NEURONES

INTEGRATION - OUTSOURCING - APPLICATIONS

ANNUAL REPORT 2005

With more than 1,700 employees (at May 19, 2006), NEURONES is one of the 30 leading IT engineering and services companies in the French market and one of the 15 largest French IT services companies listed on the Paris stock exchange in terms of market capitalization.

Created from scratch, NEURONES has developed rapidly and steadily since 1985. More than 80% of this growth is internal (averaging 22% a year over the last ten years). As a result, NEURONES has formed a very solid base to continue its internal development and grow through acquisitions of companies in the same or complementary businesses.

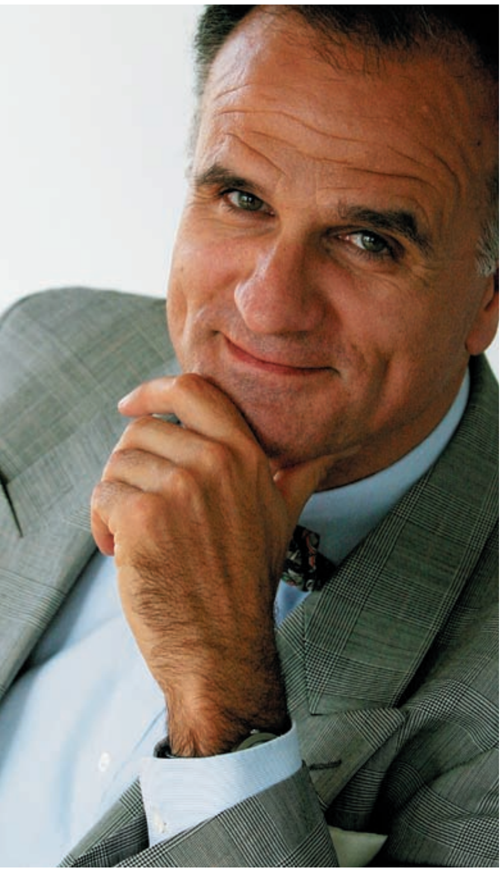
Since its flotation in May 2000, the Group has made several acquisitions that now account for one fifth of its business.

€108.9M
2005 revenues

€5.9M
2005 net profit, group share

8%
2005 operating margin

CHAIRMAN'S MESSAGE



Dear current and future shareholders,

What a great sector IT Services is!

Beyond temporary fits and starts, there are still no limits in sight for a market driven by powerful motors: unremitting technological innovations, changes in companies' scope, multiple accesses to information, merger of workplaces, new regulations, obligation to manage new risks, exponential growth in information that has to be extracted, sorted, distributed, stored... and above all used efficiently!

Faced with the pressing need to be more efficient, adapt quickly and reduce their internal costs, economic players increasingly call on IT service providers.

This buoyant market contributes to NEURONES' success as it recorded double-digit growth of 12.2% over the past year. Its net profit and operating margins place NEURONES once again among the leaders in its sector.

Over and above this growth, your company continues to industrialize its services. The share of its services provided from its Service Centers continues to grow (PROXIMA® services for Third Party Application Maintenance, OSMOSE® line of managed services, hosting center with a capacity of more than 1,000 servers, shared workstation management platform, etc.). In 2005 these efforts were crowned with success, resulting in an increasing number of business activities with official quality labels and of Consultants certified (ITIL, ISO9001, technical certifications, etc.) in various professions.

In addition to this range of outsourcing services, one of the most comprehensive on the market, your company continues to grow in its different core businesses by systematically evaluating the real margin potential of new opportunities. Moreover, we continue to look at the potential advantages of low labor cost countries.

That sums up the recent past. For the future, an annual report can also be an opportunity to review some of the convictions that will be the source of tomorrow's successes.

1 - Growth is a requirement in the IT service businesses

When decision makers are inclined to put pressure on suppliers' prices, only self-employed craftsmen, specialized service providers or large players have the means to permanently resist buyers' “friendly pressures”. Every “specialty” becomes commonplace as an increasing number of competitors take an interest. Hence there is only one alternative, to grow. Especially when this means facilitated business dealings: the reputation contributes to a company's identification and recognition (customers and applicants) and often to its corporate image.

By paying close attention to IT and operational management requirements, your company is well positioned to meet customers' needs. But there are still several long-term profitable areas (businesses, geographic locations, technologies, etc.) where NEURONES is not present and seeks to join forces with others to be considered as players offering an extensive range of services.

2 - In the long run, only one thing really pays: recurring “good” sales results based on industrial principles

Thanks to its abundant cash position, your company has the means to incorporate better sales and above all profits than a certain number of fellow IT services companies.

NEURONES has chosen its path: to join forces with companies that have a genuine core business, good dynamics, expertise that customers are willing to pay for, an authentic managerial organization and therefore, logically, acceptable EBIT. These companies are rare, like “good deals” in real estate. A few such companies have joined us over these past years. Not as many as we would like, but as many as we encountered.

The fact remains that, among the 1,000 French IT Services companies with more than 50 employees, some managers firmly believe that growth also results from value creating business combinations, without necessarily involving dependency.

> “In the long run, only one thing really pays: recurring “good” sales results based on industrial principles.”

3 - Long live owner-manager capitalism!

The NEURONES Group believes in partner capitalism as shown by the increasingly significant number of operational managers, with different stakes in the share capital. People that spontaneously apply to invest their savings in their company are certainly more motivated than the average employee. In this way managers, founders, recent partners and outside shareholders share a common financial interest: profitable growth.

Some observers undoubtedly think: *“Yes, but it is almost financially pointless to have cash flow, a fortiori abundant, and not be indebted!”.* Admittedly NEURONES' financial investments are temporarily lagging behind its annual net cash generation, but even so one cannot blame your company for being regularly profitable.

If one day your company believes it has a long-term excess cash position, the Board of Directors will pragmatically recommend distributing part of the excess to shareholders. The payment of the

first dividend in 2005 (whereas most companies in the sector do not distribute any) and its 20% increase in 2006 demonstrate this.

4 - The Stock Market: serving companies (not the contrary)

Some people would like (including us to be honest) for us to make a few more spectacular acquisitions. The media has aroused a taste for announcements, events, immediacy and the blockbuster. But what should determine the pace of business combinations: logic and enthusiasm or timing? Stock markets and companies, even though partners, do not have the same cycles or the same rhythms: it is not just the total acquisitions that make long-lasting services companies.

Between enriching the followers of momentum through precise declarations of size and amount of acquisitions for coming years and creating value over the medium and long-term, your company has chosen the "socially-responsible" way. People that encourage fast capital gains are not around to cope with restructurings and provisions for depreciation.

Over the longer run, NEURONES will naturally move towards operational cooperation with European IT firms when a more significant demand arises for less "local" IT services. Your company will naturally participate in the resulting capitalist links and should also envisage alliances to enter countries with favorable demographics and hence potential.

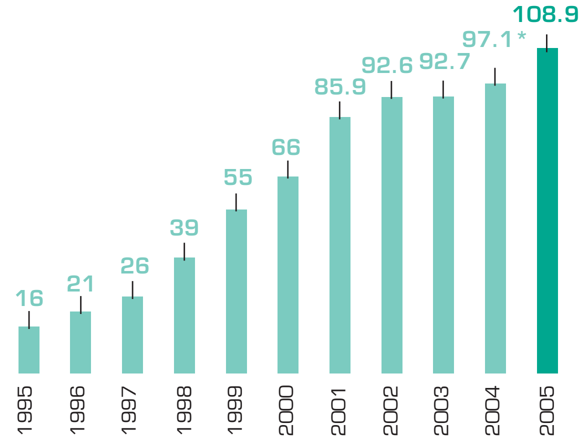
Pending this, this platform gives us an opportunity to thank customers and employees, managers, executive managers and partner managers who invested the necessary confidence and energy to achieve our 20th profitable year.

"So, in the end, are you satisfied with 2005?". Certainly not when one considers the progress still to be made ...

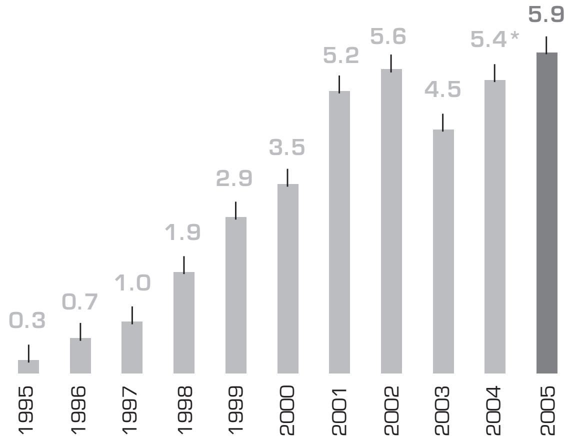
Luc de CHAMMARD
Chairman and CEO
Shareholder

KEY | FIGURES

CONSOLIDATED REVENUES
(in € millions)



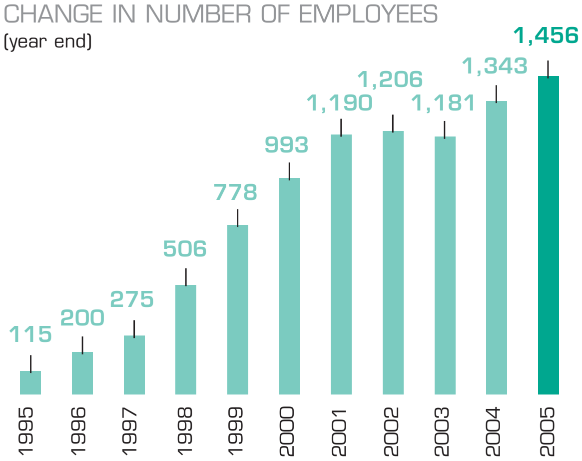
NET PROFIT - GROUP SHARE
(in € millions)



+8.4%

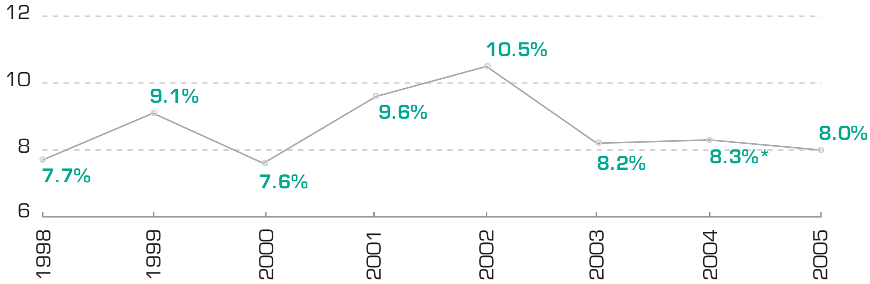
Increase in the number of employees between the start and end of FY 2005

CHANGE IN NUMBER OF EMPLOYEES
(year end)



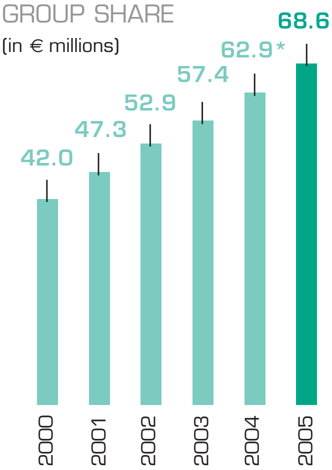
*IFRS since 2004.

OPERATING MARGIN



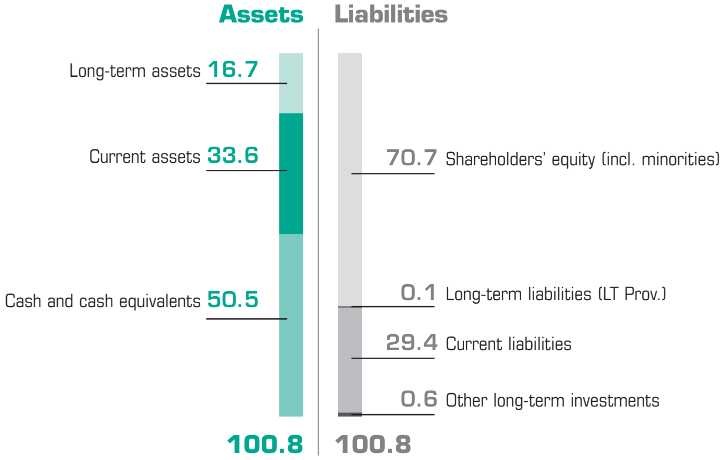
CONSOLIDATED SHAREHOLDERS' EQUITY GROUP SHARE

(in € millions)



CONSOLIDATED BALANCE SHEET AT 12/31/2005

(in € millions)



CONSOLIDATED INCOME STATEMENT

(€ millions)	2001	2002	2003	2004*	2005
Revenues	85.9	92.6	92.7	97.1	108.9
Operating profit	8.2	9.7	7.6	8.0	8.7
% of revenues	**9.6%**	**10.5%**	**8.2%**	**8.3%**	**8.0%**
Financial profit or loss	1.1	1.0	0.8	0.8	0.9
Exceptional income	(0.1)	0.0	0.0	0.0	0.0
Corporate tax	(3.3)	(3.7)	(2.9)	(3.1)	(3.3)
Profit before goodwill	**5.9**	**7.0**	**5.5**	**5.7**	**6.3**
Depreciation of goodwill	(0.6)	(1.0)	(0.7)	0.0	0.0
Minorities	(0.1)	(0.4)	(0.3)	(0.3)	(0.4)
Net profit, group share	**5.2**	**5.6**	**4.5**	**5.4**	**5.9**
% of revenues	**6.1%**	**6.1%**	**4.9%**	**5.6%**	**5.4%**

*IFRS since 2004.

