 7	17,901,813	-	17,901,813	19,634,974
Cash		328,666	-	328,666	660,728
<b>Total fixed assets</b>		<b>20,473,258</b>	<b>-</b>	<b>20,473,258</b>	<b>21,678,413</b>
Prepaid expenses	Note 6	24,547	-	24,547	28,572
<b>Total fixed assets</b>		<b>74,156,390</b>	<b>59,404</b>	<b>74,096,986</b>	<b>75,269,332</b>

<b>LIABILITIES</b>			
(in euros)	Notes	31/12/2003	31/12/2002
Company capital		9,108,420	9,108,420
Paid-in capital		27,720,444	27,720,444
Legal reserve		910,842	910,842
Retained earnings		30,181,912	30,008,828
PROFIT FOR THE YEAR		288,941	173,084
<b>Total shareholders' capital</b>	<b>Note 8</b>	<b>68,210,559</b>	<b>67,921,618</b>
Provisions for contingencies		-	-
<b>Total provisions for contingencies and losses</b>		<b>-</b>	<b>-</b>
Borrowings and payables to banks		332,494	8,644
Suppliers payable and related accounts		1,526,397	1,341,866
Tax and social payables		235,747	182,908
Other payables		3,791,790	5,814,297
<b>Total debt</b>	<b>Note 9</b>	<b>5,886,428</b>	<b>7,347,714</b>
<b>Total liabilities</b>		<b>74,096,986</b>	<b>75,269,332</b>

## INCOME STATEMENT

(in euros)	Notes	2003	2002
Sale of merchandise		6,543	12,107
Service production sold		8,270,308	4,530,621
<b>NET REVENUES</b>	<b>Note 12</b>	<b>8,276,850</b>	<b>4,542,728</b>
Including exports		-	-
Operating subsidies		-	-
Writebacks on provisions and depreciation expense transfer		6,220	6,220
Other income		26,369	1,326
<b>OPERATING INCOME</b>		<b>8,309,439</b>	<b>4,550,274</b>
Purchase of merchandise		6,543	8,488
Variation in inventories		-	-
Other purchases and external charges		7,498,329	3,991,402
Taxes, duties and assimilated payments		28,823	37,906
Wages and salaries		648,881	629,551
Social security charges		262,175	260,678
Provisions on fixed assets		4,273	7,235
Provisions on current assets		-	-
Contingencies and loss provisions		-	-
Other charges		3,791	3,050
<b>OPERATING CHARGES</b>		<b>8,452,814</b>	<b>4,938,310</b>
<b>OPERATING PROFIT</b>		<b>(143,375)</b>	<b>(388,036)</b>
Financial income from controlling interests		-	-
Other interest and assimilated income		221,808	365,561
Net income from the sale of marketable investment securities		278,792	358,669
<b>FINANCIAL INCOME</b>		<b>500,600</b>	<b>724,230</b>
Interest and assimilated charges		112,275	73,673
<b>FINANCIAL CHARGES</b>		<b>112,275</b>	<b>73,673</b>
<b>FINANCIAL INCOME</b>		<b>388,325</b>	<b>650,557</b>
<b>CURRENT INCOME BEFORE TAX</b>		<b>244,950</b>	<b>262,521</b>
Extraordinary income from management operations		-	-
Extraordinary income from capital operations		21,300	-
Adjustments for provisions and transfer of charges		-	-
<b>EXTRAORDINARY INCOME</b>		<b>21,300</b>	<b>-</b>
Extraordinary charges from management operations		-	-
Extraordinary charges from capital operations		21,300	-
<b>EXTRAORDINARY CHARGES</b>		<b>21,300</b>	<b>-</b>
<b>EXTRAORDINARY ITEM</b>		<b>-</b>	<b>-</b>
Employee profit-sharing		-	-
Corporate taxes	Note 13	(43,991)	89,437
<b>TOTAL INCOME</b>		<b>8,831,339</b>	<b>5,274,504</b>
<b>TOTAL CHARGES</b>		<b>8,542,398</b>	<b>5,101,419</b>
<b>PROFIT / (LOSS)</b>		<b>288,941</b>	<b>173,084</b>

## Appendix to annual accounts

### General

Annual accounts for the financial year ending 31 December 2003 are presented in euros and are prepared in compliance with statutory and regulatory provisions in force in France, respecting the principles of prudence, independence of financial exercises, constant accounting methods and in the context of ongoing operations.

### Accounting rules and methods

#### Intangible assets

Software acquired for in-house use is depreciated according to the straight-line method over one year.

Business is not depreciated. If necessary, a provision for depreciation is made when the book value falls below the going value.

#### Tangible assets

Tangible assets are evaluated at acquisition cost. They are depreciated according to the following methods:

Fittings and installations	Straight-line 5 years
Transport equipment	Line-line 4 years
Computer equipment	Accelerated 3 years
Office equipment	Line-line 5 years

#### Long-term investments

Capitalized securities are evaluated at acquisition cost. A provision for depreciation is made when the going value of the investment falls below its acquisition cost. Going value is appreciated especially as a function of prospects of profitability.

#### Receivables and payables

Receivables and payables are evaluated at their nominal value.

If necessary, a provision for depreciation is practiced on a case-by-case basis when the balance sheet value is below the book value.

#### Investment securities and cash

Securities posted to assets correspond to the historic acquisition price.

Accrued interest on cash notes and certificates of deposit are booked prorata temporis on the period accrued until closing date.

If necessary, a provision for depreciation is practiced on a case-by-case basis when the balance sheet value is below the book value.

## Notes to the balance sheet

### Note 1 - Intangible assets

#### GROSS VALUE

(in euros)	31/12/02	↗	↘	31/12/03
Concessions, patents, licenses	20,444	-	-	20,444
Business	1,524	-	-	1,524
<b>Total</b>	<b>21,968</b>	-	-	<b>21,968</b>

#### DEPRECIATION

(in euros)	31/12/02	↗	↘	31/12/03
Concessions, patents, licenses	20,443	-	-	20,443
<b>Total</b>	<b>20,443</b>	-	-	<b>20,443</b>

### Note 2 – Intangible assets

#### GROSS VALUE

(in euros)	31/12/02	↗	↘	31/12/03
Fittings and installations	9,988	-	-	9,988
Transport equipment	7,318	-	-	7,318
Computer and office equipment	23,430	-	-	23,430
<b>Total</b>	<b>40,736</b>	-	-	<b>40,736</b>

#### DEPRECIATION

(in euros)	31/12/02	↗	↘	31/12/03
Fittings and installations	2,763	1,997	-	4,760
Transport equipment	7,318	-	-	7,318
Computer and office equipment	18,509	2,275	-	20,784
<b>Total</b>	<b>28,590</b>	<b>4,272</b>	-	<b>32,862</b>

## Note 3 – Long-term investments

<b>GROSS VALUE</b>				
(in euros)	31/12/02	↗	↘	31/12/03
Controlling interests	53 486 666	79 624	21 300	53 544 990
Other capitalized securities	6 098	-	-	6 098
Loans	44 410	-	4 676	39 734
Other financial assets	17 600	2 456	15 000	5 059
<b>Total</b>	<b>53 554 775</b>	<b>82 083</b>	<b>40 976</b>	<b>53 595 881</b>

A table presenting information on subsidiaries and controlling interests is at the end of the appendix.

Increases for the year in the controlling interests item correspond to acquisition of:

- purchase of 0.77% of Brainsoft shares for 17,756 euros, from a longstanding shareholder,
- sale then buyback of 0.95% of Inexware Services shares for 21,300 euros,
- creation of Axones. This 100% owned company was set up and capitalized in November 2003 for 40,000 euros, the value of the shares. This company has no business for the moment but is intended for future group legal affairs (partial contribution of assets, takeover of businesses, etc.).

Other long-term investments mainly correspond to deposits made in the form of loans in the framework of the 1% housing aid contribution and deposit guarantees.

### Off-balance sheet commitments concerning acquisitions

A maximum earn-out of 760,000 euros may be paid, depending on Codilog's future results (2004). As of 31 December 2003, this commitment has not been booked, as it was an insignificant amount.

What is more, a sell option for 5% of Intrinsec shares was granted to two Intrinsec managers, if the net social situation of the company exceeded 763,000 euros on 31 December 2003. This condition was achieved, the employees had until 30 June 2004 to exercise their option at a price of 8.84 euros per share.

## Note 4 – Provisions on long-term investments

<b>PROVISIONS</b>				
(in euros)	31/12/02	↗	↘	31/12/03
Other capitalized securities	6,098	-	-	6,098
<b>Total</b>	<b>6,098</b>	<b>-</b>	<b>-</b>	<b>6,098</b>

## Note 5 – Trade accounts receivables and notes receivable

(in euros)	31/12/03	31/12/02
Client receivables	1,452,774	949,911
<b>Gross total</b>	<b>1,452,774</b>	<b>949,911</b>

## Note 6 – Schedule of receivables on closing for the year

(en euros)	Gross amount	Maximum 1 year	More than 1 year
<b>OF FIXED ASSETS</b>			
Loans	39,734	-	39,734
Other financial assets	5,059	-	5,059
<b>Total</b>	<b>44,793</b>	<b>-</b>	<b>44,793</b>
<b>OF CURRENT ASSETS</b>			
Trade accounts receivable and notes receivable	1,452,774	1,452,774	-
Status: VAT	359,325	359,325	-
Status: Corporate tax	306,685	306,685	-
Current debtor accounts	123,994	123,994	-
<b>Total</b>	<b>2,242,778</b>	<b>2,242,778</b>	<b>-</b>
Prepaid expenses	24,547	24,547	-
<b>General total</b>	<b>2,312,118</b>	<b>2,267,325</b>	<b>44,793</b>



Current accounts are used to book movements related to corporate tax (tax burden, down payments and liquidation of corporate tax) as part of the tax consolidation scheme implemented by NEURONES and subsidiaries concerned by group tax consolidation.

They are also used to record cash movements in the framework of the cash pooling agreement (cash pooling with capital rising in value by means of a mirror account) between NEURONES and the subsidiaries adhering to this agreement.

## Note 7 – Investment securities

	31/12/03		31/12/02	
	Purchase value	Net asset value	Purchase value	Net asset value
Cash note	8,448,940	8,488,537	9,212,887	9,286,801
Money market funds	9,452,873	9,686,602	10,422,087	10,560,594
<b>Total</b>	<b>17,901,813</b>	<b>18,175,139</b>	<b>19,634,974</b>	<b>19,847,395</b>

## Note 8 – Equity

### Note 8.1 - Capital

As of 31 December 2003, company capital consists of 22,771,050 shares with a nominal value of 0.4 euro and amounts to 9,108,420 euros.