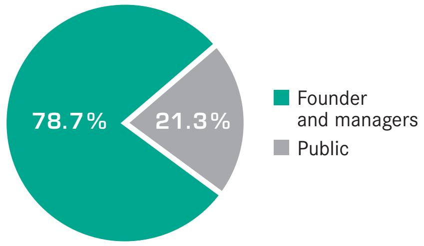
SHAREHOLDERS' REGISTER

Dividend for 2005:

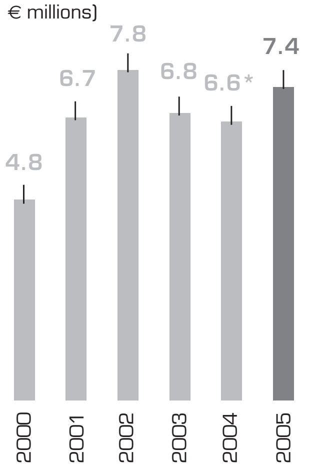
24% of profit

(Dividend proposed at the Shareholders' Meeting on 06/13/06: €0.06 per share)

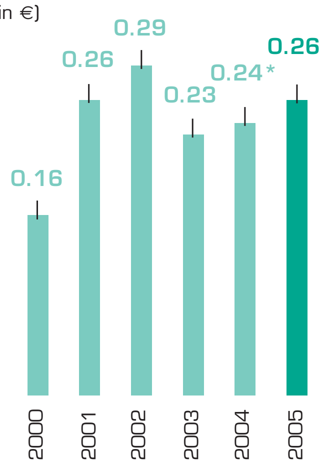
SHAREHOLDING
(BREAKDOWN OF CAPITAL)



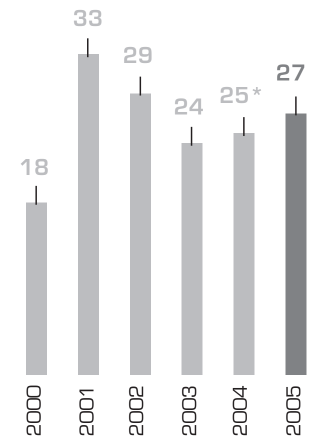
CASH FLOWS
FROM OPERATING ACTIVITIES
(in € millions)



EPS – GROUP SHARE
BEFORE GOODWILL
(in €)

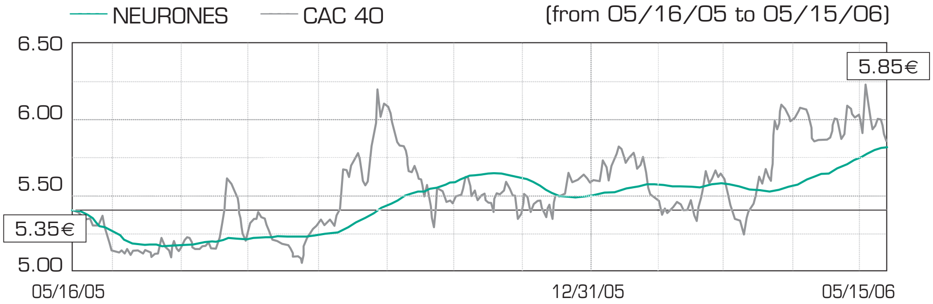


ON CAPITAL
EMPLOYED (ROCE)
(%)



*IFRS since 2004.

CHANGE IN NEURONES' SHARE PRICE OVER THE PAST YEAR: +9.3%



CALENDAR

- **Shareholders' Meeting:**
  Tuesday, June 13, 2006
- **Revenues 2nd quarter 2005:**
  Thursday, July 27, 2006
- **Profit 1st half 2005:**
  Thursday, September 28, 2006
- **Revenues 3rd quarter 2005:**
  Thursday, October 26, 2006

CONTACTS

Investor relations

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Chairman and CEO

Bertrand DUCURTIL
General Manager

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Administrative and financial director

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NEURONES SHARE DATA SHEET

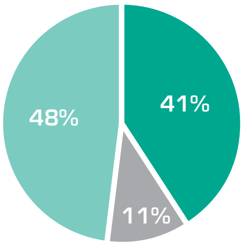
- Average volume exchanged in 2005: 16,600 shares per day
- Price on May 15, 2006: €5.85
- Market capitalization (at May 15, 2006): €135 million
- 23,164,920 shares (at January 1, 2006)
- Euronext - NextEconomy - Compartment C
- Member of indexes: SBF250, CAC Small 90
- ISIN code: FR0004050250 (NRO)
- Bloomberg: NEUR FP, Reuters: NEUR.LN

STRATEGY AND SERVICES OFFERED

48%

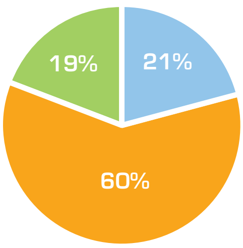
Share of guaranteed performance
service contracts in total business volume

BREAKDOWN OF 2005 REVENUES SERVICES BY INTERVENTION MODE



- NEURONES' guaranteed performance prime contracting projects
- Consulting - Projects - Fixed price contracts
- Simple technical assistance

BREAKDOWN OF 2005 REVENUES BY BUSINESS SECTOR



Integration
- System and network integration
- IT security - Supervision - Hosting

Outsourcing
- Help-desk
- Local servers, workstations

Applications
- Specific developments: n-tier architectures, Intranets and decision management
- Integration, TPAM and ERP support
- Training, working with change

A CONSTANT STRATEGY FOR THE LONG-TERM

NEURONES' STRATEGIC PATHS:

- steadily increase the share of structured offers in its business through regular industrialization of services,
- invest at the right time in new growing business lines,
- maintain its diversified nature with the right balance between the various businesses: design, build and run.

NEURONES' business development model is based on entity managers with varying stakes in the Company's share capital. Special attention is paid to bring their interests in line with those of NEURONES' shareholders.

A QUALITY APPROACH

Two processes have been governed by quality assurance since 1996:

- recruiting,
- fixed price projects: review of offers, review of contracts.

NEURONES' technical assistance, help-desk and infrastructure outsourcing businesses are ISO ISO9001 (version 2000) certified.

COMPLEMENTARY BUSINESSES AND A CONSISTENT LINE OF SERVICES

NEURONES' core businesses include project activities ("design/build") and recurring activities ("run"). Made up of dedicated entities by core business, the Group is present both in infrastructures and application layers.

INFRASTRUCTURES

Outsourcing relies on infrastructure-based project business (system and network integration and Security). The project teams ensure the group technical doctrine is applied correctly. They are called upon on Outsourcing contracts during the initial phase of taking on sites. Throughout the entire contract period, they also provide a solid technical rear base for on-site team support. Lastly, they design the Group's supervision and hosting centers and help them progress.

NEURONES' leadership position in help-desks is a big advantage for the outsourcing service.

The Group strives to maintain a good balance between simple technical assistance activities and recurring contracts that include NEURONES' prime contracting and guaranteed performance. Substantial technical assistance enables teams to be deployed rapidly on major contracts.

APPLICATIONS

NEURONES strives to be present both in custom development (on "state-of-the-art" platforms, including open-source software) and software package integration.
Emphasis is placed on initial phases of functional analysis and the methodology of project developments (standard documentation, software engineering, standards, etc.), fields where training and supervision efforts are pooled.

NEURONES' CORE BUSINESSES

Major projects cross-functional team

Outsourcing Delivery pre-contract phase

Outsourcing Delivery

Total Corporate Customer relationship management

Infrastructures

Integration

2005 revenues: €22.4 million
Staff: 244*

SYSTEM and NETWORK INTEGRATION

- Lan & Wan architecture and integration
- Standard servers and workstations design
- Migration and implementation methodology
- Directories and message services
- Server consolidation, SAN and NAS storage
- Light client solutions (TSE, Citrix)
- Remote access and mobility
- System and network supervision
- Initial engineering on Outsourcing contracts

IT SECURITY, SUPERVISION and HOSTING

- Qualification: audits and intrusion tests
- Define security policies and plans
- Integration: virus protection, content control, data protection, access management, identification, authentication and confidentiality
- Security supervision in ASP (RTMS)
- Hosting servers and related services
- Initial security engineering on Outsourcing contracts
- Development and integration of open-source software

Outsourcing

2005 revenues: €65.6 million
Staff: 986*

HELP-DESK

- Consult and Assist in prime contracting
- Implement best ITIL practices
- Implement and optimize help-desks and contact centers
- Integrate Infrastructure Management and asset management software packages (Peregrine, Remedy, etc.)
- Provide workstation support: Help-desk on-site or outsourced to support centers (24/7)

LOCAL SERVERS and WORKSTATIONS

- Opportunity study, TCO consulting
- Site outsourcing: multi-year contracts with guaranteed performance on service levels (SLAs) and Quality Assurance Plan (QAP)
- Management of implementation/migration projects
- Technical assistance
- System and network supervision
- Inventory / packaging / remote distribution (Landesk, Altiris, Sysload, HPOV, BMC)

COMPANY SERVERS – UNIX, DBMS, MVS, NT, NETWORK PRODUCTION

- Production consulting, audit and appraisal
- Systems administration
- Database administration
- Production outsourcing (engineers, analysts, drivers, 24/7, etc.)
- Schedulers ($Universe and ControlM)
- Backups (Netbackup, Networker)
- System and network supervision (Patrol, Tivoli)

Applications

2005 revenues: €20.9 million
Staff: 226*

APPLICATIONS CONSULTING, DEVELOPMENT and MAINTENANCE

- Prime contracting assistance, consulting in application architectures
- Application servers (Websphere, .Net)
- Intranets, extranets, gateways
- Decision-making tools
- Distributed objects, Web services, EAI approach, content management

ERP CONSULTING, INTEGRATION, SUPPORT and TPAM

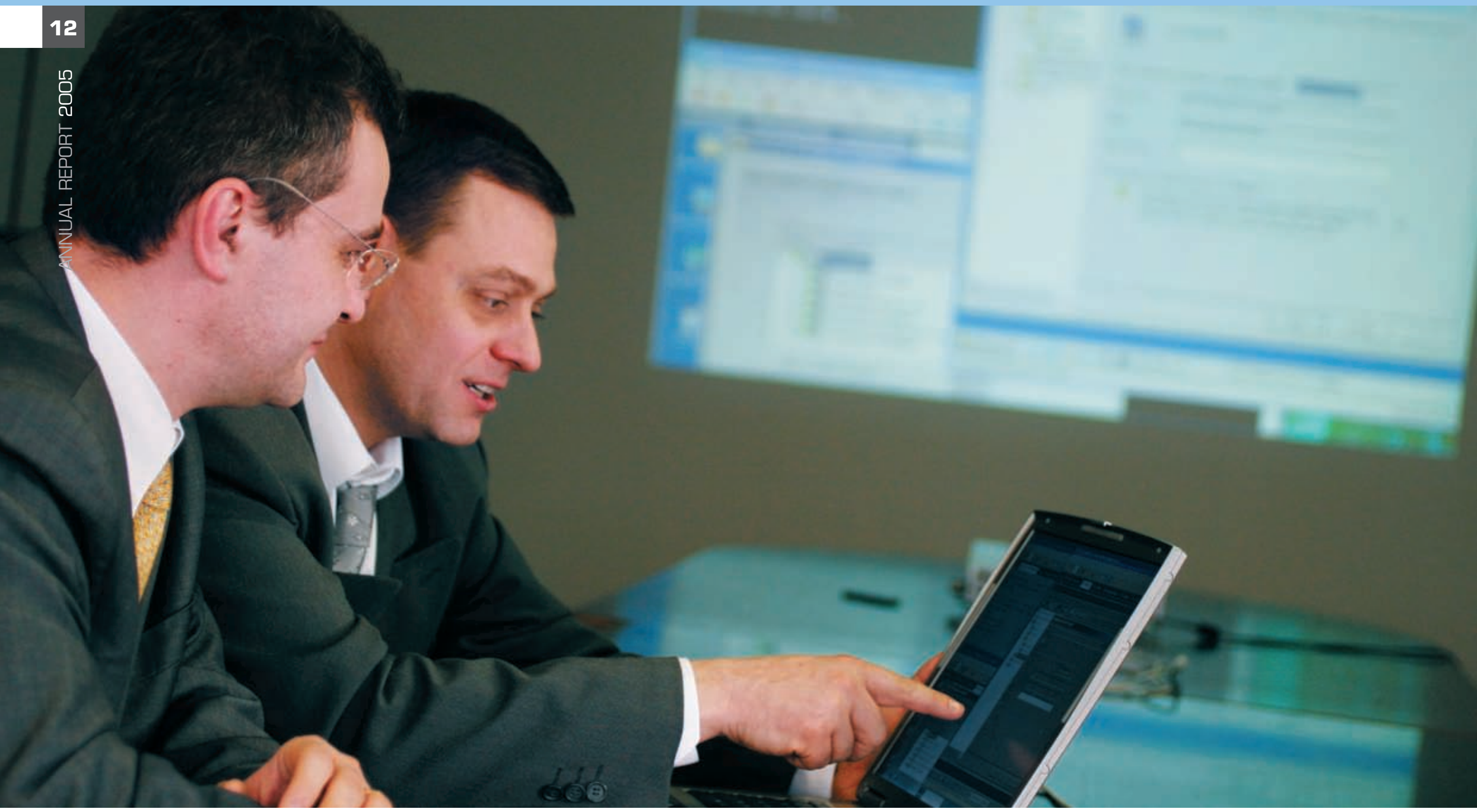
- Functional and technical SAP expertise
- SAP turnkey integration
- Retail sector expertise
- Support, training
- Documentation
- TPAM (Third-party Application Maintenance)
- Version upgrading
- Optimization
- Archiving

IT TRAINING and WORKING WITH CHANGE

- Consulting on training plans
- Outsourcing training plan management
- Training linked to IT projects or change management
- Design of pedagogical tools (manuals, etc.)
- Training in our centers: IT specialists and users. Certification tests
- Distance training and e-learning
- 3- to 6-month courses (masters)

*Staff at December 31, 2005.

INTEGRATION BUSINESS



21%
Share of this segment in total business

6.7%
2005 operating margin

€22.3M
2005 revenues

NEURONES' ORIGINAL BUSINESS IS THE PROJECT-ORIENTED INTEGRATION OF SYSTEMS AND NETWORKS, MOST OFTEN IN A FIXED PRICE CONTEXT.

THIS SEGMENT ALSO INCLUDES IT SECURITY ASSIGNMENTS: AUDITS AND CONSULTING, INTRUSION TESTS, IMPLEMENTING SOLUTIONS AND TECHNOLOGICAL MONITORING AND WATCH.

SINCE SECURITY IS VERY CLOSE TO SUPERVISION, THESE TEAMS MANAGE THE GROUP'S REMOTE SYSTEMS AND NETWORKS SERVICE CENTER (OSMOSE® SERVICE) AND HOSTING CENTER.

KEY EVENTS 2005

- Strong growth in systems and network Integration services (+30%) and turnaround in license and equipment sales (+15%).
- Strong development of the systems and networks Service Center (OSMOSE® service).
- Increase in the Hosting Center's capacity (from 200 to more than 1,000 servers).

ACHIEVEMENTS IN 2005 (EXTRACT)

- **For an employee benefits and retirement organization,** project to manage documents electronically. Integrated an infrastructure of Wintel servers, a SAN CX 700 bay and a back-up library in order to consolidate, archive and secure files: 10 Terabytes of storage and 25 for backup.
- **For an international merchant bank,** provided Citrix expertise in the traders' front and back office. Objective: consolidate the data worldwide, reduce in-room servicing, reduce the number of stations and maintenance and perform updates in very tight timeframes. The participants provide service around the clock in Paris, New York and Hong Kong for a complex organization with nearly 3,00 servers, around unusual stock market challenges, in complete security backed up with perfectly operational contingency plans.
- **For a local authority,** provided design in the client environment, pilot implementation in a department (300 stations) and user support and initial training for Open Office, including: comparative studies to select a network profile management, project management and group work tool, opportunity study concerning the choice of a workstation management tool, a technical and functional architecture study, layout and pilot as part of implementing the workstation management tool.
- **For a leader in the media field,** migrated the Domino message service to Microsoft Exchange 2003 in order to integrate it into the existing Microsoft Active Directory 2000 (3 Exchange servers in a Microsoft cluster (with a SAN HP connection), 2 Exchange servers as failover for the OWA access and a domain controller to compensate for the Exchange access): 6 servers and 1,600 users.
- **For a leading French telecom operator,** helped implement a McAfee ePO anti-virus infrastructure on 200,000 stations. This involved the largest implementation carried out in France.

OUTLOOK

- **Continued development** of the systems and networks Service Center (OSMOSE® service).
- **Strong growth** in the server Hosting Center business.
- **Gradual industrialization** of the process of taking on outsourcing contracts and rear base activities in general.

OUTSOURCING BUSINESS

60%
Share of this segment in total business

9.1%
2005 operating margin

€65.7M
2005 revenues

This segment covers all assignments related to administration and operation of IT infrastructures (Unix and Windows servers, workstations and related active elements).

The industrialization of outsourcing services leads to strong growth in services provided from the Group's Service Centers.

KEY EVENTS 2005

- Infrastructure Outsourcing contracts are increasingly linked to application Outsourcing (PROXIMA® service: TPAM + applications support)
- Continued strong internal growth (+15%) in help-desk business
- Asset management consulting and integration businesses combined in an autonomous entity
- Strong development of the Service Centers and the financing products
- Continued price pressures in Outsourcing that seem to be easing in Technical Assistance

ACHIEVEMENTS IN 2005 (EXTRACT)

- **For a health establishment,** signed a 5-year comprehensive infrastructures Outsourcing contract, including 60 servers and 800 workstations.
- **Renewed three Outsourcing contracts for historical customers** for at least a three-year period. These three contracts cover 3,000 workstations, 150 servers and 25 sites.
- **For a French insurance company,** managed the outsourced help-desk for 16,000 users from Monday to Saturday, 7:30 to 20:00.
- **For an organization supporting international business development,** Outsourced servers and the network. Prime contracting for the service, including monitoring systems and the network 24/7 and administering and fully operating the platforms with guaranteed performance: 60 servers, 60 active network elements and 3 sites.
- **Signed three Outsourcing contracts with companies in the nuclear sector** covering 5,500 stations, 350 servers and 30 sites.
- **For a global luxury and cosmetics player,** Outsourcing support contract for 6,000 users (office staff and mobile users): set up and ran a specific support and assistance service (office automation help-desk, ERP and decision-making tools) at a NEURONES site and customer site (including local VIP support): 30 employees.

OUTLOOK

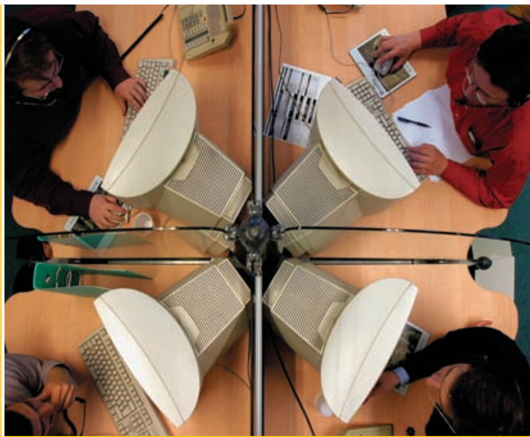
- **Continued industrialization** of services marked by the increasing importance of Service Centers.
- **Capitalize** on the leadership position in help-desks.
- **Strong demands** from outsourced customers for productivity gains vis-à-vis their outsourcers (improvement plans, etc.).
- **Take advantage** of Technical Assistance reference listings. First pressures on some profiles.

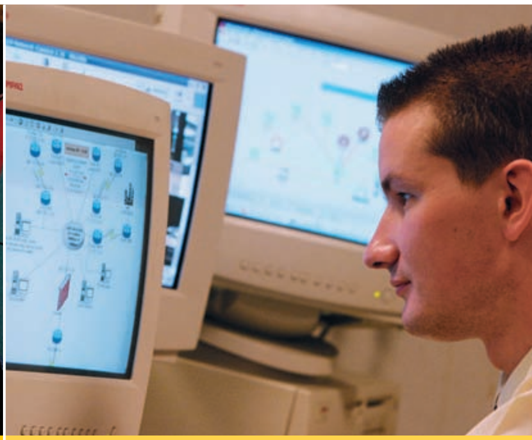
- **For the IT management at a major European industrial group,** audited the ITIL maturity. Reviewed processes, identified this organization's flaws and loopholes vis-à-vis the ITIL recommendations and recommended potential development areas to improve performance.
- **For a leading French bank's Economic Interest Group,** helped transform processes (full ITIL context). 8 participants are in charge of help-desk combination, incident processes and management tools, capitalization base and self-service gateway, with remote piloting: 1,750 servers and 40,000 workstations.
- **For a company manufacturing pulverization systems,** distributed infrastructures Outsourcing contract with hardware financing option (2,200 users, 5 sites and 1,000 stations) and implementation of Third-party Application Maintenance: FI, CO, MM, PP, SD, QM, WM and HUM modules (900 users).
- **For a French banking institution,** provided a first level help-desk for more than 2,000 users, VIP support and level 2 assistance operations.

65

active Outsourcing contracts end of 2005

NEURONES' Service Centers: industrialized line of services





3 SUPPORT CENTERS

- 200 positions
- 24/7
- Multilingual
- Nanterre, Ivry and Courcouronnes

POOLED WORKSTATION MANAGEMENT PLATFORM

- Mastering
- Packaging
- Remote distribution

NEURONES' ENTIRE OUTSOURCING BUSINESS IS ISO9001:2000 CERTIFIED

ITIL®

70 CERTIFIED EMPLOYEES

itSMF

Le Forum de la Gestion de Services Informatiques

FOUNDING MEMBER

OUTSOURCING IN NUMBERS

Outsourcing

65 outsourcing customers
500 employees working on contracts
3,500 servers
60,000 workstations
170,000 calls per month to the help-desk
including 80,000 to our support centers in Nanterre and Ivry-sur-Seine
70 ITIL-certified consultants
1 standard NEURONES documentation server (NDS) for all contracts
16 new contracts signed in 2005

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

40 people: 24/7 monitoring, RTMS tools (customized) and HPOV
1,150 servers supervised
700 remote-administered servers
1 industrialized workstation management platform

Hosting

105 bays (capacity)
2 useful terabits
1 backup robot
3 Cisco 7204 VXR routers as failover
45 megabits/s per operator
Independent provider status

200 servers hosted
Air-conditioned data center with secure access, fire protection and backup electrical power with generator

OSMOSE® REMOTE SYSTEMS AND NETWORKS SERVICE CENTER

- 40 administrators
- 2,000 tickets per month
- Supervision by in-house RTMS® tool

HOSTING CENTER

- Capacity of more than 1,000 servers
- Independent Internet service provider
- All operators
- Telecom infrastructure as failover
- Electric generator, air conditioned
- Secure access

PROXIMA® TPAM TEAMS

- All ERP and applications
- KM base, test tools, versioning

PROVEN EXPERIENCE

Having developed its distributed environments outsourcing offer since 1995, NEURONES now manages several dozen sites, ranging from of 200 to several thousands workstations.

APPLICATIONS BUSINESS

19%
Share of this segment in total business

5.7%
2005 operating margin

€20.9M
2005 revenues

This segment covers the development of custom applications (Java, .Net, decision-making tools and mobility), the integration of SAP software packages and training and working-with-change activities.

The work includes design, implementation, follow-up, support and TPAM (Third-party Application Maintenance).

KEY EVENTS 2005

- A company specialized in training joined the Group. NEURONES' Training department is now one of the most important players in the business and among the top 5 Microsoft training partners (CPLS Gold).
- PROXIMA® applications Outsourcing line of services launched.
- The SAP entity has "pushed back the boundaries" by concluding a partnership with an American IT services company to take over the SAP TPAM for one of its international customers.

ACHIEVEMENTS IN 2005 (EXTRACT)

- **For an importer and reseller of electric household appliances,** designed and implemented a website for one of its brands. This website, which includes a content and product sheet management section, had to be sufficiently generic so it can be reused for the distribution of other brands. It uses Microsoft .Net 2.0 technology.
- **For a European leader in electrical and thermal measurement,** developed a J2EE software package that provides real time access to data from central readout stations. Advanced reporting functions allow reliable and fast decisions to be made, resulting in increased energy and budget control.
- **For a French leader in autoglass repair and replacement,** transition from a static Intranet to a dynamic one equipped with a content management tool. Homogenized the graphics charter, preserved the specific features of the 20 regional Intranets and protected the autonomy and creativity of the 20 local web-authors.
- **For a financial information supplier,** designed and implemented a website and API (Application Programming Interface) search engine. Made the information flow reliable and dynamic and provided access to information in real time.
- **For a company manufacturing pulverization systems,** following the overhaul of its R&D studies management, implemented SAP's PS module. Modeled rules so this model could be adapted to activities other than R&D in an international context, so multi-entity projects can be managed.
- **For a fast-growing perfume distribution company,** implemented cost accounting and margin analysis on SAP CO-PA.
- **For a government ministry,** provided change assistance as part of the migration of the MS Office 97 suite to the OpenOffice.org suite. 150 users.

OUTLOOK

- **Custom development:** the market is favorable again, but margins are under pressure and there are recruitment problems.
- **SAP:** search for acquisition opportunities.
- **Training:** the process of integrating the two training centers is underway.

AN INTEGRATED GROUP

More than

30%

of contracts concern several specialized entities

Most NEURONES teams are grouped together in a single site, which makes it easier to integrate offers and services.

Two functions are centralized and coordinate the various entities' actions.

A cross-functional central team manages all of the relations with some corporate customers

To support the various businesses' sales forces, this central team fulfils the following assignments:

- leads and manages major Outsourcing projects as sole prime contractor,
- manages all of the relations with some corporate customers.

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

A single management structure is dedicated to Outsourcing

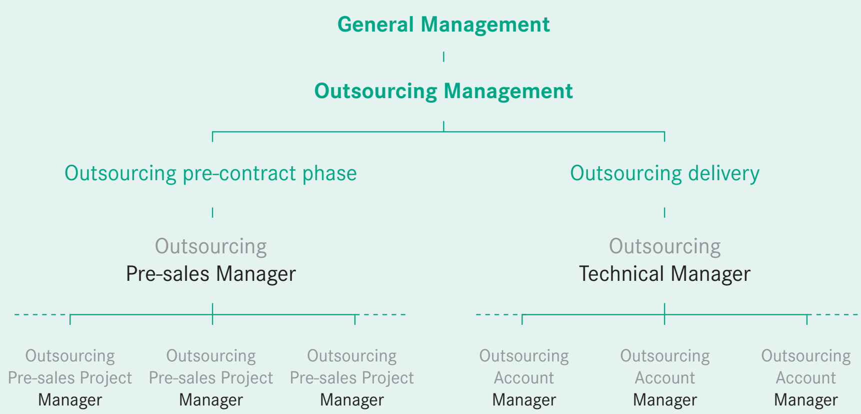
Outsourcing is a major growth area for NEURONES.

The group has developed a single and cross-functional Outsourcing line of services for all its sites, so its customers can benefit from the complementarity of its various businesses. This strategic line of services is managed directly by the General Management.

The assignments of the specialized Outsourcing management structure include:

- preparing offers,
- tracking the performance of Outsourcing contracts during the operating phase,
- establishing methods.

THE MANAGEMENT STRUCTURE DEDICATED TO OUTSOURCING REPORTS DIRECTLY TO GENERAL MANAGEMENT AND IS ORGANIZED INTO TWO AREAS



HUMAN | RESOURCES

1,456
Employees at December 31, 2005

32 years
Average age of employees

Human resources are the N°1 priority and main condition for the Group's success.