The capital is 80% held by managers of the group and 20% by the public. The company has been listed on the Nouveau Marché of the Euronext Paris since May 2000.

tion of a maximum of 964,875 stock options (representing 5% of the capital). This authorization was definitively closed during 2003, 964,123 options were attributed between 29/11/1999 and 23/01/2003. The remaining 752 options not attributed, were cancelled by the General Meeting on 25 June 2003.

- The Extraordinary General Meeting on 25 June 2003 authorized the Board of directors to attribute a new stock option plan for a maximum of 250,000 options (representing 1.1% of the capital). This authorization is valid for thirty eight months. As of 31 December 2003, the Board of directors has not used this authorization.

### Note 8.2 – Stock option plan

- The Extraordinary General Meeting of 29 November 1999 attributed 476,385 stock option warrants and authorized the attribu-

The different stock option plans attributed by the Board of directors have the following characteristics:

#### PAYMENT OF PLANS

	Stock purchase warrants	Stock option Option n°1	Stock option Option n°2	Stock option Option n°3	Stock option Option n°4
Date of the General Meeting	29/11/1999	29/11/1999	29/11/1999	29/11/1999	29/11/1999
Date of the Board of directors meeting	-	29/11/1999	27/07/2000	11/07/2001	23/01/2003
Expiry date of plans	29/11/2004	29/11/2004	27/07/2005	11/07/2006	01/03/2007
Expiry date of plans	28/11/2005	28/11/2014	26/07/2015	10/07/2011	28/02/2011
Number of beneficiaries	49	19	171	238	60
Incl. managers	2	-	-	-	-
Number of options granted	476,385	165,550	304,363	320,210	174,000
Number of expired options as of 31/12/2003	(55,975)	(66,695)	(153,851)	(81,183)	(4,000)
Maximum number of options remaining exercisable	420,410	98,855	150,512	239,027	170,000
Number of shares bought to date	Aucune	Aucune	Aucune	Aucune	Aucune
Subscription price	3.2 euros	3.2 euros	7.5 euros	3.8 euros	3.2 euros
Potential dilution (void deducted) - % current capital	1.85 %	0.43 %	0.66 %	1.05 %	0.75 %
<b>Total potential dilution</b>					<b>4.74 %</b>

The stock subscription price paid by the beneficiaries is decided on the day the options are granted by the Board of directors and cannot be less than 80% of the average price in the 20 market sessions prior to the day the options will be granted.

### Note 8.3 – Changes in stockholders' equity

Changes in equity during the year is as follows:

(in euros)	31/12/02	↗	↘	31/12/03
Company capital	9,108,420	-	-	9,108,420
Paid-in capital	27,720,444	-	-	27,720,444
Legal reserve	910,842	-	-	910,842
Retained earnings	30,008,828	173,084	-	30,181,912
Result for the year 2002	173,084	-	173,084	-
Result for the year 2003	-	288,941	-	288,941
<b>Total</b>	<b>67,921,618</b>	<b>462,025</b>	<b>173,084</b>	<b>68,210,559</b>

### Note 9 – Schedule of payables on closing for the year

(in euros)	Total	Amount < 1 year	Amount > 1 and < 5 years	Amount > 5 years
Borrowings from banks				
- Less than 2 years originally	332,494	332,494	-	-
- More than 2 years originally	-	-	-	-
Suppliers payable and related accounts	1,526,397	1,526,397	-	-
Tax and social payables	235,747	235,747	-	-
Other payables	3,791,790	3,791,790	-	-
<b>Total</b>	<b>5,886,428</b>	<b>5,886,428</b>	<b>-</b>	<b>-</b>

### Note 10 – Adjustment accounts

(in euros)	31/12/03	31/12/02
<b>ACCRUED INCOME</b>		
Accrued interest receivable	273,326	212,421
<b>Total</b>	<b>273,326</b>	<b>212,421</b>
<b>CHARGES PAYABLE</b>		
Suppliers payable and related accounts	51,296	70,101
Tax and social payables	129,874	84,753
Other payables	95,837	85,832
<b>Gross total</b>	<b>277,007</b>	<b>240,686</b>

### Note 11 – Elements concerning affiliated companies and controlling interests

(in euros)	Affiliated companies	Companies with which the firm has an interest
<b>ASSETS</b>		
Controlling interests	53,544,990	-
Trade accounts receivable and notes receivable	146,919	-
Current debtor accounts	123,994	-
<b>Total assets</b>	<b>53,815,903</b>	<b>-</b>
<b>LIABILITIES</b>		
Suppliers payable and related accounts	1,408,119	-
Current creditor accounts	3,585,574	-
Other payables	30,000	-
<b>Total liabilities</b>	<b>5,023,693</b>	<b>-</b>
<b>RESULT</b>		
Operating income	1,778,313	-
Financial income	2,951	-
Other purchases and external charges	6,747,746	-
Financial charges	9,161	-

## Notes to the income statement

### Note 12 – Analysis of revenues

Revenues are mainly made up of charge backs for head office expenses charged to the various group subsidiaries, and revenues for which NEURONES S.A. centralizes charging back, as the latter is listed with large national budgets. Revenues are generated in France and the breakdown can be analyzed as follows:

(in thousands of euros)	2003	%	2002	%
<b>BUSINESSES</b>				
Charging back of head office expenses	1,451	18 %	1,273	28 %
Charge back of "referencing"	6,816	82 %	3,247	72 %
Other	10	-	23	-
<b>Total</b>	<b>8,277</b>	<b>100 %</b>	<b>4,543</b>	<b>100 %</b>

### Note 13 – Breakdown of corporate tax

(in euros)	Financial year			Previous year
	Result before tax	Tax	Result after tax	Result after tax
Current result	244,950	85,774	159,176	171,737
Extraordinary Item	-	-	-	-
Tax integration profit	-	(134,698)	(134,698)	(19,737)
Tax supplement (Tax integration)	-	4,933	4,933	18,390
<b>Net book result</b>	<b>244,950</b>	<b>(43,991)</b>	<b>288,941</b>	<b>173,084</b>

## Other information

### Note 14 – Off-balance sheet commitments

Retirement commitments - As of 31 December 2003, the amount of commitments related to pension indemnities was assessed using the retroactive method, but it was not booked. The amount of commitments at the end of December 2003 amounted to 5,000 euros.

Other commitments - There are no other off-balance sheet commitments than the earn-outs of acquisitions of securities mentioned in note 3.

### Note 15 – Degree of exposure to rate and foreign exchange risks

Due to the nature of its business in France, invoiced mainly in euros, NEURONES S.A. is not exposed to any significant rate and foreign exchange risk

### Note 16 – Average payroll

	2003	2002
Executives	8	9
<b>Total</b>	<b>8</b>	<b>9</b>

### Note 17 – Remuneration of directors

The total amount of remunerations allocated to members of the NEURONES S.A. board of directors is 264,261 euros for the year.

### Note 18 – Increase and lightening of the future tax debt

(in euros)	2003	2002
<b>Reintegration for the year to be deducted next year</b>		
Organic	10,717	5,905
Latent capital gains on money market funds	78	-
<b>Total</b>	<b>10,795</b>	<b>5,905</b>

### Note 19 – Tax regime for group companies

As of 1 January 2000, NEURONES opted for the tax consolidation regime for 2000 to 2004. The consolidated group includes NEURONES S.A., Neurones Solutions SAS, Skills Consulting SAS and UpGrade and Inexware Services SAS. As of 1 January 2004, Axones SAS forms part of the tax group.

### Methods of breaking down corporate tax based on the results of the entire group:

The tax burden is paid by consolidated companies, the parent and subsidiaries, as when there is no tax consolidation. This charge is calculated on the actual tax result after booking all their prior losses.

Tax savings achieved by the group thanks to losses are retained in their entirety by the parent company. Savings achieved by the group not related to the loss, are also retained by the parent company.

### Difference between tax booked and tax paid:

Tax booked	(43,991) euros
Tax paid	943,410 euros

### Difference between tax booked and tax supported when there is no tax consolidation:

Tax booked	(43,991) euros
Tax supported when there is no tax consolidation	85,774 euros

## Note 20 – Identity of the company preparing the consolidated accounts

NEURONES S.A. is the parent company of the group preparing consolidated accounts.

### Table of subsidiaries and participations

(in thousands of euros)

Company	Capital	Other equity <sup>(1)</sup> held	Share of capital held (%)	Book value of stocks held		Loans and advances held	Guarantees and commitments data	Revenues net of tax	Result 2003	Dividends collected
				Gross	Net					
I - SUBSIDIARIES (more than 50% held)										
- Help-Line	400	4,857	87.00 %	477	477	-	-	25,532	1,492	-
- Brainsoft	480	1,255	86.70 %	793	793	-	-	6,041	168	-
- UpGrade	3,813	650	100.00 %	3,811	3,811	-	-	8,612	(396)	-
- Intrinsec	480	283	90.00 %	466	466	-	-	2,794	162	-
- Neurones solutions	7,373	1,762	100.00 %	7,371	7,371	-	-	17,327	333	-
- Skills consulting	22,875	7,450	100.00 %	22,867	22,867	-	-	19,488	2,180	-
- Codilog-Knowledge	5,460	279	71.03 %	3,274	3,274	-	-	2,481	297	-
- As International Group	555	1,672	100.00 %	12,196	12,196	-	-	1,680	80	-
- Inexware Services	2,250	205	100.00 %	2,250	2,250	-	-	4,810	192	-
- Axones	40	-	100.00 %	40	40	-	-	-	-	-
II - CONTROLLING INTERESTS (10% to 50% held)										
III - OTHER SECURITIES										
- Sicoop	-	-	-	6	-	-	-	-	-	-
Total				53,551	53,545					-

(1) Before breakdown.

## 2.8. Attached notes

### Inventory of marketable securities as of 31/12/2003

(in euros)	Purchase value	31/12/2003 Net asset value	Latent capital gain
<b>Money market fund</b>			
- Oddo Cash 3	1,516,663	1,516,740	77
- BNP Kléber Mois	2,301,470	2,301,470	-
- Moneplus Société Générale	474,605	474,605	-
- Crédit Lyonnais Monétaire Large	935,079	935,079	-
- BMTN - Société Générale	4,225,056	4,458,785	233,729
<b>Sub-total money market funds</b>	<b>9,452,873</b>	<b>9,686,679</b>	<b>233,806</b>
<b>Cash note</b>			
- General Motors – maturing 22/01/2004 – 2,22 %	8,448,940	8,488,537	39,597
<b>Sub-total commercial paper</b>	<b>8,448,940</b>	<b>8,488,537</b>	<b>39,597</b>
<b>Total</b>	<b>17,901,813</b>	<b>18,175,216</b>	<b>273,403</b>



## Other information

The company has not applied rule 2002-10 of the CRC by anticipation.