Concerning its teams and job applicants, NEURONES aims for a consistent HR policy, regardless of the IT services market's fluctuating economic conditions.

THE 30TH LEADING FRENCH IT SERVICES COMPANY AND THE PROFESSION'S 12TH LARGEST RECRUITER

The main lines of the Group's HR policy

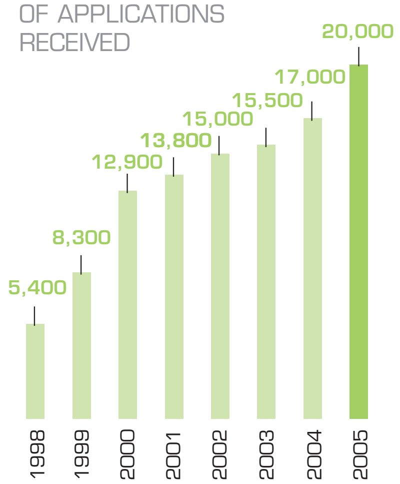
- a long-term training policy: 1,850 days of training were provided in 2005. NEURONES has its own centers, which simplifies implementing the training plan. This also facilitates certifications by the main market players (Microsoft, Citrix, Lotus, Cisco, etc.),
- the "Masters": a theoretical and practical training program leading to qualification (a 6-week course followed by a 4-week placement with a NEURONES' customer) for young, non-computer engineers with 4 or 5 years higher education. 120 graduates already operational,
- "Laboratories" and complete latest generation technical testing and training platforms are available to technology buffs,
- Broad profit-sharing and stock options plans (more than 160 employees, or 11% of the personnel, have stock options),
- Internal gateways that allow employees to grow and broaden their specializations, selective recruiting procedures subject to quality assurance (20,000 CVs handled in 2005, two mandatory interviews, mandatory multiple choice technical tests, etc.),
- pro-active presence at specialized job sites, fairs and forums in order to raise NEURONES' profile among applicants,
- substantial internal communication budgets (Intranets, contests, cooptation, etc.), close and sustained relations with engineering and business schools.

Careers, advancement

To satisfy their ambitions and objectives, employees are given many opportunities (within an activity or spanning many activities), served by a specific structure made up of small entities specialized by core business. Gateways even exist between the technical, sales and managerial functions and between specializations.

All available positions are posted on the NEURONES Intranet. This job mart is expanded and updated every month to encourage internal mobility.

NUMBER OF APPLICATIONS RECEIVED



Threefold increase in the number of applications received over the past 5 years.

REFERENCES

Banking/Insurance

AG2R
AON
AVIVA
AXA
BANQUE POPULAIRE
BNP-PARIBAS
CRÉDIT AGRICOLE-CRÉDIT LYONNAIS
CRÉDIT IMMOBILIER DE FRANCE
GROUPAMA
HSBC
MACSF
MÉDÉRIC
SOCIÉTÉ GÉNÉRALE
SWISS BANK
TEXA

Public Sector

BANQUE DE FRANCE
CARIF
CCIP
CAISSE DES DÉPÔTS ET CONSIGNATIONS
CEA
DCN
IRD
IRSN
MAIRIE DE PARIS
MINISTÈRE DE LA SANTÉ
MINISTÈRE DE LA DÉFENSE
MINISTÈRE DE L'ÉDUCATION
MINISTÈRE DE L'EMPLOI
RADIO FRANCE
RFF

Industry

BOUYGUES
EIFFAGE
ITALCEMENTI
LAFARGE
NEXANS
RENAULT
RHODIA
RICOH
SAFRAN
SAINT-GOBAIN
SUEZ
THALES
TOSHIBA
VALEO
VINCI

Distribution/Services/Consumer Goods

ACCOR
AÉROPORTS DE PARIS
CARREFOUR
DANONE
FLAMMARION
GEFCO
GENERAL ELECTRIC
HEINEKEN
L'ORÉAL
LVMH
NEOPOST
SODEXHO
SONY-BMG
TPS
UNILEVER

Energy/Utilities/Health

AIR LIQUIDE
ALMIRALL
AMGEN
DIAGNOSTICA STAGO
ECO-EMBALLAGES
GEHIS
GIVAUDAN
GLAXOSMITHKLINE
JOHNSON & JOHNSON
NEXTPHARMA
SANOFI-AVENTIS
SUEZ
TOTAL
VALOIS
VEOLIA ENVIRONNEMENT

Telecoms

AFONE
ALCATEL
BOUYGUES TELECOM
BRITISH TELECOM
FRANCE TELECOM
NEUF-CEGETEL
SAFRAN
UPC-NOOS

(Extract of references)

1,600

active customers

87.5%

of CAC 40 companies work with NEURONES.

PRESENT IN ALL BUSINESS SECTORS

- **26%** Banking/Insurance
- **24%** Distribution/Services/Consumer Goods
- **17%** Public sector
- **13%** Energy/Utilities/Health
- **13%** Industry
- **7%** Telecoms

NEURONES

REFERENCE DOCUMENT 2005

CONTENTS

1. CONSOLIDATED FINANCIAL STATEMENTS

Consolidated balance sheet at December 31, 2005

ASSETS (in thousands of euros)	NOTES	IFRS 12/31/05	IFRS 12/31/04
NON-CURRENT ASSETS			
■ Intangible assets	Note 1 / Note 2	14,045	13,645
■ Tangible assets	Note 3	1,550	1,477
■ Financial assets	Note 4	623	629
■ Deferred tax credits	Note 5	470	422
TOTAL NON-CURRENT ASSETS	-	**16,688**	**16,173**
CURRENT ASSETS			
■ Inventory	Note 6	193	266
■ Deferred tax credits due	-	120	195
■ Trade accounts and notes receivable	Note 7	33,358	29,801
■ Cash and cash equivalents	Note 8	50,488	46,634
TOTAL CURRENT ASSETS	-	**84,159**	**76,896**
TOTAL ASSETS	-	**100,847**	**93,069**

LIABILITIES (in thousands of euros)	NOTES	IFRS 12/31/05	IFRS 12/31/04
SHAREHOLDERS' EQUITY			
■ Capital	-	9,266	9,139
■ Additional paid-in capital	-	29,396	28,723
■ Consolidated reserves and profits	-	29,962	25,083
TOTAL SHAREHOLDERS' EQUITY (GROUP SHARE)	**NOTE 9**	**68,623**	**62,945**
Minority interests	**-**	**2,029**	**1,757**
SHAREHOLDERS' EQUITY	-	**70,652**	**64,702**
NON-CURRENT LIABILITIES			
■ Long-term provisions	Note 10	63	75
■ Financial liabilities	-	-	-
■ Deferred taxes	-	-	-
CURRENT LIABILITIES			
■ Short-term provisions	Note 11	318	333
■ Deferred taxes due	-	539	999
■ Trade and other accounts payable	Note 12	28,622	26,931
■ Other financial liabilities	Note 13	652	29
TOTAL LIABILITIES	-	**100,847**	**93,069**

Consolidated income statement for the year ended December 31, 2005

(in thousands of euros)	NOTES	IFRS 2005	IFRS 2004
Sale of goods	-	8,912	7,853
Sale of services	-	100,008	89,245
REVENUES	**NOTE 14**	**108,920**	**97,098**
Other income from activities			
Purchases consumed	-	(7,779)	(6,662)
Payroll expenses	Note 18	(66,692)	(60,133)
External expenses	Note 19	(22,389)	(18,900)
Taxes and duties	-	(2,553)	(2,049)
Depreciation	Note 20	(995)	(976)
Allocations to provisions	Note 20	(52)	(173)
Depreciation of assets	Note 20	(68)	-
Other income/expenses	Note 21	307	(243)
OPERATING INCOME BEFORE TAXES AND EXCEPTIONAL ITEMS	**NOTE 15**	**8,699**	**7,962**
% REVENUES	-	**8,0%**	**8,2%**
Other operating income and expenses	Note 22	0	79
EBIT	-	**8,699**	**8,041**
% REVENUES	-	**8,0%**	**8,3%**
Financial income	-	1,099	946
Financial expenses	-	(165)	(151)
Net cost of financial debt	**Note 23**	**934**	**795**
PRETAX PROFIT	-	**9,633**	**8,836**
% REVENUES	-	**8,8%**	**9,1%**
Income tax	Notes 24 / 25	(3,314)	(3,108)
NET PROFIT FOR THE PERIOD FROM ONGOING ACTIVITIES	-	**6,319**	**5,728**
% REVENUES	-	**5,8%**	**5,9%**
PROFIT FOR THE PERIOD	-	**6,319**	**5,728**
including:			
■ **Profit (group share)**	-	**5,927**	**5,423**
■ **Profit attributable to minority interests**	-	**393**	**305**
Earnings per share (group share) – in euros	-	0,26	0,24
Number of shares (*)	-	23,043,786	22,777,402
Diluted earnings per share (group share) – in euros	-	0,25	0,23
Number of shares (*), Founder stock options and attributed stock options that are exercisable		23,730,117	23,984,171

(*) Number of shares weighted over the period.

Consolidated statement of cash flows for the year ending December 31, 2005

(in thousands of euros)	2005	2004
Consolidated profit	**6,319**	**5,728**
Elimination of non-monetary items:		
■ Net allocations to depreciation and provisions	1,006	1,068
■ Expenses / (Income) related to stock options and similar items	95	60
■ Effect of discounting receivables and debts maturing in more than one year	70	64
■ Variation in deferred taxes	(41)	(254)
■ Capital losses / (gains) from disposals, net of tax	-	(2)
■ Capital losses / (gains) from disposals of consolidated securities, net of tax	-	(41)
Cash flow from consolidated companies	**7,449**	**6,624**
Cash variation in:		
■ Working capital requirement for operations	(1,505)	(364)
■ Corporate tax	(364)	1,255
CASH FLOW FROM OPERATIONAL ACTIVITIES (1)	**5,581**	**7,514**
Acquisitions of intangible and tangible assets	(833)	(885)
Disposals of fixed assets, net of tax	6	2
Variation in long-term investments	(34)	(161)
Payments of acquisition price for acquired companies	(1,028)	(92)
Available cash from subsidiaries acquired during the year	111	109
Payments on acquisitions of contracts and customer contractual relationships	-	(257)
Securities bought from minority shareholders of subsidiaries	(117)	(874)
Disposal of consolidated securities, net of tax	-	265
CASH FLOW FROM INVESTMENT ACTIVITIES	**(1,895)**	**(1,892)**
Capital increase – sums received from the exercise of stock options	1,330	244
Capital decrease (company buy-back of its own securities)	(530)	-
Dividends paid to parent company shareholders	(1,144)	-
Dividends paid to minorities	(86)	-
Loan repayments (Finance leases)	(11)	-
CASH FLOW FROM FINANCING ACTIVITIES	**(441)**	**244**
NET CHANGE IN CASH	**3,244**	**5,866**
CASH ON OPENING	**46,608**	**40,742**
CASH ON CLOSING	**49,852**	**46,608**
(1) including:		
- tax due on the income statement	3,352	3,351
- change in taxes receivable and payable	364	(1,255)
- income tax paid	**3,716**	**2,096**

Statement of changes in consolidated shareholders' equity

SHAREHOLDERS' EQUITY (GROUP SHARE) (in thousands of euros)	Capital	Additional paid-in capital	Securities held in treasury	Consolidated reserves	Stock Options reserve	Profit for the year	Total share-holders' equity (group share)
Shareholders' equity at 12/31/2003	9,108	28,509	-	15,062	-	4,538	57,218
Movements for FY 2004							
■ Capital transactions (Exercise of Founder Stock Options & Other Stock Options)	30	213	-	-	-	-	244
■ Allocation of FY 2003 profit				4,538		(4,538)	-
■ Consolidated profit for the year	-	-	-		60	5,423	5,483
Shareholders' equity at 12/31/2004	9,139	28,723	-	19,600	60	5,423	62,945
Movements for FY 2005							
■ Capital transactions (Exercise of Founder Stock Options & Other Stock Options)	166	1,164	-	-	-	-	1,330
■ Decrease in capital by canceling repurchased shares	(39)	(491)	-	-	-	-	(530)
■ Allocation of FY 2004 profit	-	-	-	5,483	(60)	(5,423)	-
■ Dividends paid (€0.05 per share)	-	-	-	(1,144)	-	-	(1,144)
■ Consolidated profit for the year	-	-	-	-	95	5,927	6,022
SHAREHOLDERS' EQUITY AT 12/31/2005	**9,266**	**29,396**	**-**	**23,939**	**95**	**5,927**	**68,623**

MINORITY INTERESTS (in thousands of euros)	Minority interests
Minority interests at 12/31/2003	1,556
Movements for FY 2004	
■ Consolidated profit for the year – Minorities' share	305
■ Change in scope	(104)
Minority interests at 12/31/2004	1,757
Movements for FY 2005	
■ Consolidated profit for the year – Minorities' share	393
■ Dividends paid to minorities	(86)
■ Change in scope	(35)
MINORITY INTERESTS AT 12/31/2005	**2,029**

Minority interests correspond to the shares held by subsidiaries' managers.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Company identification

NEURONES is a public limited company, whose head office is located at 205, avenue Georges Clemenceau, 92024 Nanterre, France. It is an IT services company whose services include infrastructures (integration and outsourcing) and application layers for information systems.

Distribution of financial statements

In its meeting held February 21, 2006, the Board of Directors closed the 2005 consolidated financial statements presented in this document, which are subject to approval by the Shareholders Meeting of June 13, 2006.

NEURONES' consolidated financial statements for the year ended December 31, 2005 include the company and its subsidiaries (together referred to as the "Group") and the share in affiliates and associates or companies under joint control.

Declaration of compliance

The consolidated financial statements were prepared in compliance with the IFRS as adopted in the European Union at December 31, 2005. These consolidated financial statements are the first ones established according to the IFRS reference. The provisions of IFRS 1 (first application of international standards of financial information) were applied. The impact of the transition to IFRS on the Group's financial situation, performance and cash flow is analyzed in the following note.

The comparative financial statements at December 31, 2004 were prepared according to the same reference, based on applying IAS 32/39 as of 12/31/2003.

Transition to IFRS

Preamble

The NEURONES Group's consolidated financial statements published before FY 2005 were prepared according to French GAAP and in compliance with the provisions of CRC rule No. 99-02.

Since the Group is listed in a European Union country and in accordance with European rule No. 1606/2002 dated July 19, 2002 concerning international standards, the NEURONES Group's consolidated financial statements at December 31, 2005 were prepared according to the international standards prescribed by the IASB (International Accounting Standards Board) and adopted by the European Union at December 31, 2005. The international accounting standards include IFRS, IAS and their interpretations.

In compliance with the recommendation of the AMF (Autorité des Marchés Financiers), NEURONES published in its 2004 annual report for preliminary information purposes the options related to the first adoption, the main IFRS accounting methods and the forecast impact in figures of the transition to IFRS on the balance sheet at the transition date (January 1, 2004), the financial situation at December 31,2004 and the performance for FY 2004.

The following information shows the definitive impacts of the transition, which were recorded in shareholders' equity at January 1, 2004. Some insignificant variances from the information published in the 2004 annual report are highlighted and explained in the following tables.

Principles and options adopted, related to the first application of IFRS

The impact in figures of the transition to IFRS on the 2004 financial information was prepared by applying the IFRS standards and interpretations to the 2004 data that NEURONES deemed it should apply to prepare its 2005 consolidated financial statements. Consequently, the basis for the 2004 financial information described in the following notes has been prepared in accordance with:

IFRS standards and interpretations that must be applied at December 31, 2005,

Options retained and exemptions used by the Group to prepare its first IFRS consolidated financial statements.

Accounting options related to the first adoption

Pursuant to the provisions provided for by IFRS 1, NEURONES has retained the following choices regarding the retrospective restating of assets and liabilities in accordance with IFRS:

a) Business combinations
The Group has decided not to restate according to the provisions provided for by IFRS 3 the business combinations prior to January 1, 2004.

b) Actuarial gains and losses on retirement commitments
The Group has chosen to immediately record all actuarial gains and losses in profit. Consequently, actuarial gains and losses prior to January 1, 2004 are already recorded in the opening shareholders' equity at January 1, 2004.

c) Translation adjustments
The consolidated financial statements do not include any foreign subsidiaries.

d) Valuation of certain intangible and tangible assets at fair value
NEURONES has not used the option offered by IFRS 1, which involves valuing certain intangible and tangible assets at their fair value.

e) Share based payments
For share-based plans, the Group has opted to apply IFRS 2 for plans granted after November 7, 2002 whose rights were not acquired as of January 1, 2006.

f) Compound financial instruments
The Group has no compound financial instruments.

g) Different transition dates between the Group and a subsidiary
The transition date to IFRS is the same for all Group companies (i.e.; January 1, 2004).

Impact of the transition on the consolidated financial statements

Presentation of financial statements

Consolidated balance sheet

IAS 1 "Presentation of financial statements" modifies the presentation of consolidated financial statements.

The method of presenting the balance sheet has been adapted based on IAS 1, which imposes a mandatory distinction between current and non-current items under IFRS as compared to the previous presentation based on French GAAP, which used the criteria of nature and/or liquidity of assets and liabilities.

Consequently, the balance sheet items are presented based on the classification current assets and non-current assets, current liabilities and non-current liabilities.

Application of IAS 1 also results in minority interests being included in shareholders' equity, broken into "Group share" and "Minority share".

The impacts of the presentation of balance sheets published according to French GAAP at January 1, 2004 and December 31, 2004 compared to those presented according to IFRS in the tables hereafter are as follows:

a) The "Long-term investments" line, which includes unconsolidated securities, loans, deposits paid in the form of loans as part of the 1% housing aid contribution and security deposits, corresponds to financial assets that mature in more than 12 months. They have been recorded on the "Financial assets – non-current" line in the IFRS balance sheet.

b) Deferred tax credits previously presented in the "Other receivables and accruals account" item are isolated on a specific line in non-current assets in the IFRS balance sheet.

c) Tax credits due, previously presented in the "Other receivables and accruals accounts" item are isolated on a specific line in current assets in the IFRS balance sheet.

d) The "Trade accounts and notes receivable" line in the IFRS balance sheet combines the "Trade receivables and related accounts" and "Other receivables and accruals accounts" items, other than deferred tax credits and taxes due presented separately.

e) Financial investments are grouped in the "Cash and cash equivalents" item.

f) Provisions for retirement benefits and provisions for long-term risks are classified in non-current liabilities.

g) Deferred taxes due and taxes due previously presented in the "Other debts and accruals accounts" item are isolated on specific lines in non-current liabilities and current liabilities respectively.

h) The portion of financial debts due in less than one year is presented in "Other financial liabilities – current".

Consolidated income statement

The impacts of the presentation of consolidated income statements published according to French GAAP at December 31, 2004 compared to those presented according to IFRS in the tables hereafter are as follows:

a) Other revenues, operating grants, transferred expenses and writebacks of provisions previously presented on the "Other operating revenues, writeback of provisions and transferred expenses" line have been reclassified either as a decrease in corresponding expense items, in the "Other revenues / Other expenses" category of operating income before taxes and exceptional items or as "net allocations to provisions".

b) "Other operating revenues and expenses" corresponds to income on disposals previously presented as exceptional income. The other items in exceptional income have been reclassified in the categories corresponding to EBIT.

c) Net income on money market funds and interest (received/accrued) on commercial paper previously presented as financial income, as well as the related provisions, comprise the "Financial income" line of net cost of financial debt.

Statement of cash flows

The IFRS adjustments don't have an impact on the level of the Group's cash over the comparative periods presented. Consequently, no table of transition from French GAAP to IFRS is presented for the cash flow statements.

IFRS adjustments

Note I – Goodwill

Pursuant to IFRS 3, goodwill depreciation is no longer recorded for fiscal years commencing after January 1, 2004.

Note II – Stocks Options

Pursuant to IFRS 2, stock option plans granted after November 7, 2002 have been valued based on the Black & Scholes model.

The fair value valuation of the service rendered as of the allocation date is accrued (or deferred) on a prorata temporis basis over the entire rights acquisition period as an expense adjustment to reserves, therefore without an impact on shareholders' equity.

Note III – Business

Business related to company combinations (i.e.; business combinations) that doesn't meet the definition of intangible assets has been reclassified as goodwill.

Note IV – Discounting receivables and debts maturing in more than one year

Pursuant to IAS 39, receivables and debts maturing in more than one year that don't earn interest must be discounted.

The variance related to the initial discounting is recognized in operating income. The writeback related to the discounting each subsequent year is recorded as financial income.

The discount rate used is 5%.

Table of reconciliation of the opening balance sheet at 01/01/2004 according to French GAAP and IFRS

Balance sheet (in thousands of euros)	French GAAP according to IAS/IFRS methods of presentation 01/01/04	Reference	IAS/IFRS adjustments	IAS/IFRS 01/01/2004
Non-current assets				
■ Intangible assets	12,855	Note III	-	12,855
■ Tangible assets	1,573	-	-	1,573
■ Financial assets	806	Note IV	(282)	524
■ Deferred tax credits	246	Note IV	97	343
Current assets				
■ Inventory	139	-	-	139
■ Deferred tax credits due	587	-	-	587
■ Trade and other receivables	24,824	-	-	24,824
■ Cash and cash equivalents	41,248	-	-	41,248
Assets held for disposal	**-**	**-**	**-**	**-**
TOTAL ASSETS	**82,278**	**-**	**(185)**	**82,093**
Capital	9,108	-	-	9,108
Additional paid-in capital	28,509	-	-	28,509
Consolidated reserves and profits	19,780	Note IV	(179)	19,601
Total shareholders' equity (group share)	**57,397**	**-**	**(179)**	**57,218**
Minority interests	1,562	Note IV	(6)	1,556
Shareholders' equity	**58,959**	**-**	**(185)**	**58,774**
Non-current liabilities				
■ Long-term provisions	54	-	-	54
■ Financial liabilities	-	-	-	-
■ Deferred taxes	173	-	-	173
Current liabilities				
■ Short-term provisions	221	-	-	221
■ Taxes due	133	-	-	133
■ Trade and other accounts payable	22,232	-	-	22,232
■ Other financial liabilities	506	-	-	506
Liabilities held for disposal	**-**	**-**	**-**	**-**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**82,278**	**-**	**(185)**	**82,093**

The differences between the transition table published in this document and the transition table published in NEURONES' 2004 reference document concern the following points:

- The provision for retirement benefits has been reclassified as a non-current liability,
- The discounting of receivables and debts maturing in more than one year (IAS 39) is charged to opening shareholders' equity at January 1, 2004.

Table of reconciliation of the balance sheet at 12/31/2004 according to French GAAP and IFRS

Balance sheet (in thousands of euros)	French GAAP according to IAS/IFRS methods of presentation 12/31/04	Reference	IAS/IFRS adjustments	IAS/IFRS 12/31/2004
Non-current assets				
■ Intangible assets	12,860	Note iii	785	13,645
■ Tangible assets	1,477			1,477
■ Financial assets	975	Note iv	(346)	629
■ Deferred tax credits	305	Note iv	117	422
Current assets				
■ Inventory	266			266
■ Deferred tax credits due	195			195
■ Trade and other receivables	29,801			29,801
■ Cash and cash equivalents	46,634			46,634
Assets held for disposal				
TOTAL ASSETS	**92,513**		**556**	**93,069**
Capital	9,139			9,139
Additional paid-in capital	28,723			28,723
Consolidated reserves and profits	24,519	Notes i / iii /iv	564	25,083
Total shareholders' equity (group share)	**62,381**		**564**	**62,945**
Minority interests	1,765	Note iv	(8)	1,757
Shareholders' equity	**64,146**		**556**	**64,702**
Non-current liabilities				
■ Long-term provisions	75			75
■ Financial liabilities				-
■ Deferred taxes				-
Current liabilities				
■ Short-term provisions	333			333
■ Taxes due	999			999
■ Trade and other accounts payable	26,931			26,931
■ Other financial liabilities	29			29
Liabilities held for disposal				-
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**92,513**		**556**	**93,069**

The differences between the transition table published in this document and the transition table published in NEURONES' 2004 reference document concern the following points:

- The provision for retirement benefits has been reclassified as a non-current liability,
- The discounting of receivables and debts maturing in more than one year (IAS 39) is charged to opening shareholders' equity at January 1, 2004.

IFRS Income statement at December 31, 2004

Income statement (in thousands of euros)	French GAAP according to IAS/IFRS methods of presentation 2004	Reference	IAS/IFRS adjustments	IAS/IFRS 2004
Sale of goods	7,853	-	-	7,853
Sale of services	89,245	-	-	89,245
REVENUES	**97,098**	**-**	**-**	**97,098**
Other income from activities				
Purchases consumed	(6,662)	-	-	(6,662)
Payroll expenses	(60,073)	Note II	(60)	(60,133)
External expenses	(18,820)	Note IV	(80)	(18,900)
Taxes and duties	(2,049)	-	-	(2,049)
Depreciation	(976)	-	-	(976)
Allocations to provisions	(173)	-	-	(173)
Depreciation of assets	-	-	-	-
Other income/expenses	(243)	-	-	(243)
OPERATING INCOME BEFORE TAXES AND EXCEPTIONAL ITEMS	**8,102**	**-**	**(140)**	**7,962**
Other operating income and expenses	79	-	-	79
EBIT	**8,181**	**-**	**(140)**	**8,041**
Financial income	929	Note IV	17	946
Financial expenses	(151)	-	-	(151)
Net cost of financial debt	**778**	**-**	**17**	**795**
Other financial income and expenses	-	-	-	-
Share of net profits of companies accounted for by the equity method	-	-	-	-
PRETAX PROFIT	**8,959**	**-**	**(123)**	**8,836**
Income tax	(3,128)	Note IV	20	(3,108)
NET PROFIT FOR THE PERIOD FROM ONGOING ACTIVITIES	**5,831**	**-**	**(103)**	**5,728**
Net profit for the period from discontinued activities	-	-	-	-
Depreciation of goodwill	(785)	Note I	785	-
NET PROFIT FOR THE PERIOD	**5,046**	**-**	**682**	**5,728**
Including:				
■ Net profit (Group share)	4,739	-	684	5,423
■ Net profit attributable to minority interests	307	-	(2)	305

The differences between the transition table published in this document and the transition table published in NEURONES' 2004 reference document concern the following points:

■ Discounting of receivables and debts maturing in more than one year (IAS 39) – note iv.

Table of transition from French GAAP to IFRS

(in thousands of euros)	Standard	SHAREHOLDERS' EQUITY (Group share) 01/01/04	Profit for the year	Capital increase	Other	12/31/04	Minority interests at 12/31/04	Grand Consolidated Total 12/31/04
Shareholders' equity according to French GAAP	-	57,398	4,739	244	-	62,381	1,765	64,146
■ Adjustment 1 IFRS Goodwill	IFRS3/IAS 38	-	785	-	-	785	-	785
■ Adjustment 2 IFRS Stocks Options	IFRS 2	-	(60)	-	60	-	-	-
■ Adjustment 3 IFRS Conversion to present value of receivables maturing in more than one year	IAS 39	(273)	(60)	-	-	(333)	(11)	(344)
TOTAL IAS/IFRS ADJUSTMENTS BEFORE TAX AND MINORITY INTERESTS	**-**	**(273)**	**665**	**-**	**60**	**452**	**(11)**	**441**
Tax impact on the IAS/IFRS adjustments	-	93	19	-		112	3	115
SHAREHOLDERS' EQUITY ACCORDING TO IFRS	**-**	**57,218**	**5,423**	**244**	**60**	**62,945**	**1,757**	**64,702**

ACCOUNTING PRINCIPLES

The accounting methods presented below have been applied consistently to all periods shown in the consolidated financial statements as well as in preparing the opening IFRS balance sheet at January 1, 2004 for IFRS transition purposes.