## 2.9. Auditors' general report on annual accounts (financial year ending 31 December 2003)

Ladies and Gentlemen the shareholders,

Pursuant to the assignment that was entrusted to us by the General Meeting, we present our report relating to the financial year ending 31 December 2003, on:

- the audit of Neurones annual accounts, as attached to this report,
- the justification of our appreciation,
- specific verifications and information provided for by law.

Annual accounts were closed by the Board of directors. It is for us, on the basis of our audit, to express an opinion on these accounts.

### I. Opinion on annual accounts

We performed our audit according to the standards of the profession applicable in France ; these standards require deployment of diligence guaranteeing reasonable assurance that the annual accounts contain no significant anomalies. An audit involves examining by sampling pertinent elements justifying the data in these accounts. It also involves appreciating accounting principles used and the significant estimates retained in closing of the accounts and the appreciation of their overall presentation. We believe our verifications provide a reasonable basis for the opinion expressed below.

We certify that the annual accounts, prepared in compliance with rules and accounting principles applicable in France, are regular and sincere and present fairly the results of operations for the past year, the financial position and assets of the company at the end of this year.

### II. Justification of appreciation

In application of provisions of article L.225-235 of the Code of Commerce relative to the justification of our appreciation, intro-

duced by the law of financial security on 1 August 2003 and applicable for the first time this year, we would draw your attention to the following factors:

As described in the accounting rules and methods in the appendix, your company may be required to set aside provisions for depreciation on investment securities when their going value, appreciated mainly as a function of prospects of profitability, fall below their acquisition cost.

Our work consisted of appreciating the data and hypotheses on which these estimates are based, revising the calculations made by your company, comparing these estimates in relation to prior periods and examining approval procedures of these estimates by management.

In the framework of our appreciation, we are confident in the reasonable nature of these estimates.

The appreciation thus made are part of our audit approach for annual accounts, taken overall, and thus contributed to the basis of our opinion without reserve, expressed in the first part of the report.

### III. Verifications and specific information

We also performed, in compliance with professional standards applicable in France, specific verifications as provided by the law. We have no observation to make on the sincerity and concordance information provided in the board of director's management report with annual accounts and in the documents sent to shareholders on the financial position and annual accounts.

In accordance with the law, we have ascertained that the various information relating to the stakes held and participations taken and the identity of the owners of capital and voting rights were communicated to you in the management report.

6 April 2004

Auditors

Bellot Mullenbach & Associés

Ernst & Young Audit

Thierry Bellot

Jean-Luc Loir

Any Antola

## 2.10. Special report of the Auditors on statutory agreements (financial year ending 31 December 2003)

Ladies and Gentlemen the shareholders,

As Auditors to your company, we present our report on statutory agreements.

In accordance with article L. 225-40 of the Code of Commerce, we were informed of the agreements previously approved by your Board of directors.

It is not our duty to look for other agreements, but on the basis of information provided, we inform you of the essential characteristics and methods of those we know about, without an opinion as to their utility and merits. According to the terms of article 92 of the decree of 23 March 1967, it is for you to appreciate the interest of these agreements.

We accomplished our work according to professional standards; these standards require deployment of diligence to verify the concordance of information provided with the basic documents from which it comes.

### With Neurones Solutions

#### Director concerned

Mr Bertrand Ducurtil

#### Type and purpose

The Board of directors meeting on 6 January 2003 authorized charging back marketing service personnel charges by Neurones Solutions. The personnel was transferred as of 1 January 2003 from your company to Neurones Solutions.

#### Methods

Neurones Solutions charges back marketing service personnel costs that it bears, on the basis of a fixed monthly sum of 7,000 euros net of tax (corresponding to salaries multiplied by 1.5), to which paid holidays of transferred personnel is added. Neurones Solutions invoiced your company 89,692 euros net of tax in 2003.

### With AS International Group, Inexware Services et Intrinsec

#### Directors concerned

Messieurs Luc de Chamard and Bertrand Ducurtil

#### Type and purpose

By means of an agreement making available holding resources, the functions of general, financial, human resources, communication and marketing management are centralized by NEURONES S.A., the group holding. The Board of directors meeting on 6 January 2003 authorized charging back of annual costs born by your company.

#### Methods

Annual costs supported by NEURONES S.A. and charged to all subsidiaries are shared on a fixed price basis. In 2003, Neurones S.A. invoiced the following amounts net of tax:

- 49,200 euros to AS International Group
- 16,800 euros to Inexware
- 8,400 euros to Intrinsec

Furthermore, in application of the decree of 23 March 1967, we were informed of the execution of the following agreements,

approved in prior years and continuing this last year.

### With Neurones Solutions and UpGrade

#### Type and purpose

Neurones Solutions and Upgrade make premises available at 205 avenue Georges Clemenceau in Nanterre.

#### Methods

The cost of premises paid by Neurones Solutions and Upgrade is invoiced on a prorata basis for the surface area occupied. In 2003, Neurones Solutions and Upgrade respectively invoiced Neurones S.A. 69,600 euros and 36,151 euros net of tax.

### With Neurones Solutions

#### a. Type and purpose

Neurones Solutions centralizes the functions of management accounting.

#### Methods

Costs supported by Neurones Solutions are re-invoiced to Neurones S.A. on the basis of a monthly fixed amount of 1,100 euros net of tax. In 2003, Neurones Solutions invoiced Neurones S.A. 13,200 euros net of tax.

#### b. Type and purpose

Telephone and internet access costs paid by NEURONES Solutions are charged back to group companies.

#### Methods

Telephone costs paid by NEURONES Solutions for your company are charged back at a monthly amount of 100 euros net of tax. In 2003, Neurones S.A. booked a charge of 1,200 euros net of tax for telephone costs.

### With Neurones Solutions, Skills Consulting, Help-Line, Brainsoft, UpGrade, Inexware and Codilog-Knowledge

#### Type and purpose

In a centralized cash management agreement, Neurones S.A., Skills Consulting and Neurones Solutions agreed to centralize cash in a mirror account, movements by value date of operational accounts are integrated in a central account. This system is implemented with BNP and the Société Générale. Operational accounts are paid or invoiced on the basis of their respective balances, appearing in the central account.

Neurones S.A., Skills Consulting, Neurones Solutions, Help-Line, Inexware and Codilog-Knowledge agreed to an algebraic pooling of their bank positions at the UBP. NEURONES S.A. is invoiced for interest on the consolidated position.

Neurones S.A., Skills Consulting, Neurones Solutions, Brainsoft and Upgrade agreed to an algebraic pooling of their bank positions at the Crédit Agricole. NEURONES S.A. is invoiced for interest on the consolidated position.

## Methods

Depending on individual positions of each company party to the agreements, Neurones S.A. invoices or pays subsidiaries according to the following methods:

- overdraft position invoiced at EONIA rate + 0.6 % (overdraft condition applied by banks),
- credit position paid at EONIA rate - 0.6 %,
- difference in borrower / lender rate going to NEURONES S.A.

In 2003, Neurones S.A. invoiced the following amounts net of tax:

- 831 euros to Neurones Solutions
- 4,167 euros to Upgrade

In 2003, Neurones S.A. invoiced the following amounts net of tax:

- 761 euros to Brainsoft
- 2,842 euros to Help-Line
- 272 euros to Codilog-Knowledge
- 802 euros to Inexware.
- 1,177 euros to Skills Consulting

## With Neurones Solutions, Skills Consulting, Helpline, Brainsoft, UpGrade et Codilog-Knowledge

### Type and purpose

By means of an agreement making available holding resources, the functions of general, financial, human resources, communication and marketing management are centralized by NEURONES S.A., the group holding.

### Methods

Annual costs supported by NEURONES S.A. and charged to all subsidiaries are shared on a fixed price basis.

In 2003, Neurones S.A. invoiced the following amounts net of tax:

- 422,400 euros to Neurones Solutions
- 764,400 euros to Skills Consulting
- 76,800 euros to Help-Line
- 22,800 euros to Upgrade
- 22,800 euros to Brainsoft
- 10,800 euros to Codilog-Knowledge

6 April 2004

Auditors

Bellot Mullenbach & Associés

Ernst & Young Audit

Thierry Bellot

Jean-Luc Loir

Any Antola

## 2.11. Auditors' fees paid for by the group (financial years 2003/2002)

(in thousands of euros)	Bellot Mullenbach & Associés <sup>(*)</sup>		Ernst & Young		Bellot Mullenbach & Associés <sup>(*)</sup>		Ernst & Young	
	Amount 2003	% 2003	Amount 2003	% 2003	Amount 2002	% 2002	Amount 2002	% 2002
<b>AUDIT</b>								
- Auditors certification, check of individual and consolidated accounts	57	93 %	36	100 %	51	85 %	39	100 %
- Accessory missions (due diligence, etc.)	4	7 %	-	-	9	15 %	-	-
<b>Sub-total</b>	<b>61</b>	<b>100 %</b>	<b>36</b>	<b>100 %</b>	<b>60</b>	<b>100 %</b>	<b>39</b>	<b>100 %</b>
<b>OTHER SERVICES</b>								
- Legal, tax, social	-	-	-	-	-	-	-	-
- Information technologies	-	-	-	-	-	-	-	-
- Internal audit	-	-	-	-	-	-	-	-
- Others	-	-	-	-	-	-	-	-
<b>Sub-total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>61</b>	<b>100 %</b>	<b>36</b>	<b>100 %</b>	<b>60</b>	<b>100 %</b>	<b>39</b>	<b>100 %</b>

(\*) New name of the FCC Audit et Conseil office

# 3. The company and its capital

## 3.1. General information concerning the company

### 3.1.1. Company name

NEURONES.

### 3.1.2. Trading name

NEURONES.

### 3.1.3. Registered head office

Immeuble "le Clemenceau 1" – 205, avenue Georges Clemenceau 92024 Nanterre Cedex.

### 3.1.4. Legal form

The company was set up as a French société anonyme with a Board of directors governed by the new Code of Commerce and the decree of 23 March 1967 on commercial companies.

### 3.1.5. Nationality

Française.

### 3.1.6. Date of incorporation and duration of the company

The company was set up for a duration of 99 years, as of its registration in the Company Register on 15 January 1985.