The accounting methods were applied uniformly by Group entities.

Basis of preparing the consolidated financial statements

The financial statements are presented in euros rounded to the nearest thousand euros.

Pursuant to European rule No. 1606/2002 dated July 19, 2002 concerning international standards, the NEURONES Group's consolidated financial statements at December 31, 2005 were prepared according to the applicable international IAS/IFRS standards as adopted in the European Union. The comparative financial statements at December 31, 2004 were prepared according to the same reference.

The financial statements were prepared based on historical cost except for short-term cash investments and share-based payments, valued at fair value.

Use of estimates

Preparing financial statements in accordance with the IFRS conceptual framework requires making estimates and formulating assumptions that affect the application of accounting methods and the amounts shown in these financial statements.

The estimates and underlying assumptions are made based on past experience and other factors considered as reasonable in view of the circumstances. Consequently, they form the basis for determining the book values of assets and liabilities that can't be obtained directly from other sources. The intrinsic values may differ from the estimated values.

The estimates and underlying assumptions are reexamined continuously. The impact of changes in accounting estimates is recognized during the period of change if it only affects this period or during the period of change and subsequent periods if they too are affected by the change.

At the year-end closing, NEURONES does not foresee any changes in the key assumptions used or sources of uncertainty that would present a major risk of a significant adjustment in the amounts of assets and/or liabilities during the following period.

Consolidation methods

Subsidiaries

A subsidiary is an entity the Company controls. Control exists when the Company has the power to directly or indirectly influence the entity's financial and operational policies in order to derive benefits from its activities.

To assess the control, potential voting rights that are currently exercisable or convertible are taken into consideration.

Subsidiaries' financial statements are included in the consolidated financial statements from the date when control is obtained until the date when control ends.

Affiliates and associates

Affiliates and associates are entities where the Company has significant influence over its financial and operational policies without having control. The consolidated financial statements include the Group's share in the total amount of profits and losses recognized by the affiliates and associates based on the equity method from the date when significant influence is exercised until the date when it ends. If the Group's share in the losses of an affiliate or associate is greater than its investment in this entity, the book value of the shares accounted for by the equity method is reduced to zero and the Group ceases to recognize its share in the future losses, unless the Group has a legal or implicit obligation to participate in losses or to make payments on behalf of the affiliate or associate.

Joint ventures

Joint ventures are entities exercising activities where the Group exercises joint control pursuant to a contractual agreement. The consolidated financial statements include the Group's share in the assets, liabilities, revenues and expenses combined, line-by-line (proportional consolidation), with the similar items of these financial statements from the date when the joint control is obtained until the date when it ends.

Transactions eliminated in the financial statements

Balance sheet balances, unrealized gains and losses, and revenues and expenses from intra-group transactions are eliminated when the consolidated financial statements are prepared. The unrealized gains resulting from transactions with affiliates, associates and joint ventures are eliminated up to the Group's equity share in the entity.

Unrealized losses are eliminated in the same way as unrealized gains, but only insofar as they do not represent a loss of value.

At December 31, 2005, all companies included in the scope of consolidation are subsidiaries. Subsidiaries' accounting principles have been modified to ensure consistency with the Group's accounting methods.

No company was excluded from the scope of consolidation.

The list of consolidated companies is shown in the "Scope of Consolidation" note.

Intangible assets

Business (idem) combinations and goodwill

When a company enters the scope of consolidation, its identifiable assets and liabilities are entered on the consolidated balance sheet at their fair value and valued according to the Group's accounting principles.

The difference between the acquisition cost and the Group's share in the fair value of the identifiable assets, liabilities and potential liabilities acquired constitutes the goodwill.

The Group has chosen not to restate business combinations prior to January 1, 2004 according to the provisions of IFRS 3. The goodwill prior to January 1, 2004 has been maintained at its assumed costs, which represents the amount recognized according to the previous accounting reference.

Goodwill is valued at its cost, less cumulative impairment. It is assigned to Cash Generating Units, is not amortized and is subject to an impairment test annually or more frequently in case there are signs of impairment (see the paragraph, "Depreciation of fixed asset items").

Negative goodwill is recognized immediately in profit.

Contracts and contractual customer relationships

Contracts and contractual customer relationships are recorded in assets at their acquisition cost less cumulative depreciation and impairment. For the most part they come from purchased businesses and correspond to a volume of revenues and margin generated by contracts. They are depreciated over the useful life of the corresponding contracts.

In the case of contracts linked to technical assistance contracts renewable periodically, the useful life is indefinite. Consequently, the end of the period when the contracts will generate net cash inflows to the Group's benefit is unknown. In this case the contracts are not depreciated and are subject to an impairment test annually or each time there is a sign of impairment (see the paragraph, "Depreciation of fixed asset items").

Other intangible assets

The Group has not identified significant development expenses that meet the IAS 38.57 definition.

Other intangible assets, especially software acquired for internal use, are amortized over their useful life, generally from one to three years, as soon as the asset is ready to be commissioned.

The amortization of intangible assets is recorded in operating income on the "Depreciation & Amortization" line.

Tangible assets

Tangible assets are recorded at their acquisition cost less accumulated depreciation and recognized impairment.

The Group has not opted to use the revaluation method for its assets.

Loan costs are excluded from the cost of fixed assets pursuant to IAS 23.

They are depreciated over their useful life and according to the following methods as soon as the asset is ready to be commissioned:

- Fixtures and installations — Straight-line method 5 to 10 years
- Transportation equipment — Straight-line method 2 to 4 years
- Computer hardware — Declining balance and straight-line method 3 years
- Office equipment — Straight-line method 5 to 10 years

Case of professional leasing and long-term finance leases

Assets acquired in the form of a professional lease or long-term finance lease have been restated. The asset is recorded on the balance sheet at the lower of the present value of the lease's minimum future payments and the asset's fair value. The asset is depreciated over its useful life for the Group or the term of the contract if the term is less. The corresponding financial debt is recorded in liabilities and amortized over the term of the contract. In terms of the income statement, the lease expense is offset and replaced by a depreciation expense and a financial expense.

Depreciation of fixed assets

Goodwill and intangible assets with an indefinite useful life

The tracking method used to value intangible assets is the DCF (discounted cash flow) method. This valuation method is used for impairment tests every time there is an indication of impairment and at least once a year. To conduct this test, goodwill is broken down by Cash Generating Units (CGU) corresponding to homogenous groups that jointly generate identifiable cash flows. The breakdown into CGUs is done by legal entity. Each subsidiary corresponds to a CGU.

The asset's book value is compared to its recoverable value and corresponds to the maximum of the fair value less disposal costs and the value in use, determined by the discounted future cash flows method.

In case of impairment, depreciation is recorded on the "Asset depreciation" line in operating income. Goodwill depreciation is not reversed even if the asset's value in use recovers in future years.

Tangible and intangible assets with a definite useful life

The value in use of tangible and intangible assets with a definite useful life is tested for impairment as soon as signs of impairment appear and reviewed during the annual closing.

To perform this test, the fixed assets are grouped into Cash Generating Units (CGU). The CGUs consist of homogenous asset groups whose continuous use generates cash inflows that are substantially independent of cash inflows generated by other asset groups. The breakdown into CGUs is done by legal entity. Each subsidiary corresponds to a CGU.

The asset's book value is compared to its recoverable value and corresponds to the maximum of the fair value less disposal costs and the value in use, determined by the discounted future cash flows method. When the book value is less than the recoverable value, impairment is recorded in operating income, on the "Asset depreciation" line.

The main criteria used to apply the DCF method of valuation are

- The discount rate used is 10.4% after tax, based on the risk-free rate, the risk premium and ß.
- The length of the explicit period is 5 years. The growth assumptions retained for revenues, operating margin, working capital requirements and capital expenditures are specific to each company, based on their size and business sector.

Impairment recorded for a CGU is first allocated to reducing the book value of any goodwill allocated to the cash generating unit, then to reducing the book value of the CGU's other assets on a pro rata basis with the book value of each asset of the unit.

Impairment recorded for an asset other than goodwill is written back if there is a change in the estimates used to determine the recoverable value. An asset's book value, increased due to the writeback of impairment, should not exceed the book value that would have been determined, net of depreciations, if no impairment had been recorded.

Financial assets

Non-consolidated securities

Pursuant to IAS 39, equity investments in non-consolidated companies are analyzed as available for sale and are therefore recorded at their fair value. If this value cannot be determined reliably, the securities are recorded at their acquisition cost. In case there is an objective indication of impairment of the financial asset, a provision for impairment is recorded in profit. This provision is written back from profit only when the securities are sold.

Other financial assets

Financial assets that mature in more than one year and that do not earn interest are discounted pursuant to IAS 39.

The variance related to the initial discounting is recognized in operating income. The writeback related to the discounting each subsequent year is recorded as financial income.

The discount rate used is 5%.

The Group has no derivative instruments among its financial assets and does not conduct any hedge operations.

Deferred taxes

Pursuant to IAS 12, deferred taxes are recognized in the income statement and the balance sheet to account for the time lag between the book values and tax bases of certain assets and liabilities. According to the liability method of tax allocation, deferred taxes are valued based on the known changes in tax rates that have been adopted or virtually adopted at the closing date.

Loss carry forwards are activated when one is likely to have future taxable income that these tax losses can be charged against.

Pursuant to IAS 12, deferred tax credits and deferred taxes are not discounted.

Inventory

Inventory is valued at the lowest cost based on the weighted price and net realizable value method. The net realizable value is the estimated sales price under normal business conditions, less the estimated costs required to complete the sale.

A provision for depreciation is recognized on a case-by-case basis when the net realizable value is less than the book value.

Receivables

Receivables are recorded at cost less recognized impairment. Impairment is recognized when the book value of the receivable exceeds its recoverable value (i.e.; the value of estimated future cash flows).

There are no payment conditions of more than one year.

Cash and cash equivalents

Short-term investments are valued at their fair value (by profit).

Pursuant to IAS 7, the “Cash and cash equivalents” line includes the cash on hand and demand deposits. Bank overdrafts reimbursable on demand that are an integral part of the Group’s cash management constitute a component of cash and cash equivalents for the needs of the cash flow statement.

The fair value corresponds to the item’s cash-in value at the closing date.

Variances in fair value are recorded in profit for the period under the “Financial income” category.

Own shares

The amount of the consideration paid for self-held shares, including directly attributable costs, is deducted from consolidated reserves.

In case the shares are subsequently disposed of, the income and any corresponding tax effects are recorded as a variation in consolidated shareholders’ equity.

Share-based payments

Plans granted after November 7, 2002 whose rights still hadn’t been acquired at December 31, 2005 are subject to a valuation according to IFRS 2. Among the options, the Black & Scholes valuation model was adopted. The fair value valuation of the service rendered as of the allocation date is accrued (or deferred) on a prorata temporis basis over the entire rights acquisition period as an expense adjustment to shareholders’ equity.

The main criteria retained for the fair value valuation of the options for plans attributed after November 7, 2002 are as follows:

■ Term	4 years
■ Volatility	35%
■ Risk-free rate	4.50%
■ Dividend payout rate	0%

Employee benefits

Defined benefits plan: Provision for retirement benefits

Defined benefits plan: Provision for retirement benefits

This provision is intended to meet the commitments corresponding to the present value of rights acquired by employees regarding conventional benefits they will have a claim to when they retire. It is based on a calculation made according to the forecast credit units method, which takes seniority, life expectancy and the personnel turnover rate into account as well as assumptions about salary revisions and present value.

The main parameters used correspond to forecast averages determined by reference to the historical numbers from the latest fiscal periods.

These main parameters are:

■ Retirement age	60 years old
■ Turnover rate	15%
■ Discount rate	5%
■ Salary inflation rate	5%
■ Life expectancy table	INSEE 99

The actuarial gains and losses generated by changes in assumptions are recorded directly in profit.

There is no fixed contribution plan.

Other personnel commitments

Long-service medals

The collective bargaining agreements in force in NEURONES Group companies do not make any special provisions for long-service medals. No specific agreements have been concluded regarding this point in the Group's various subsidiaries.

Individual right to training (referred to as "DIF" in France)

Estimated DIF rights were not recorded at December 31, 2005 because they are deemed insignificant given the training already provided and the probability of specific requests for these rights. Depending on the requests that will be received over the coming years, the valuation of this commitment may be revised and, if required, recorded.

Provisions

Pursuant to IAS 37, a provision is recorded when the Group recognizes a current obligation, legal or implicit, regarding a third party resulting from a past event and when it is likely or certain that this obligation will cause an outflow of resources representing economic benefits whose amount may be estimated reliably.

Any unused provision will be written back to the income statement with an explanatory note.

Long-term provisions are discounted when the effect is significant.

Financial liabilities

The Group has no derivative instruments among its financial liabilities and does not conduct any hedge operations. The Group has no liabilities valued at fair value as an adjustment to profit.

The other financial liabilities correspond primarily to bank overdrafts and deposits received.

Trade and other accounts payable

Trade accounts and notes receivable are valued at their fair value when initially recorded, then at depreciated cost.

There are no payment conditions of more than one year.

Recognition of "service" revenues

Revenues realized in the form of services provided are recognized based on the stage of completion in accordance with IAS 11 and IAS 18.

The stage of completion is calculated based on the costs incurred compared to the total updated forecast costs.

Fixed price projects

Revenues from fixed price projects are recorded as the service is provided, based on the stage of completion method. According to this method, revenues are recognized in the period that the service is rendered in. The variance between invoicing and revenues calculated based on the stage of completion is recorded in invoices to be prepared or in prepaid income, as required.

When the forecast cost price of a contract is greater than the contractual revenues, a provision for an end of contract loss equal to the difference is recorded.

Annual contracts

Revenues from annual or long-term contracts are recorded in advance, which corresponds to a prorata temporis treatment.

Services sold in the form of spendable checks

Some Group companies pre-sell checks for services, which represent days of service by engineers, developers, technicians or trainers.

Revenues in the form of spendable checks are recorded as the services are provided and therefore as the checks are consumed.

Long-term outsourcing contracts

Long-term outsourcing contracts generally include two main types of services:

- initial engineering, consisting of an autonomous project prior to the start of the operational contract. Revenues are recorded based on the stage of completion;
- operational contract. The invoicing terms generally involve invoicing a fixed monthly fee that is identical throughout the year. Revenues are recognized based on the stage of completion in phase with the services provided.

Method of calculating diluted earnings per share (EPS)

The number of shares taken into account in calculating diluted EPS is comprised of:

- the weighted average number of shares in the year,
- plus the weighted average number of founder stock options allocated and not exercised,
- plus the weighted average number of other stock options allocated and not exercised.

The earnings per share were determined in accordance with IAS 33.

Sector information

A sector is a distinct component of the Group, which is either involved in providing services (business sector) or in providing services in an environment (geographic sector) that is exposed to different risks and profitability than those in other sectors.

Pursuant to IAS 14, the first level of sector information identified is the business sector corresponding to the Group's different core businesses ("Infrastructures – Integration", "Infrastructures – Outsourcing" and "Applications"). To date, the second level of sector information by geographic sector is not relevant, insofar as the Group does most of its business in France.

SCOPE OF CONSOLIDATION

List of companies consolidated by full consolidation

	Head office	Commercial Register No.	12/31/2005 % stake	12/31/2005 % Control	12/31/2005 Integration Method	12/31/2004 % stake	12/31/2004 % Control	12/31/2004 Integration Method
Parents								
NEURONES S.A.	205, ave Georges Clemenceau 92024 NANTERRE	331 408 336	-	-	F	-	-	F
Subsidiaries								
Neurones Solutions SAS	205, ave Georges Clemenceau 92024 NANTERRE	428 210 140	95%	95%	F	95%	95%	F
Skills Consulting SAS	205, ave Georges Clemenceau 92024 NANTERRE	428 209 308	100%	100%	F	100%	100%	F
Help-Line SAS	171, ave Georges Clemenceau 92024 NANTERRE	398 300 061	93%	93%	F	93%	93%	F
BrainSoft SAS	205, ave Georges Clemenceau 92024 NANTERRE	410 219 943	90%	90%	F	86%	86%	F
UpGrade SAS	205, ave Georges Clemenceau 92024 NANTERRE	415 149 830	100%	100%	F	100%	100%	F
INTRINsec SARL	205, ave Georges Clemenceau 92024 NANTERRE	402 336 085	85%	85%	F	85%	85%	F
Codilog-Knowledge SAS	205, ave Georges Clemenceau 92024 NANTERRE	432 673 838	72%	72%	F	71%	71%	F
AS International Group	83, rue du Fbg St Honoré 75008 PARIS	421 255 829	100%	100%	F	100%	100%	F
AS International SAS	83, rue du Fbg St Honoré 75008 PARIS	349 528 356	100%	100%	F	100%	100%	F
AS Telecom & Réseaux	83, rue du Fbg St Honoré 75008 PARIS	400 332 524	100%	100%	F	100%	100%	F
AS Technologie SARL	83, rue du Fbg St Honoré 75008 PARIS	417 586 609	100%	100%	F	100%	100%	F
Inexware Services SAS	205, ave Georges Clemenceau 92024 NANTERRE	443 739 693	100%	100%	F	100%	100%	F
Axones SAS	205, ave Georges Clemenceau 92024 NANTERRE	450 758 040	100%	100%	F	100%	100%	F
IMS SAS	171, ave Georges Clemenceau 92024 NANTERRE	439 832 353	93%	100%	F	93%	100%	F
Ged Systèmes SAS	205, ave Georges Clemenceau 92024 NANTERRE	389 607 730	90%	90%	F	-	-	-
Ged Systèmes Ile de France	3, rue de Turbigo 75001 PARIS	432 103 075	90%	100%	F	-	-	-
G-Sys Assistance	205, ave Georges Clemenceau 92024 NANTERRE	432 104 503	90%	100%	F	-	-	-

C = Consolidation

Changes in scope

During the second half of 2005, NEURONES acquired 90% control of the GED subgroup, an IT training firm.

The items concerning the transaction and GED's contribution to the Group's consolidated financial statements are:

- Price paid in cash without a future price adjustment.
- Fair value of shareholders' equity at the acquisition date amounted to €532,000. At the acquisition date the primary aggregate accounts on the GED group's financial statements were:

	Amounts (in thousands of euros)
Non-current assets	
Net intangible assets	2
Net tangible assets	158
Financial assets	32
Deferred tax credits	7
Current assets	
Deferred tax credits due	30
Trade accounts and notes receivable	1,207
Cash and cash equivalents	180
Total Assets	**1,616**
Shareholders' equity restated at fair value	**532**
Including profit up to the acquisition date	28
Non-current liabilities	
Long-term provisions	8
Current liabilities	
Short-term provisions	24
Taxes due	9
Trade and other accounts payable	949
Other financial liabilities	94
Total Liabilities	**1,616**

- The primary items contributing to the 2005 consolidated financial statements over the consolidation period were:

Income statement items	Amount (in thousands of euros)
Revenues	1,288
EBIT	152
Net profit	111

The other changes in scope involve shares repurchased from the Group's historical managers as follows:

- the repurchase of 4% of Brainsoft's shares in January 2005 from a company employee,
- the repurchase of 0.5% of Codilog-Knowledge's shares in March 2005 from a company manager.

Pro forma financial statements

The GED subgroup's contribution to the 2005 consolidated financial statements was less than 2% of revenues and less than 2% of EBIT.

NOTES TO THE BALANCE SHEET

Note 1 – Intangible assets

(in thousands of euros)	IFRS 12/31/04	Change in Scope	↗	↘	IFRS 12/31/05
Goodwill (detail in note 2)	13,025		547		13,572
Patents and licenses	803	22	53	64	814
Contracts and contractual relationships	499				499
Gross Total	**14,327**	**22**	**600**	**64**	**14,885**
Depreciation	(682)	(20)	(199)	(61)	(840)
Net Total	**13,645**	**2**	**401**	**3**	**14,045**

The acquisitions correspond primarily to software for internal use.

The contracts and contractual relationships recorded in assets are related to technical assistance contracts for an indefinite useful life (refer to note on accounting principles). Over the period, a global provision of €68,000 was recorded for the impairment of certain “contracts and contractual relationships” related to a portion of contracts not renewed.

No intangible assets have been pledged as security.

Note 2 – Goodwill

(in thousands of euros)	IFRS 12/31/04	↗	↘	IFRS 12/31/05
Companies concerned				
BrainSoft	80	9	-	89
AS International Group	8,874		-	8,874
Help-Line	545		-	545
Codilog-Knowledge	-	20	-	20
Codilog (merged in Codilog-Knowledge)	2,159		-	2,159
IMS	22	8	-	30
Inexware Services	1,345		-	1,345
Ged Systèmes		510	-	510
NET TOTAL	**13,025**	**547**	**-**	**13,572**

Note 3 – Tangible assets

(in thousands of euros)	IFRS 12/31/04	Change in Scope	↗	↘	IFRS 12/31/05
Fixtures and installations	1,528	190	95		1,813
Transportation equipment	461		79	32	508
IT and office equipment	3,082	175	485	90	3,652
Leased fixtures	77				77
Leased IT equipment	89	83			172
Fixed assets under construction	-		120		120
Gross Total	**5,237**	**448**	**779**	**122**	**6,342**
Depreciation	(3,760)	(289)	(862)	(119)	(4,792)
NET TOTAL	**1,477**	**159**	**(83)**	**3**	**1,550**

The capital expenditures for the year correspond primarily to fixtures to improve new premises, IT hardware and shared company cars.

No tangible asset has been pledged as security.

Note 4 – Financial assets

(in thousands of euros)	IFRS 12/31/04	Change in Scope	↗	↘	IFRS 12/31/05
Non-consolidated securities	33				33
Loans	288		17	6	299
Other financial assets	323	29	17	63	306
Gross Total	**644**	**29**	**34**	**69**	**638**
Provisions	(15)	-	-	-	(15)
Net Total	**629**	**29**	**34**	**69**	**623**

Other financial assets correspond primarily to deposits paid in the form of loans as part of the 1% housing aid contribution plus security deposits (rent).

The present value of loans (1% housing aid contribution) and in particular the reimbursement due date have been calculated based on the reimbursement date provided for in the contract (20-year timeframe).

The present value of security deposits (primarily concerning security deposits paid for rented premises) and in particular the reimbursement due date have been calculated based on the lease's termination date (9-year term).

Note 5 – Deferred tax credits

The deferred tax credits shown on the balance sheet concern the following items:

(in thousands of euros)	12/31/05	12/31/04
Employee profit sharing	177	192
Other temporary differences	108	83
Provision for retirement benefits	21	25
Elimination of internal margins – Disposal of assets	3	5
Present value of receivables maturing in more than one year	138	117
Depreciation of contracts and contractual relationships	23	-
Deferred tax credits	**470**	**422**

At December 31, 2005, there was a tax loss that could be carried forward indefinitely for a company that entered the scope of consolidation in FY 2005. This loss amounted to €91,000 at closing. The future tax saving of €30,000 was not recorded given its insignificant character.

Note 6 – Inventory

(in thousands of euros)	12/31/04	↗	↘	12/31/05
Goods	407		66	341
Gross Total	**407**		**66**	**341**
Depreciation	(141)	(7)	-	(148)
Net Total	**266**	**(7)**	**66**	**193**

No inventory was scrapped during the year. No inventory has been pledged as security.

Note 7 - Trade accounts and notes receivable

(in thousands of euros)	12/31/05	12/31/04
Trade accounts receivable	28,588	25,565
Invoices to be issued	2,155	1,539
Suppliers – credit notes receivable	40	72
VAT	2,311	1,959
Other receivables	201	160
Prepaid expenses	509	810
Gross Total	**33,804**	**30,105**
Depreciation	(446)	(304)
NET TOTAL	33,358	29,801

These items are due in less than one year, except for certain financial arrangements granted to some customers as part of outsourcing contracts. Since the amount recognized as a receivable on the balance sheet bears interest, the receivable was not discounted for present value.

Note 8 – Cash and cash equivalents

(in thousands of euros)	12/31/05	12/31/04
Commercial paper	12,414	12,430
Term deposits	4,649	4,521
Money market funds	23,585	20,697
Available funds	9,787	8,934
Accrued interest on commercial paper	53	52
Total cash and cash equivalents	**50,488**	**46,634**
Bank overdrafts	(636)	(26)
TOTAL NET CASH	49,852	46,608

Additional note regarding commercial paper:

Type	Amount (in thousands of euros)	Due date	Rate
Euro Commercial Paper	4,951	01/13/2006	2.10%
Euro Commercial Paper	7,463	02/28/2006	2.42%
TOTAL	12,414	-	-

Note 9 – Shareholders' equity

Note 9.1 – Capital

At December 31, 2005, the share capital amounted to €9,265,968, comprised of 23,164,920 fully paid-up shares of the same class with a face value of €0.40.

A double voting right is granted to every shareholder whose shares have been registered in his name for at least four years.

During FY 2005, 68,838 founder stock options and 71,460 other stock options were exercised creating 415,650 new shares at a price of €3.20, including €0.40 in face value and €2.80 in additional paid-in capital.

These new shares increased the share capital by € 166,260 and the additional paid-in capital by € 1,163,820.

Subsequently, the Company reduced its capital by canceling a block of 98,000 shares repurchased in February 2005. Since the shares were repurchased at a price of €5.41 per share, the difference between the repurchase price and the face value of €490,980 was charged against additional paid-in capital.

The Board of Directors approved these capital changes at its meeting on December 19, 2005.

The variation in the number of shares in circulation during FY 2005 breaks down as follows:

Number of shares circulation at 01/01/2005	Increase (Exercise of Founder Stock Options & Other Stock Options)	Decrease (Decrease in capital by canceling shares)	Number of shares in circulation at 12/31/2005
22,847,270	415,650	(98,000)	23,164,920

The Company has been listed in Paris since May 2000 and is part of the CAC Small90 and SBF250 indexes.

Note 9.2 – Share based payments

Stock option plans

The Extraordinary Shareholders' Meeting of November 29, 1999 allocated 476,385 founder stock options and authorized the allocation of a maximum of 964,875 other stock options (representing 5% of the capital). This authorization was finally wound up in 2003 as a total of 964,123 options were allocated between 11/29/1999 and 01/23/2003. The remainder of 752 non-allocated options was cancelled at the Ordinary Shareholders' meeting on June 25, 2003.

The Extraordinary Shareholders' meeting on June 25, 2003 authorized the Board of Directors to allocate a new stock option plan for a maximum of 250,000 options (representing 1.1% of the capital). This authorization was valid for thirty-eight months. The Board of Directors meeting on October 15, 2004 wound up this plan by allocating 250,000 stock options at a price of €4.20.

The Extraordinary Shareholders' meeting on June 25, 2004 authorized the Board of Directors to allocate a new stock option plan for a maximum of 100,000 options (representing 0.4% of the capital). This authorization was valid for thirty-eight months. The Board of Directors meeting on October 15, 2004 allocated 7,000 stock options under this plan at a price of €4.20.