It shall end on 15 January 2084, unless extended or early ending decided by an Extraordinary General Meeting.

### 3.1.7. Corporate charter (article 3 of the by-laws)

The purpose of the company in France, overseas territories and abroad: all transaction directly or indirectly concerning: consulting, design, manufacture, development, deployment, installation, support, operation, distribution of IT and electronic systems, both for services and software, applications and equipment, and generally any operation related to information, communication and training processes.

To achieve its purpose, the company may:

- process, sub-contract, represent and commission,
- import and export,
- possess, acquire, rent, outfit, equip, transform buildings, work-sites, warehouses, stores,
- take interests and controlling interests by any method or intervention in any similar company or likely to enhance development of its business,

and, in general perform all commercial, industrial, financial, security operations directly or indirectly attached to its purpose.

### 3.1.8. Company Register

331 408 336 R.C.S. NANTERRE

### 3.1.9. Financial year

The financial year starts on 1 January and ends on 31 December of each year.

### 3.1.10. Place where documents and information concerning the company may be consulted.

By-laws, accounts and reports, minutes of General Meetings may be consulted at the NEURONES head office.

### 3.1.11. General Meetings

General Meetings of shareholders are called and convened under conditions set by the law.

Meetings take place at the head office or any other place specified in the notice of convocation.

Any owner of shares, dating from at least five days prior to the meeting, may attend or be represented at the meeting on simple justification of their identity and an inscription in the share account at least five days before the General Meeting is held, either in the form of a nominative inscription, or the deposit within the same time limit of the certificate of an authorized intermediary at the place mentioned in the notice of convocation stating the non-availability of shares registered till the date of the meeting.

The meetings are chaired by the Chairman of the Board of directors or, in his absence, by a director specially delegated to that effect by the Board. By default, the meetings elects a Chairman.

Minutes of the meeting are drawn up and their copies certified and issued according to the law.

Subject to legal requirements, postal vote can also be used by shareholders. To be taken into account, the company must receive postal voting forms at least three days before the date of the meeting.

### 3.1.12. Disposal and transmission of shares

No clause in the by-laws restricts the transfer of shares.

### 3.1.13. Double voting right

A shareholder has as many votes as they own shares or represent, without any limit except those provided by law.

Nevertheless, a double voting right is attributed to all fully paid shares so long as they have been owned by the same shareholder in nominative form for at least four years. This right is granted from the time of issue to nominative shares freely attributed to a share-



holder holding old shares entitled to this right. Shares changing owner lose this double voting right: Nevertheless, transfer of ownership following inheritance, settling of communal estate between spouses on behalf of one spouse or relation entitled to inherit is not a reason to lose this acquired right and does not interrupt the four-year period so long as it is underway. The merger of the company has no effect on the double voting right that may be exercised within the absorbing company if the by-laws so provide.

### 3.1.14. Thresholds and crossing of thresholds

Every shareholder has the obligation to inform the company if holding or no longer holding directly, indirectly or jointly one of the legal thresholds of 5%, 10%, 20%, one third and two thirds of the company capital or voting rights.

Moreover, every shareholder has an additional obligation to inform the company if holding directly, indirectly or jointly 2% of the company capital or voting rights.

### 3.1.15. Purchase by the company of its own shares

Since its launch on the Paris Stock Exchange in May 2000, the company has so far made no operation on its own shares and to date owns none.

#### 3.1.15.1. Purchase program of the Combined General Meeting of 25 June 2003

Deployment of this program fits into the context of article L.225-209 of the new Code of Commerce.

The Combined General Meeting held on 25 June 2002 approved that the company purchases its own shares subject to the main guidelines below:

- duration of the program: eighteen months as of the date of the meeting (until 24 December 2004),
- maximum amount of the capital to be acquired: 10% of the capital,
- maximum purchase price: 12 euros per share,
- minimum selling price: 3 euros per share.

The company has not purchased any shares in the context of this program.

#### 3.1.15.2. Purchase program proposed to the Combined General Meeting on 25 June 2003

Deployment of this program fits into the context of article L.225-209 of the new Code of Commerce.

It was proposed to the Combined General Meeting on 25 June 2004 (eleventh resolution) to authorize the company to buy its own shares subject to the main guidelines below:

- duration of the program: eighteen months as of the date of the meeting (until 24 December 2005),
- maximum amount of the capital to be acquired: 10% of the capital,
- maximum purchase price: 12 euros per share,
- minimum selling price: 4 euros per share.

This second program cancels and replaces that authorized by the Combined General Meeting of 25 June 2003.

The effective launch of this second program is subject to a decision of the Board of directors. If necessary and after decision of the Board of directors, the company shall have the AMF endorse a memorandum concerning the program and publish it within the statutory period. The purchase program can then be effectively launched.

### 3.1.16. Statutory distribution of profits (article 19 of the by-laws)

The profit or loss for the year is formed by the difference between income and charges for the year, after deduction of depreciation and provisions, as reported in the income statement.

From the profit for the year, with prior losses deducted if necessary, a minimum five percent is first deducted and allocated to the legal reserve. This deduction is no longer mandatory once the legal reserve has achieved one tenth of the company capital.

If there are sums outstanding, the General Meeting decides, either to distribute or carry them over, or to allocate them to one or several reserves of which it controls the allocation and use.

After acknowledging the existence of reserves that it provides, the General Meeting may decide to distribute the sums taken from these reserves. In this case, the decision specifies from which reserves the amounts are to be taken.

The General Meeting can grant shareholders, all or part of the dividend or partial payment of distributed dividends, with the option to pay the dividend or part thereof in cash or in shares.

### 3.1.17. Identifiable bearer shares (article 7 of the by-laws)

The company has the right to ask the organization responsible for custody of shares, at any time and for a fee, the identity of shareholders bearing the immediate or future right to vote in its own shareholder meetings, as also the quantity of shares held by each person and whatever restrictions, such shares may be subject to, if any.

## 3.2. General information concerning capital

### 3.2.1. Company capital

On 5 April 2004, the capital of the company is 9,108,420 euros divided into 22,771,050 fully paid shares.

#### 3.2.1.1. Stock option plan (Extraordinary General Meeting of 29 November 1999)

The Extraordinary General Meeting of 29 November 1999:

- delegated for a five-year period the necessary powers to the Board of directors to grant, in one or several times, options giving right to subscribe to new shares of the company to be issued as part of a capital increase, or to shares purchased by the company under prevailing legal conditions,
- decided that the total number of options so granted may contain the right to subscribe or purchase a maximum of 192,975 NEURONES shares at a nominal of 2 euros (or 964,875 current shares at a nominal of 0.4 euro),
- decided in case of subscription or purchase, the stock subscription price paid by the beneficiaries is decided on the day the options are granted by the Board of directors and cannot be less than 80% of the average price in the 20 market sessions prior to the day the options will be granted. As of the time NEURONES is listed on the Nouveau Marché and in case of purchase option, the share purchase price paid by the beneficiaries is decided on the day the options are granted by the Board of directors and cannot be less than 80% of the average price in the 20 market sessions prior to the day the options will be granted, nor less than 80% of the average price of shares held by the company according to articles 217-1 and/or 217-2 of the Law of 24 July 1966

- took cognizance that the present authorization comprises specific waiver by shareholders, to the benefit of beneficiaries, to their pre-emptive right to subscribe to shares to be issued as stock options are exercised.

### 3.2.1.2. Stock purchase warrant plan (Extraordinary General Meeting of 29 November 1999)

The Extraordinary General Meeting of 29 November 1999 decided to issue stock purchase warrants giving the holder the right to subscribe to company shares.

The General Meeting issued 95,277 warrants for 49 beneficiaries by suppressing the pre-emptive right of shareholders to warrants issued and freely attributed.

Holders of warrants can subscribe to shares of the company at the nominal of 0.4 euro, to be issued, at a rate of 5 shares for one warrant (476,385 shares), for a subscription price of 3.2 euros per share with a nominal value of 0.4 euro.

The warrants may be exercised as of 29 November 2004 for a period of one year. As of 29 November 2005, warrants not exercised will lose all value.

As of 31 December 2003, there were 420,410 outstanding options exercisable (55,975 null excluded).

### 3.2.1.3. Attribution of stock options (The Board of directors meeting of 29 November 1999) - Plan n°1.

The Board of director's meeting of 29 November 1999 granted 33,110 NEURONES options to 19 group executives, at the former nominal of 2 euros for a subscription price of 16 euros, corresponding to 165,550 shares at the current nominal of 0.4 euro for a subscription price of 3.2 euros per share, exercisable from 29/11/2004 until 28/11/2014. As of 31 December 2003, there were 98,855 outstanding options exercisable for this attribution (66,695 null excluded).

### 3.2.1.4. Attribution of stock options (The Board of directors meeting of 27 July 2000) - Plan n°2.

The Board of director's meeting of 27 July 2000 granted 304,363 NEURONES options to 171 group employees, at a nominal of 0.4 euros, at an exercise price of 7.5 euros per share, exercisable from 27/07/2005 until 26/07/2015. As of 31 December 2003, there were 150,512 outstanding options exercisable (153,851 null excluded).

### 3.2.1.5. Attribution of stock options (The Board of directors meeting of 11 July 2001) - Plan n°3.

The Board of director's meeting of 11 July 2000 granted 320,210 NEURONES options to 238 group employees, at a nominal of 0.4 euros, at an exercise price of 3.8 euros per share, exercisable from 11/07/2006 until 11/07/2011. As of 31 December 2003, there were 239,027 outstanding options exercisable (81,183 null excluded).

### 3.2.1.6. Attribution of stock options (The Board of directors meeting of 23 January 2003) - Plan n°4.

The Board of director's meeting of 23 January 2003 granted 174,000 NEURONES options to 60 group employees, at a nominal of 0.4 euros, at an exercise price of 3.2 euros per share, exercisable from 01/03/2007 until 28/02/2011. This operation finalizes the options authorized by the General Meeting of 29 November 1999. As of 31 December 2003, there were 170,000 outstanding options exercisable (4,000 null excluded).

### 3.2.1.7. Subscription option plan (General Meeting of 25 June 2003)

The Combined General Meeting of 25 June 2003 again authorized 250,000 subscription options (eighth resolution). This number corresponds to the total number of options that expired as of 31/12/2002 in plans N°1 to N°4 and the stock purchase warrant plan. The corresponding maximum potential dilution amounts to 1.09% of the capital. As of 4 April 2004, the Board of directors has not used this authorization.

### 3.2.1.8. Subscription option plan (General Meeting of 25 June 2004)

It is intended that the Combined General Meeting of 25 June 2004 authorizes an additional 100,000 subscription options plus the 250,000 already authorized (thirteenth resolution). This number corresponds to the total number of options that expired in 2003 in plans N°1 to N°4 and the stock purchase warrant plan. The corresponding maximum potential dilution amounts to 0.44% of the capital.

### 3.2.1.9. Other securities giving access to the capital.

There are no other securities giving access to NEURONES capital.

## 3.2.2. Authorized capital

### Authorizations to issue

The Extraordinary General Meeting of 25 June 2004 approved that the Board of directors, or by delegation to the Chairman, issue marketable securities for a period of 26 months, in France or abroad, giving immediate or future access to company capital (fifteenth and sixteenth resolutions).

These issues may involve the support or suppression of the pre-emptive subscription right and cannot give place to (excluding adjustments relating especially to incorporation of profits, reserves or capital premiums, or the reservation of rights of bearers to marketable securities or warrants) a nominal increase of capital greater than 4 million euros.

Furthermore, the gross income of security issues representing claims giving access to the capital shall not exceed 80 million euros.

### 3.2.3. Statement of changes in company capital since the founding of NEURONES

Date	Type of operation	Increase of capital	Premium of issue and contribution	Number of shares issued	Accumulated amount on capital	
					Nb of shares	Capital
December 1984	Constitution of the company	-	-	-	8,000	800,000 F
15/08/85	Increase of capital	210,000 F	-	2,100	10,100	1,010,000 F
30/06/93	Purchase by the company of its own shares					
	Reduction on capital	-	-	- 4,954	5,146	514,600 F
30/06/93	Increase of capital by incorporation of reserves and raising of nominal from FF 100 to FF 200	514,600 F	-	-	5,146	1,029,200 F
30/12/97	Increase of capital by incorporation of reserves and raising of nominal from FF 200 to FF 4,000	19,554,800 F	-	-	5,146	20,584,000 F
29/11/99	Increase of capital by incorporation of reserves, conversion of capital to euros, nominal of shares raised to € 1,500	30,049,320.83 €	-	-	5,146	7,719,000 €
29/11/99	Division of nominal from € 1,500 to € 2	-	-	-	3,859,500	7,719,000 €
5/4/2000	Division of nominal from € 2 to € 0.4	-	-	-	19,297,500	7,719,000 €
23/5/2000	Increase of capital on introduction to the Nouveau Marché	1,389,420 €	29,872,530 €	3,473,550	22,771,050	9,108,420 €

### 3.2.4. Change in the breakdown of capital and voting rights during the last three years

Shareholding	Situation on 5 April 2004				Situation on 4 April 2003				Situation on 4 April 2002			
	Number of shares	% of capital	Number voting rights	% voting rights	Number of shares	% of capital	Number voting rights	% voting rights	Number of shares	% of capital	Number voting rights	% voting rights
<b>the IPO directors</b>												
- Luc de Chamard	13,732,495	60.3 %	27,336,990	66.9 %	13,604,495	59.8 %	27,208,990	66.4 %	13,604,495	59.8 %	27,208,990	66.4 %
- Host Sarl	3,532,500	15.5 %	7,065,000	17.3 %	3,532,500	15.5 %	7,065,000	17.3 %	3,532,500	15.5 %	7,065,000	17.3 %
- Bertrand Ducurtail	944,335	4.2 %	1,888,670	4.6 %	1,072,335	4.7 %	2,144,670	5.2 %	1,072,335	4.7 %	2,144,670	5.2 %
<b>Total directors</b>	<b>18,209,330</b>	<b>80 %</b>	<b>36,290,660</b>	<b>88.8 %</b>	<b>18,209,330</b>	<b>80 %</b>	<b>36,418,660</b>	<b>88.9 %</b>	<b>18,209,330</b>	<b>80 %</b>	<b>36,418,660</b>	<b>88.9 %</b>
Joint actions	-	-	-	-	-	-	-	-	-	-	-	-
Group of shareholders partners	-	-	-	-	-	-	-	-	-	-	-	-
Shareholding: of employees	-	-	-	-	-	-	-	-	-	-	-	-
Stock held	-	-	-	-	-	-	-	-	-	-	-	-
Treasury stock	-	-	-	-	-	-	-	-	-	-	-	-
Public <sup>(1)</sup>	4,561,720	20 %	4,565,480	11.2 %	4,561,720	20 %	4,565,480	11.1 %	4,561,720	20 %	4,565,480	11.1 %
Shareholding: residents	-	-	-	-	-	-	-	-	-	-	-	-
Shareholding: non resident	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>22,771,050</b>	<b>100 %</b>	<b>40,856,440</b>	<b>100 %</b>	<b>22,771,050</b>	<b>100 %</b>	<b>40,984,140</b>	<b>100 %</b>	<b>22,771,050</b>	<b>100 %</b>	<b>40,984,140</b>	<b>100 %</b>

(1) bearer and registered shares

Host Sarl is 100% held by Luc de Chamard.

To the knowledge of NEURONES, no other shareholder has declared owning directly, indirectly or jointly 2% or plus of the capital or voting rights.

### 3.2.5. Shareholder pacts/jointly owned shares

N/A.

### 3.2.6. Securities on deposit

N/A.

### 3.2.7. Commitment to retain shares

No commitment to retain shares has been taken by the managers owning shares.

## 3.3. Dividends

Financial year ending	Total net amount distributed	Dividend per share	
		Net dividend	Tax credit
31 December 2003	-	-	-
31 December 2002	-	-	-
31 December 2001	-	-	-
31 December 2000	-	-	-
31 December 1999	-	-	-
31 December 1998	-	-	-

At the Combined General Meeting on 25 June 2004, it will be proposed not to pay a dividend for financial year 2003. In compliance with statutory provisions, dividends and interim dividends are prescribed for five years to the profit of the state.



### 3.4. The market for company shares

NEURONES shares are currently traded on the Nouveau Marché of the Paris stock exchange (ISIN code: FR0004050250 -Bloomberg code NEUR FP -Reuters code NEUR.LN). NEURONES has been part of the Euronext "NextEconomy" segment since its creation in January 2002.

Since the IPO, shares are quoted continuously. The shares are part of the SBF 250 and IT CAC indices since the IPO in the summer of 2002.

The NEURONES share is among the twenty largest capitalizations of the Nouveau Marché of 150 shares (March 2004). In the last eighteen months the performance was as follows:

Month	Price High (in euros)	Price Low (in euros)	Price Average closing (in euros)	Number of Shares traded (in thousands)	Number of Sessions
September 2002	2.71	2.21	2.42	130	21
October 2002	3.19	1.95	2.59	182	23
November 2002	3.88	3.01	3.43	380	21
December 2002	3.80	3.15	3.49	145	20
January 2003	3.60	2.53	3.23	170	22
February	3.57	2.73	3.13	202	20
March	3.70	2.95	3.33	196	21
April	3.95	3.35	3.65	158	20
May	3.82	3.31	3.67	77	21
June	4.50	3.60	3.88	258	21
July	4.45	3.60	4.14	146	23
August	4.35	4.02	4.18	111	21
September	4.95	4.25	4.60	471	22
October	5.15	4.70	4.86	505	23
November	5.32	4.65	4.97	200	20
December 2003	5.00	4.61	4.87	117	21
January 2004	5.30	4.69	5.02	191	21
February 2004	6.10	5.08	5.71	365	20
<b>Extreme or average (last 12 months)</b>	<b>6.10</b>	<b>2.95</b>	<b>4.41</b>	<b>232</b>	
<b>Total (last 12 months)</b>				<b>2,794</b>	<b>254</b>

Source : Euronext

The average daily volume traded in the last three months (December 2003, January, February 2004), as in the last 12 months (March 2003 to February 2004) is approximately 11,000 shares a day.

# 4. Administration and management

## 4.1. Members of the Board of directors and management

Chairman : **Luc de Chamnard.**

### Other mandates in the group:

Chairman	Axones	205, av. Georges Clemenceau	92024 Nanterre Cedex
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Chief executive : **Bertrand Ducurtil.**

### Other mandates in the group:

Chairman	Skills Consulting	205, av. Georges Clemenceau	92024 Nanterre Cedex
Chairman	Inexware Services	205, av. Georges Clemenceau	92024 Nanterre Cedex
Manager	AS Technologie	83, rue du Faubourg Saint Honoré	75008 Paris
Manager	AS Télécom et Réseaux	83, rue du Faubourg Saint Honoré	75008 Paris

### Other mandates (outside the group):

Manager	Sarl Host	58, rue Pottier 78150 Le Chesnay	Versailles B 339 788 713
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Director : **Patrick de Catuelan.**

### Other mandates (outside the group):

Director	SA Immopark	23, rue de la Rochefoucauld 92100 Boulogne	Nanterre B 352 244 446
Manager	Sarl FCH Participations	38, rue du Mont Thabor 75001 Paris	Paris B 422 712 844
Director	SA Activités Auto Contrôle (AAC)	34, rue Abel Hovelacque 75013 Paris	Paris B 344 557 426
Co-manager	Sarl Auto Contrôle Voisins (ACV)	Rue aux Fleurs 78960 Voisins le Bretonneux	Versailles B 410 867 155

Director : **Jean-Louis Pacquement.**

Directors' mandates are renewed each year:

Director	Date of first nomination	Date mandate expires
Luc de Chamnard	5 December 1984 <sup>(*)</sup>	GM of 25 June 2003
Bertrand Ducurtil	30 June 1999	GM of 25 June 2004
Patrick de Catuelan	5 December 1984 <sup>(*)</sup>	GM of 25 June 2004
Jean-Louis Pacquement	5 December 1984 <sup>(*)</sup>	GM of 25 June 2004

(\*) Date of creating NEURONES.

Given the size of NEURONES and the breakdown of its capital, the company does not consider it necessary for the moment to set up a special structure concerning corporate governance.

## 4.2. Managers' interests

The amount of gross global remunerations and perquisites attributed to members of the NEURONES Board of directors for 2002 and 2003 are as follows :

(in euros)	Remuneration 2003				Remuneration 2002			
	Fixed	Variable	Perks	Total	Fixed	Variable	Perks	Total
Mr. de Chamard	151,327	-	6,220	157,547	151,469	-	6,220	157,689
Mr. Ducurtil	106,714	-	-	106,714	106,714	-	-	106,714
Mr. Pacquement	-	-	-	-	-	-	-	-
Mr. de Catuelan	-	-	-	-	-	-	-	-

NEURONES managers or members of their families hold directly or indirectly assets used by NEURONES, especially real estate.

indirect stake in a one-man business, an occasional supplier of the group.

They have no holdings in the capital of NEURONES subsidiaries, nor in clients or suppliers of the NEURONES group, except for an

No loans or cautions have been granted or formed in favor of members of administrative and management bodies.

## 4.3. Employee profit-sharing

### Stocks - Options - Stock purchase warrants

A stock purchase warrant plan was set up on 29 November 1999. At the same date, the General Meeting authorized the Board of directors to attribute stock options.

Using that authorization, the Board of directors attributed stock options on four occasions:

- on 29 November 1999 (plan n°1),
- on 27 July 2000 (Plan N°2),
- on 11 July 2001 (Plan N°2),

- on 23 January 2003 (Plan N°4) ending the authorization of the General Meeting of 29 November 1999.

Characteristics of these plans are provided in appendix to consolidated accounts Note 10.2 (see page 41).

Given the current capital, made up of 22,771,050 shares, the maximum potential dilution is 6.27% (options attributed remaining exercisable, options to attribute, options to authorize) :

	Number of shares maximum	% of capital
Stock purchase warrants granted (null deducted)	420,410	1.85 %
Stocks Options granted (Plans n° 1, 2, 3 and 4) (void deducted)	658,394	2.89 %
Stocks options authorized (AGM 25 June 2003)	250,000	1.09 %
<b>Total dilution authorized</b>	<b>1,328,804</b>	<b>5.83 %</b>
New stocks options proposed (AGM of 25 June 2004)	100,000	0.44 %
<b>Total potential dilution</b>	<b>1,428,804</b>	<b>6.27 %</b>

### Historic of stock option attributions or purchase of shares

Directors and 10 employees receiving the most options.

	Stock purchase warrant plan	SO plan n°1	SO plan n°2	SO plan n°3	SO plan n°4
Date of the meeting	29/11/1999	29/11/1999	29/11/1999	29/11/1999	29/11/1999
Date of the Board	-	29/11/1999	27/07/2000	11/07/2001	23/01/2003
Number of shares potentially subscribed or bought by:					
- legal representatives	214,380	-	-	-	-
- the first 10 employees attributed	153,645	126,245	34,298	81,000	67,000
Option start date	29/11/2004	29/11/2004	27/07/2005	11/07/2006	01/03/2007
Expiry date	28/11/2005	28/11/2014	26/07/2015	10/07/2011	28/02/2011
Subscription or buy price	3.20	3.20	7.50	3.80	3.20
Methods of exercising (when the plan has several tranches)	N/A	N/A	N/A	N/A	N/A
Number of shares subscribed	0	0	0	0	0
Cancelled subscription or purchase options during the year	0	54,785	0	0	0
Subscription or purchase option	368,025	71,460	21,912	76,000	67,000

## Attributions and exercise of subscription or purchase options in 2003

Legal representatives and 10 employees receiving the most options.

Subscription or stock purchase options granted to each legal representative and options exercised by the latter	Number of options attributed/ stock subscribed or purchased	Price	Dates maturing	Plan n°
Options granted during the year to each director by the issuer and by companies in the scope of consolidation for granting of options				
- Monsieur de Chamard	0	-	-	-
- Monsieur Ducurtil	0	-	-	-
Options exercised during the year by each company director				
- Monsieur de Chamard	0	-	-	-
- Monsieur Ducurtil	0	-	-	-

Attribution and exercise of subscription or stock purchase options to non-legal representative employees	Number of options attributed/ stock subscribed or purchased	Price average weighted	Plan n°	Plan n°
Options exercised during the year by the issuer and any company included in the scope of option attribution, to the 10 employees of the issuer and any company in the scope, including the number of options granted is the highest	67,000	3.20 €	Plan n°3 of 23/01/2003	-
Options held by the issuer and companies previously mentioned, exercised during the year by the 10 employees of the issuer and companies whose number of options bought or subscribed to is the highest.	0	-	-	-

## Profit-sharing

Furthermore, employees benefit from the legal profit-sharing scheme once their business entity fulfils the required conditions. In the last five years, the sums allocated to employee profit-sharing are as follows:

(in thousands of euros)	1999	2000	2001	2002	2003
Legal profit-sharing	759	384	631	754	481
Employee profit-sharing	-	-	-	43	28
<b>Total profit-sharing</b>	<b>759</b>	<b>384</b>	<b>631</b>	<b>797</b>	<b>509</b>





## 5. People in charge

### 5.1. Person in charge of the reference document and attestation

"To the best of my knowledge, the data in this reference document complies with reality; all necessary information for investors to form an opinion on the assets, business, financial position, results and prospects of NEURONES are included herein. There are no omissions likely to alter their impact."

Luc de Charmmard  
Chairman-Chief Executive Officer

### 5.2. Person in charge of information

Bertrand Ducurtil  
NEURONES – 205, avenue Georges Clemenceau 92024 Nanterre  
Cedex  
Tél. : 01 41 37 41 37  
Fax. : 01 47 24 40 46  
e-mail : [bertrand\\_ducurtil@neurones.net](mailto:bertrand_ducurtil@neurones.net)

### 5.3. People in charge of auditing accounts and Auditor's attestations

#### 5.3.1. Incumbent auditors

- **Ernst & Young Audit**  
Faubourg de l'Arche – 11 Allée de l'arche – 92400 Courbevoie

Represented by Mrs. Any Antola  
Date of the mandate: appointed at the Ordinary General Meeting of 29 November 1999.  
End of mandate: mandate expiring at the Ordinary General Meeting summoned to approve the accounts for the financial year ending 31 December 2004.

- **Bellot Mullenbach & Associés (formerly FCC Audit et Conseil)**  
14, rue Clapeyron 75008 Paris

Represented by Monsieur Thierry Bellot and Jean-Luc Loir.  
First mandate: appointed at the Ordinary General Meeting of 30 June 1997.  
Date of mandate underway: renewed at the Ordinary General Meeting of 25 June 2003.  
End of mandate: mandate expiring at the Ordinary General Meeting called to approve accounts for the year ending 31 December 2008.

#### 5.3.2. Substitute auditors

- Mr. Guy Papouin  
25, square de la Brèche 92000 Nanterre

Date of the mandate: appointed at the Ordinary General Meeting of 29 November 1999.  
End of mandate: mandate expiring at the Ordinary General Meeting called to approve accounts for the year ending 31 December 2004.

- Mr. André Cresteil  
14, rue Clapeyron 75008 Paris

First mandate: appointed at the Ordinary General Meeting of 30 June 1997.  
Date of the mandate: renewed at the Ordinary General Meeting of 25 June 2003.  
End of mandate: mandate expiring at the Ordinary General Meeting called to approve accounts for the year ending 31 December 2008.

#### 5.3.3. Auditor's report on the reference document

As Auditors of the NEURONES and in application of regulation COB 95-01, in compliance with professional standards applicable in France, we verified the information on the financial position and historic accounts provided in this reference document.

This reference document was prepared under the responsibility of the Chairman of the board of directors of the company. It is for us to pronounce an opinion on the sincerity of the information it contains on the financial position and accounts.

In compliance with professional standards applicable in France, our

proceedings consisted in appreciating the sincerity of information on the financial position and accounts, in verifying their consistency with reported accounts. They also involved reading other information contained in the reference document, so as to identify, if necessary, the significant incoherencies with information on the financial position and accounts, and to indicate any patently erroneous information that we may have found on the basis of our general knowledge of the company acquired in the context of our assignment. The forecast data presented corresponds to directors' objectives and not the forecast isolated data resulting from a structured elaboration process.

The annual accounts and consolidated accounts of NEURONES for the financial years ending 31 December 2002 and 2003, closed by the Board of directors, were audited by us according to the standards of the profession applicable in France, and were certified without reserve or observation.

In application of provisions of article L.225-235 of the Code of Commerce, introduced by the financial security law of 1 August 2003 and applicable for the first time this year, we mentioned in our general report and our report on consolidated accounts for the year ending 31 December 2003, the following justification of our appreciation:

#### As regards annual accounts:

As described in the accounting rules and methods in appendix, your company may be required to set aside provisions for depreciation on investment securities when their going value, appreciated mainly as a function of prospects of returns, is lower than their acquisition cost. Our work consisted of appreciating the data and hypotheses on which these estimates are based, revising the calculations made by your company, comparing these estimates in relation to prior periods and examining approval procedures of these estimates by management. In the framework of our appreciation, we are confident in the reasonable nature of these estimates.

#### As regards consolidated accounts:

- Gross goodwill  
As described in the accounting principles in appendix, your company may be required to record an extraordinary depreciation on gross goodwill or to modify the depreciation plan, if significant negative changes occur, in order to bring gross goodwill in line with going value.

Our work consisted of appreciating the data and hypotheses on which a given going value is based, revising the calculations made by your company, comparing these estimates in relation to prior periods and examining approval procedures of these estimates by management. In the framework of our appreciation, we are confident in the reasonable nature of these estimates.

- Receivables  
Your company may be required to set aside provisions for depreciation on receivables when their inventory value is lower than their book value, as described in the accounting rules and methods in appendix.  
On the basis of elements available to date, our appreciation of provisions is based on the analysis of processes deployed by the company to identify and assess risks, and the inspection of the situation at the time of our intervention.  
In the framework of our appreciation, we are confident in the reasonable nature of these estimates.

The appreciation thus made are part of our audit approach for annual and consolidated accounts, taken overall, and thus contributed to the basis of our opinion without reserve, expressed in the first part of the report.

On the basis of our proceedings, we have no observation to make on the sincerity of information concerning the financial position and accounts presented in this reference document.

Paris, 9 April 2004

Auditors  
Members of the « Compagnie régionale de Paris »

Bellot Mullenbach & Associés

Ernst & Young Audit

Thierry Bellot

Jean-Luc Loir

Any Antola

#### Additional information:

This document includes in chapter 2.6 the report of the Auditors, drafted in application of the last paragraph of article L.225-235 of the Code of Commerce, on the report of the Chairman of Neuron S.A., describing the internal control procedures relative to the elaboration and processing of accounting and financial information.

# 6. Table of certification

In order to facilitate reading of this annual report, the following table identifies the main items of the instruction to apply rule 95-01 of the Commission des Opérations de Bourse.

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# 7. Glossary

## System and network integration:

**LAN (local area network)** : local network. It is mainly made up of the following elements: servers, work-stations, peripheral devices, active elements, enabling the transfer of information between servers and stations. The main active elements are routers (that enable liaisons between sites) and switches (that enable liaisons between elements of the same site).

**WAN (wide area network)**: extended network. Concerns all links between different LANS of an organization

**Integration of systems**: all services for design and implementation that concern system applications situated on Lan and Wan networks of an organization: OS (operating systems) servers, OS stations, light client OS, emulators, message systems, remote access, Internet access, business-specific applications, utilities (remote distribution, supervision, alarm reporting, back-ups, management of disk racks, clusters, etc.).

The term system integration can be used in a different sense. Global IT services company system integrators are considered to be able to process both the functional aspects of a major evolution of an information system (like installing an ERP for example) and to set up the necessary technical infrastructures to support them. It is then a question of "information system integration (SI)".

**Integration of networks**: all design and implementing services that concern the layers of local and remote networks of an organization. A network integrator designs the basics and flowrates but does not take part in the higher server and client station application layers.

**Central site (mainframe or large system)**: high-power computer centrally used in large organizations (IBM Z series, Bull DPS7-8, etc.). An extensive range of specific applications have been developed in these environments, they remain in production in large organizations. These applications are relayed to work-station by an emulator.

**Proprietary systems**: these are mini-computers whose hardware and operating system (OS) are developed and marketed by a single manufacturer (IBM's Z and I-Series, Dec's Vax, etc.). The term is used in opposition to Unix and OS (Windows 2000, NT, Netware, Linux, etc.) which are independent of manufacturers.

**Distributed computing**: servers (Unix, NT, Netware, etc.), work-stations, peripheral devices, active and passive elements (mainly routers and switches).

**Mobility**: nomad users of an organization have increasing access to remote-mode applications. Four main types of terminal are used: portable computers, PC tablet, PDA - Palm, HP, Blackberry, etc.) including PC pockets and smartphones. Users access company data, update it or synchronize it with the latter. Applications are either PIM (Personal Information Management : agenda+mails),

or trade applications. Typical nomad users are logistics people, medical visitors, maintenance or after-sales service teams. It is reckoned that there are 7 million nomad workers in France.

A project of mobility takes account especially of: the choice of terminal (therefore the corresponding Operating System), the choice of a synchronization server, the choice of an Internet access supplier, an integration project and specific developments, if necessary. Security is always an important issue in such projects.

**Light client**: When the user accesses from home (or a remote site) all or part of the company applications (light client and Citrix farms, Webaccess to a message service), one speaks of remote access and not mobility. Security is always an important issue in such a project

**SAN (Storage Area Network) / NAS (Network Attached Storage)**: Elaborate storage solutions allow large volumes to be stored. The SAN is a private network located behind the server. The NAS is a storage system located on the network. Back-up is considered as a secondary storage. Use of back-up robots is spreading.

**Consolidation of servers**. In recent years, servers have tended to multiply each time an application is produced. To reduce their operating costs, organizations periodically try to group their applications on a smaller number of production servers.

**GSM, GPRS, UMTS**: Standards of radio-numeric transmission used in mobile telephony. There are: GSM (already in its second generation, still operational for voice transport, with a rate of about 9 kbits/s), GPRS (which transports data by packets, especially messages, with a rate of about 30 kbits/s) and finally, UMTS (so-called third generation) chosen by France Telecom and SFR for the transport of voice and data, mainly on internet and intranet screens, at planned rates of 300 kbits/s, Bouygues Telecom chose Edge technology with a rate of about 100 kbits/s.

**WIFI (Wireless Fidelity 802.11b and 808.11g), Bluetooth, Infrarouge** : Wireless communication techniques with varying rates and distance constraints. WIFI requires presence of terminals (airports, etc.).

**ADSL (asymmetric digital subscriber line)**: The copper wire of the commuted telephone network is an analog network used to transport voice and data, especially via modems. ADSL technology lets you send high flowrates through standard copper wire (France Telecom's current network). It is especially designed for individuals who may thus enjoy much faster access to Internet. Companies will surely be concerned by derivatives like HDSL more adapted to their type of traffic.

**IP (Internet Protocol) - VOIP (Voice Over IP)** : A protocol used on the great majority of LAN and internet. Recent telephone standards transport voice on IP (VOIP) and the change is irreversible (30% of standard sales in 2003 are in VOIP, 80% of sales in 2008 will be in VOIP). Telephony (voice) will ultimately use company network infrastructures. It is an essential factor in the convergence of telephony and IT.



**Wap (wireless application protocol):** This protocol concerns the application layers of the mobile telephone. It was launched by a consortium of mobile phone makers, including Nokia, Ericsson and Motorola. With the boom of the Internet and development of mobiles, it is useful to access Internet via your mobile. The small screen does not, however, let you display HTML pages. Wap is a light version of HTTP (HTML transport protocol) to display WML (wireless markup language) pages, adapted to small screens.

## Outsourcing of distributed environments:

**Outsourcing/facilities management:** for a company, outsourcing involves entrusting all or part of its computing to a service provider, in the context of a fixed price contract over several years, assuming its operational responsibility and developing it. The contract may or may not involve transfer of employees. It may or may not involve transfer of hardware and software. The service teams are generally found both in client sites and on outsourcer premises. In the latter case, personnel can be pooled or dedicated. The same applies for the IT equipment located in the outsourcer data centers.

A reversibility clause allows the client to resume their own computing equipment or to give it to another provider. A restrictive quality assurance plan requires frequent meetings between the contracting authority (client) and the prime contractor (service provider). A restrictive quality assurance plan is the subject of frequent meetings between the contracting authority (client) and the prime contractor (service provider). Very popular among IT companies because of the promise of recurring revenues, Outsourcing is often over-exaggerated. Frequently, it is simple outsourcing, without the contractual rigor of facilities management. Outsourcing is also known as facilities management (FM).

IDC classifies the outsourcing market in five categories:

- Outsourcing of equipment/infrastructures (generally central site environments),
- Third-party Maintenance Applications or TMA
- Outsourcing of distributed systems,
- Outsourcing of networks,
- Global outsourcing [Source: IDC, 2000].

**Data centers:** processing centers belonging to the service provider who tries to generate gains by sharing hardware, software and services. These centers are most often used for mainframe systems where outsourcing is generally accompanied by purchase of the client's equipment ("outsourcing of ownership"). In the case of outsourcing in the distributed environment, machines are generally dedicated. The benefit of pooling lies in remote maintenance services: supervision, remote distribution, alarm reporting, remote overriding.

**Management of distributed systems:** support, operation, administration and deployment of shared computing environments: work-stations (micro-computers), servers, peripheral devices and associated networks (Lan and Wan), as part of a service.

**Outsourcing of distributed systems:** outsourcing of distributed systems is a contractual agreement for a period of 3 to 5 years generally when the service provider assumes administration and operation of the distributed systems.

## Help-desk and call centers

**Hot line :** consists in answering requests on a specific subject. Example: support of a software publisher.

**Help-desk:** unique contact point for users asking computing assistance (in the broad sense). In the case of a help-desk for users of computer work-stations in a large organization, a support technician handles approximately 20 incidents a day.

**Call centers:** generic business of contact point between an entity and clients (it does not include the hot-line nor the help-desk). Apart from the help-desk and the hot-line, Neurons only operates in the added-value call centers mentioned below.

**Outgoing call centers:** this mainly concerns telemarketing operations for prospects, or surveys for existing clients.

**Incoming call centers:** clients of an organization call platforms that provide information on the offer, take orders, open and deal with after-sales files (bank accounts, accident files for insurers, etc.). These platforms are more efficient and profitable than the old multi-function agencies with very tight territorial coverage. Local agencies become simple "boutiques" without personnel, often intended to deal with one-off commercial operations. The pioneers of this type of organization were the mutual insurance companies. These organizations are becoming more widespread due to changes in the following technologies: switchboards, CTI, call management systems, use of Internet.

**Low added-value call centers:** call centers processing simple requests. Typically, call centers of mobile telephone operators, insurance platforms, banks, and private card managers.

**Added-value call centers:** call centers processing complex requests requiring a high degree of training, skills and sophisticated behavior.

**Multi-channel:** the client user of a help-desk or call center chooses the way they want to contact the company: web site connection via Internet, sending mail, telephone call. The user can also change media as the transaction advances and use several methods of communication in parallel.

**PABX (switchboard) - VOIP - telephony/IT convergence:** The latest generations of switchboards are similar to IT servers (Operating Systems). Increasingly, voice will be transported on the IP network (VOIP). General services of IT departments are combining to manage PABX, links and communications (voice and data, fixed and mobile).

**ACD (Automatic Call Dispatch):** Important function of a PABX used by a help-desk or call center. It allows incoming calls to be allocated to support technician waiting lists and to manage these lists.

**CTI (computer telephony integration, telephony/IT convergence) (reference software publisher: Genesys).** CTI ensures exchange of information - mainly, the call number - between telephone and computer systems. Help-desk or CRM applications then connect the call number to information stored in a data base concerning the called or calling party, presented in real time on the user's screen. CTI can be implemented locally, on a work-station, or in a call center.

For a call center, CTI has several advantages: the "pop up screen" and the fact of gaining a more personalized relation.



## Internet application development

**Intranet :** secure Internet application used internally by users in the same organization.

**Extranet:** secure Internet application used by clients or suppliers and users of a large organization. It is traditionally a matter of providing third parties with information that concerns them (tracking of business, process progress, etc.). There is no development or deployment to be done with third parties who use their standard browser to enter the application via Internet. Since 1996, Neurones has placed its infomanager or application development help-desk data bases at client disposition. Clients thus have information available in real time. Clients and Neurones save a large number of low added-value phone calls.

**Business intelligence (equivalent of decision support):** term covering all disciplines related to decision-making, supply from the datawarehouse to publication of information (on Internet or other media), via the designing of multi-dimensional cubes (datamarts). Also included in this category are applications of datamining and analysis front-ends, previously called infocenters, EIS (executive information system) or information and decision support systems.

**ETL (Extract and Translation Language) - reference software publishers Informatica, Datastage:** Software tools enabling extraction of data from production data bases to load them in another data base (generally a data warehouse).

**Groupware:** family of applications enabling cooperation at the level of a department, company or group. These applications include functions of communication (message system), cooperation (pooling of documents, access management) and coordination (management of processes or workflows, rights, signatures, etc.).

**KM (knowledge management):** all systems and tools to formalize a process or know-how. Knowledge Management offsets the limitations of EDM. Electronic Data Management (EDM) systems gives access in numeric and indexed form to information that was to date in analog form (paper, voice, images, etc.). There remains a mass of knowledge (present on the Web and totally diffuse in personal user documents) that could never be totally structured and accessible through a database. One then speaks of knowledge management to describe all the tools and techniques that offset the weaknesses of the indexing system by, for example, letting you extract the sense of a document (cognitive engineering), scan the entire content (integral research or full text) or to interpret a user's question. These tools also rely on expert system technologies and case-based reasoning.

**Portal:** a portal is a Web site listing numerous other sites intended to act as Internet entry points and to generate maximum traffic. Alongside these general service portals (dominated by search engines) theme portals are developing, their purpose is to synthesize responses to the supposed needs of a surfer interested in a given subject or belonging to a community. Another recent category is the company portal for clients and company prospects. Characteristics common to all these portals: more or less extensive complementary services, ranging from meta search engines to personal Web page hosting, news dispatches or personalized site interface. In other words, everything to keep the visitor loyal.

**Applications server (three tier or n-tier architecture) :** Putting information systems onto the web could be defined as the construction of a new generation of applications built in three parts: an Internet navigator (universal client not requiring installation on work-stations), an applications server (Java, .net) and finally a data base management system (Oracle, SQL, DB2...). Hence the term three tier architecture as opposed to client/server architecture which preceded it and was in two parts. Several solutions currently concern the market but none has emerged as a standard: Sun ePlanet and

Java, IBM Websphere, free solutions like Tomcat/pages PHP/Apache, BEA, Microsoft 2IS/ASP and .Net.

**Object:** software element representative of a real world element (person, order, invoice, etc.). An object describes a series of behaviors (methods) and data (attributes) required to achieve these behaviors. By extension, the following are qualified as objects : programming languages (Java, C + + , etc.), design methods (UML, etc.), data bases (Versant, etc.), middlewares (ORB), etc.

**Content Management:** Numerous organizations handle documents of different types: structured data bases, text files (Word, Excel, etc.), HTML web files, photos and audio and video files. They intend to manage content in a coherent way (a single update triggering the update of several supports). For example, the contents put out on a web site in HTML should also be sent out in PDF format to a printer who prints product catalogs and to be up-to-date with the internal structured data bases. The solutions for content management depend on the generation of XML flows. The reference software publishers of content management are: Documentum, FileNet, OpenText, Vignette, Broadvision. Content management is often linked to Electronic Document Management (production EDM and office automation EDM).

**XML (Extensible Markup Language) :** A powerful language for non-structured data description and document modeling in the process of becoming a standard among software publishers. XML is a more developed and global version than the description standard of Internet pages HTML.

## Integration et Outsourcing ERP

**API (Application Programming Interface):** it is the means to access a software when you want to interface several software among themselves to communicate.

**ERP (enterprise resource planning):** regroups in principle all management applications required for the company - either so-called horizontal management applications (accounting, human resources management, etc.) or vertical (production management, stock management, etc.), possibly specialized by industry. Unlike a group of specific software packages, ERP have a unique common infrastructure (shared data bases, exchange mechanisms between modules) and generally include cooperation tools (groupware, workflow). Dealing traditionally with back office operations, ERP are gradually assuming decision support and front office functions. They are also open, their APIs (Application Programming Interface) have been made public by their software publishers so as to facilitate interfacing with more specialized software packages- for example, EAI support tools (see definition below).

**CRM (Customer Relationship Management):** CRM covers all company functions to win and retain clients. This term, a substitute for front office, regroups marketing operation management, sales support, client service, call centers and the help-desk. CRM market software packages ensure one or several of these functions.

**SCM (supply chain management):** reduces inventories, delivery times while raising the standard of client service, such as the first assignments of SCM tools. At operational level, they correlate information on demand and production capacity for the preparation of production plans and delivery parameters. At a tactical level, they rely on statistical techniques - typically datamining tools - to optimize procurement, smoothing of production and finding the best delivery paths. At a strategic level, by means of simulations, they help find the best possible location of manufacturing units and distribution network, and even the frequency of product renewal depending on the target. The main challenge is to automatically reinject this data into the management system (typically the ERP).

**EAI (enterprise application interface):** It is the art of linking company applications and production management with inventory management, CRM with PGI, or two PGI between themselves in the same group - in the interest of homogeneity of the information system or consolidation. Often accomplished by exchanging files, but without the real time element, integration of two applications requires development of interfaces, called connectors, between corresponding APIs. In addition to formatting of data using tools similar to those used for extraction and conversion of data to data warehouses, there is a middleware type component ensuring mutual comprehension of messages exchanged. OAG (open application group) proposed an API standardization system - Oagis - without much success. One-off solutions are available, managing a restricted number of market software packages.

## Computer security

**Computer security:** the fact that information systems are increasingly open (connected to Internet, interconnected between sites, open to client and supplier third parties, accessible remotely from nomad staff cell-phones and their homes, etc.) encouraged development of businesses related to computer security to the point of making it a specialty in its own right. The scope of computer security is difficult to define. It covers: entry protection solutions (anti-virus, firewall, proxy-mask, detection of intrusion and inspection of content), access protection (VPN encryption, administration, access authorization) and security administration (including detection of weaknesses). Services related to security are mainly: consulting, architecture, audit, surveillance and administration.

This specialty is part of a larger general security problem with which it should not be confused. General security includes in addition: emergency plans, deployment of emergency means, rules and procedures, physical security of premises and access, etc.

**Virus / antivirus program:** a virus is a program, generally malevolent, capable of reproducing itself and infecting others. An antivirus is a computer program that detects and eradicates viruses. As there is no universal antidote, the antivirus program must be updated regularly as it only detects and destroys viruses for which it has the antidotes.

**Firewall:** firewalls filter incoming and outgoing access between two different IP networks. There are several filtering techniques: filtering of packets depending on incoming and outgoing IP addresses, stateful inspection with analysis of session header files, proxy with translation of addresses to mask internal user addresses from outside eyes. On the market, firewalls are offered in various forms: firewall software, router-firewall and equipment firewall.

**Proxy mask:** the proxy server serves to regulate the security policy of incoming and outgoing messages to Internet at application layer level (FTP-transfer of files, HTTP-navigation on the net, SMTP-message system) contrary to the firewall that acts on the lower layers. For example, it is the proxy function that prohibits access to some Web sites that have nothing to do with professional business. Often the proxy function is integrated with the firewall.

**Inspection of content:** analysis of content lets you filter the content of mails or Web sites to avoid abusive use. Analysis of content also detects mobile codes: small applications like Java, ActiveX .exe that are often attached to mails and are malevolent.

**Intrusion tests:** after client approval and on a previously agreed scope, the provider tries to penetrate the computer system using various attack techniques to test system weaknesses. Intrusion tests are subject of a report. Defects are corrected thanks to new security remedies.

**VPN (virtual private network):** a VPN is a network using a public telecoms infrastructure like Internet, but guaranteeing integrity of data sent thanks to encryption and tunneling.

**Encryption/cryption of data:** coding of information to make it incomprehensible for anyone other than the addressee. Since the inter-ministerial committee of 19 January 1999, France has liberalized encryption, adopting the rules accepted by the other main states of the G7.

**Authentication or identification/PKI (private key infrastructure):** existing authentication solutions are: a simple, widely used but fragile password, PKI certificate, token, smartcard, biometry. Despite heavy administration, PKI certificates have a great future ahead: to enter an application, you need not only a password but a special software module to be installed on the user's machine.

**Single sign-on (SSO):** physical key associated with a unique password at login that replaces all passwords associated with each application.

**Security of transactions:** a transaction is certified if the parties are identified, if its integrity is ensured and finally if it can not be repudiated by either party (certification = identification + integrity + non repudiation). In addition, transaction confidentiality should be added to certification.

**Quality of service (QoS):** this denomination covers problems of performance and availability for a given application or group of applications. The quality of service does not, in the strict sense, concern security, but administration and supervision of systems and networks. On the market there are software packages generating management reporting including data concerning performance, availability and security.

## Training in new technologies

**e-learning :** all distance learning techniques using especially Internet, Intranets, teleconference tools and Cd-roms.

## Players

**ISP (Internet Service Provider):** Internet access providers and internet services in general for companies or individuals. An ISP generally offers access to Internet, but also hosting of sites on Web servers, even the development of these sites. Examples: France Telecom (including Wanadoo), Cegetel, 9Telecom, Colt, WorldCom, Free, AOL, Tiscali...

**Housing and hosting:** Hosters generally provide two levels of service: A first housing service (space and connection: machines, bays, memory, internet tips, specialized lines, with air conditioning, fire safety, electrical power supply backed up by power generators, secure physical access). The second level of service, requiring IT teams 24/24h, is hosting made up of application supervision and control services (back-up, supervision, security management, reboot following an incident, etc.). This second level of service is often offered as an option by housing specialists.

**ASP (application services provider):** operator hosting and providing applications (all types of applications are possible: ERP, EDM, decision support, office automation, or serving as a portal for example in social welfare and tax declarations, etc.). The client is not the owner of the application, he rents the right to access use or sometimes pays a "right of way" in the case of declaration portals. The ASP model is a new marketing model of applications and mainly concerns medium-size companies.

**IT services company:** IT engineering and services company.

## General

**Contracting authority:** the organization that wants to have a new application developed to measure or totally or partially integrate a software package in its environment or more generally which launches an IT project to satisfy its needs.

**Contracting authority assistance (AMO):** Consultant or IT services company assisting the contracting authority in the definition of their needs (drafting of technical specifications and bid management), monitoring of relations with the prime contractor during the period of the project, project reception and guarantee.

**Prime contractor:** in charge of the project subject to an obligation of results. Depending on the case, this can be the ordering client itself or several IT companies with whom they have drawn up a contract.

**Lump-sum / fixed-price** on the basis of technical specifications, the IT services company makes a commercial offer with a fixed sum and a delivery term. The IT services company, contracting authority, has an obligation of results and decides on the means to deploy.

**Time spent or technical assistance:** form of service consisting of selling a computer expert's skills at a given price for a given time. The IT services company has an obligation of results. Prime contracting is then ensured by the final client. The latter does not need to formalize their needs upstream in case of formal technical specifications.

**Offshore (or delocalization) :** operation which involves providing services in geographic locations where the cost of labor is cheaper than that at which the ordering party can access from their location. Delocalization may involve outsourcing. One speaks of near-shore when the country is close to France (North Africa for example) or the services are provided regionally. In 2003, offshore concerned 0.6% of IT service expenses in France and could, eventually, represent between 10% and 15% of services if one extrapolates the forecasts for the USA to France. Fixed sum services (20% of the French market) are more likely to be delocalized. In view of the savings at wage level, one must also consider the extra costs of communications, travel, and the degree of risk especially methodological ("rework" rate generally higher).







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