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

Plan rules	Founder stock options	Stock option plan No. 1	Stock option plan No. 2	Stock option plan No. 3	Stock option plan No. 4	Stock option plan No. 5
Date of the Shareholders' meeting	11/29/99	11/29/99	11/29/99	11/29/99	11/29/99	06/25/03 & 06/25/04
Date of the Board of Directors meeting	-	11/29/99	07/27/00	07/11/01	01/23/03	10/15/04
Maturity date of the plans	11/29/04	11/29/04	07/27/05	07/11/06	03/01/07	10/15/08
Expiry date of the plans	11/28/05	11/28/14	07/26/10	07/11/11	02/28/11	10/14/12
Number of beneficiaries	49	19	171	238	60	60
including directors	*2*	-	-	-	-	-
Number of options granted	476,385	165,550	304,363	320,210	174,000	257,000
Number of expired options at 12/31/2004	(55,975)	(72,650)	(169,093)	(93,801)	(21,000)	(2,000)
Number of shares subscribed at 12/31/2004	(76,220)	-	-	-	-	-
Number of shares in circulation at 01/01/2005	344,190	92,900	135,270	226,409	153,000	255,000
Number of options that expired during the year	-	-	(22,863)	(22,425)	(31,000)	(28,500)
Number of shares subscribed to during the year *including directors*	(344,190) *(214,380)*	(71,460) -	None	None	None	None
Subscription price	€3.2	€3.2	€7.5	€3.8	€3.2	€4.2
Number of shares in circulation at 12/31/2005	0 Plan wound up and expired	21,440	112,407	203,984	122,000	226,500
Potential dilution (excluding cancelled options) - % of capital at 12/31/2005	-	0.09%	0.48%	0.88%	0.53%	0.98%
Potential dilution						**2.96%**

The share subscription price for beneficiaries is determined the day the Board of Directors grants the options and cannot be less than 80% of the average share price over the 20 stock market sessions preceding the day the options are granted.

Moreover, no performance conditions have been established for the plans allocated and described above.

Fair value of stock option plans granted after November 7, 2002

Based on the Black & Scholes model, the options' unit fair value is as follows:

Plan	Exercise price	Fair value
January 2003 (plan No. 4)	€3.20	€1.093
October 2004 (plan No. 5)	€4.20	€1.434

The expenses related to the stock option plans are presented in note 16.

Free share allocation plan

The Ordinary Shareholders' meeting on June 24, 2005 authorized the Board of Directors to allocate a plan of 230,000 free shares (representing 1% of the share capital). This authorization is valid for thirty-eight months. At December 31, 2005, the Board of Directors had not used this authorization.

Note 10 – Long-term provisions

(in thousands of euros)	12/31/04	Change in Scope	Allocation for the year	Writebacks for the year (provision used)	Writebacks for the year (provision not used)	12/31/05
Provision for retirement benefits	75	9	10	-	31	63
Total	**75**	**9**	**10**	**-**	**31**	**63**
Impact (net of expenses incurred)	-	-	-	-	-	-
EBIT	-	-	10	-	31	-
Net cost of financial debt	-	-	-	-	-	-

Note 11 – Short-term provisions

(in thousands of euros)	12/31/04	Change in Scope	Allocation for the year	Writebacks for the year (provision used)	Writebacks for the year (provision not used)	12/31/05
Provision	333	24	151	55	135	318
Total	**333**	**24**	**151**	**55**	**135**	**318**
Impact (net of expenses incurred)	-	-	-	-	-	-
EBIT	-	-	151	-	135	-
Net cost of financial debt	-	-	-	-	-	-

Short-term provisions correspond primarily to industrial relations risks that correspond to expected employement terminations withing 12-month.

Writebacks of unused provisions correspond to writebacks related to risks provisioned over previous years, where the analysis and valuation had been done with extra prudence.

Note 12 – Trade and other accounts payable

(in thousands of euros)	12/31/05	12/31/04
Trade and other accounts payable	6,771	6,520
Subtotal trade payables	**6,771**	**6,520**
Employee participation and profit sharing	583	618
Taxes and employer social security contributions	18,149	16,469
Other debts	1,049	729
Prepaid income	2,070	2,595
Subtotal other debts and accruals	**21,851**	**20,411**
TOTAL	**28,622**	**26,931**

Prepaid income corresponds to annual contracts invoiced in advance, “checkbooks” of services sold that haven’t been consumed and the variance between revenues invoiced and revenues recognized in advance as part of fixed price projects.

All operating debts are due in less than one year.

Note 13 – Other financial liabilities

(in thousands of euros)	12/31/05	12/31/04
Bank overdrafts	635	27
Finance leases	14	-
Subtotal bank overdrafts & finance leases	**649**	**27**
Deposits received	3	2
Subtotal deposits received	**3**	**2**
TOTAL	**652**	**29**

All other financial liabilities are due in less than one year, including financial debts as part of long-term leases, except for deposits received that expire in more than five years.

SECTOR INFORMATION

Primary sector information

Pursuant to IAS 14 “Sector information”, the first level of information is organized by business sector. NEURONES generates most of its revenues in France through French companies. Consequently, second level sector information by geographic area is not presented.

Note 14 – Revenue analysis

Revenues break down by business as follows:

(in thousands of euros)	2005	%	2004	%
Parent company	84	-	11	-
Infrastructures – Integration	22,302	21%	17,355	18%
Infrastructures – Outsourcing	65,655	60%	60,414	62%
Applications	20,879	19%	19,318	20%
TOTAL	**108,920**	**100%**	**97,098**	**100%**

The growth rate by business sector breaks down as follows:

(in thousands of euros)	% growth 2005/2004	% internal growth 2005/2004
Infrastructures - Integration	+28.5%	+28.5%
Infrastructures – Outsourcing	+8.7%	+6.4%
Applications	+8.1%	+0.9%
TOTAL	**+12.2%**	**+9.3%**

Note 15 - Operating income analysis

Operating income breaks down by business as follows:

(in thousands of euros)	2005	%	2004	%
Parent company	(683)	(7%)	(288)	(3%)
Infrastructures - Integration	1,649	19%	825	10%
Infrastructures – Outsourcing	6,389	73%	6,188	77%
Applications	1,344	15%	1,316	16%
TOTAL	**8,699**	**100%**	**8,041**	**100%**

The operating margin by business sector, as a % of revenues, breaks down as follows:

(in thousands of euros)	2005	2004
Infrastructures - Integration	7.4%	4.8%
Infrastructures – Outsourcing	9.7%	10.2%
Applications	6.4%	6.8%
TOTAL	**8.0%**	**8.3%**

Note 16 – Simplified balance sheet by business sector

ASSETS

(in thousands of euros)	Parent company	Infrastructures - Integration	Infrastructures - Outsourcing	Applications	Total
Goodwill	-	-	9,449	4,123	13,572
Intangible assets	-	39	302	133	474
Tangible assets	11	435	715	388	1,550
Financial assets	34	199	239	151	623
Deferred tax credits	41	58	291	80	470
Total non-current assets	**86**	**731**	**10,996**	**4,875**	**16,688**
Inventory	-	193	-	-	193
Deferred tax credits due	14	-	96	10	120
Trade accounts and notes receivable	4,278	7,268	16,506	5,306	33,358
Inter-sector eliminations	22,412	(1,386)	(14,280)	(6,746)	-
Cash and cash equivalents	13,393	3,367	27,147	6,581	50,488
Total current assets	**40,097**	**9,442**	**29,469**	**5,151**	**84,159**
TOTAL ASSETS	**40,183**	**10,173**	**40,465**	**10,026**	**100,847**

LIABILITIES

(in thousands of euros)	Parent company	Infrastructures - Integration	Infrastructures - Outsourcing	Applications	Total
Capital	9,266	-	-	-	9,266
Additional paid-in capital	29,396	-	-	-	29,396
Reserves	308	2,369	18,895	2,462	24,034
Profit for the period	(254)	1,017	4,340	824	5,927
Shareholders' Equity (Group share)	**38,716**	**3,386**	**23,235**	**3,286**	**68,623**
Minority interests	**-**	**456**	**601**	**972**	**2,029**
Non-current liabilities					
Long-term provisions	10	10	30	13	63
Current liabilities					
Short-term provisions	-	61	142	115	318
Taxes due	-	123	376	40	539
Trade and other accounts payable	1,457	5,795	15,859	5,512	28,623
Other financial liabilities	-	342	222	88	652
TOTAL LIABILITIES	**40,183**	**10,173**	**40,465**	**10,026**	**100,847**

Note 17 – Simplified statement of cash flow by business sector

(in thousands of euros)	Parent company	Infrastructures - Integration	Infrastructures - Outsourcing	Applications	Total
Net profit	(254)	1,129	4,465	979	6,319
Non-monetary items (depreciation & provisions for deferred taxes, present values and capital gains)	97	304	511	218	1,130
Variation in working capital requirements	(128)	(1,308)	(81)	(351)	(1,868)
Cash generated by the business	**(285)**	**125**	**4,895**	**846**	**5,581**
Productive capital expenditures	(5)	(382)	(346)	(129)	(862)
Free Cash Flow	**(290)**	**(257)**	**4,549**	**717**	**4,719**
Net capital expenditures - acquisitions	(1,104)	-	(41)	111	(1,034)
Net capital increase	800	-	-	-	800
Dividend payments	(1,144)	-	-	(86)	(1,230)
Loan reimbursements (Fin. Leases)	-	-	-	(11)	(11)
Variation in cash	**(1,738)**	**(257)**	**4,508**	**731**	**3,244**
Cash on opening	15,131	3,285	22,416	5,776	46,608
Cash on closing	**13,393**	**3,028**	**26,924**	**6,507**	**49,852**

NOTES TO THE INCOME STATEMENT

Note 18 – Personnel expenses

(in thousands of euros)	2005	2004
Payroll and related expenses	44,988	40,848
Employer Social Security contributions	21,026	18,607
Employee profit sharing	583	618
Stock Options (IFRS 2)	95	60
TOTAL	66,692	60,133

Note 19 – External expenses

(in thousands of euros)	2005	2004
Subcontracting purchases	14,680	11,012
Purchases of materials and supplies not stored	348	323
Outside personnel	1,357	735
Other outside services	5,990	6,830
Rents and finance leases	14	-
TOTAL	22,389	18,900

Note 20 – Net allocations to depreciation and provisions, depreciation of assets

(in thousands of euros)	2005	2004
Amortization of intangible assets	131	128
Depreciation of tangible assets	853	848
Amortization of finance leases	11	-
Allocations to depreciation	**995**	**976**
Long-term provisions	(21)	21
Provisions for risks	16	161
Net provisions for current assets	57	(9)
Net allocations to provisions	**52**	**173**
Depreciation of "Contracts and contractual customer relationships"	68	-
Depreciation of assets	**68**	**-**

Note 21 – Other income and expenses

(in thousands of euros)	2005	2004
Operating subsidies	156	151
Other income	324	204
Other income	**480**	**355**
Other expenses	173	598
Other expenses	**173**	**598**
Net Other income/Other expenses	**307**	**(243)**

Note 22 – Other operating income and expenses

(in thousands of euros)		2005	2004
Capital gain on disposal of consolidated securities		-	74
Capital gain on disposal of tangible assets	-	5	
TOTAL		-	79

Note 23 – Analysis of the net cost of financial debt

(in thousands of euros)	2005	2004
Capital gains on money market funds	582	523
Other interest and similar income	517	417
Writebacks of provisions	-	6
Total financial income	**1,099**	**946**
Interest and similar expenses	164	151
Financial costs on finance leases	1	-
Total financial expenses	**165**	**151**
Financial profit (loss)	**934**	**795**

Financial interest corresponds to expenses deducted directly by the bank as part of cash centralization systems established between NEURONES and its subsidiaries.

Note 24 - Income tax

(in thousands of euros)	2005	2004
Taxes due	3,352	3,351
Deferred taxes	(38)	(243)
TOTAL	**3,314**	**3,108**

Note 25 - Proof of tax

(in thousands of euros)		2005			2004	
	Base	**Rate**	**Tax**	**Base**	**Rate**	**Tax**
Pre-tax income	9,633	33.83%	3,259	8,764	34.33%	3,009
Non-deductible expenses – Stock Options (IFRS 2)	95	33.83%	32	60	34.33%	21
Impact of definitively non-deductible expenses	20	33.83%	7	41	34.33%	14
Variance in the tax rate between deferred tax credits/current taxes on temporary differences (33.33% / 33.83% / 34.33%)	695	0.5%	3	731	0.5%	4
Social security contribution on profits (3.33% of the amount exceeding €763,000 of corporate tax)	-	-	18	-	-	24
Use of tax losses not activated	(25)	33.83%	(8)	-	-	-
Annual flate-rate pax loss	-	-	3			
Corporate tax fines/increases	-	-	-	-	-	5
Consolidated capital gain on securities sold	-	-	-	72	(*)	31
Effective tax expense	**-**	**-**	**3,314**	**-**	**-**	**3,108**
Average tax rate	-	-	34.4%	-	-	35.2%

(*) Long-term capital gains tax rate, calculated on the fiscal capital gains generated on the disposal of securities.

Note 26 – Information about related parties

Legal entities

NEURONES has no sister company.

There are no economic transactions with HOST, a 15% shareholder in NEURONES, other than the payment of dividends, when applicable.

Directors

Directors were remunerated as follows for FY 2005:

Director	Gross remuneration (including bonuses and fringe benefits)	Provision for retirement benefits (including social security contributions)	Founder stock options exercised (Number of shares subscribed/subscription price)
Mr. de CHAMMARD	154,177 6,220	8,387	142,920 €3.2
Mr. DUCURTIL	135,131	1,307	-

The remuneration details for NEURONES' directors are limited to the above information.

OTHER INFORMATION

Off-balance sheet commitments

There were no off-balance sheet commitments at December 31, 2005. In particular, there were no off-balance sheet commitments for performance-based supplementary prices for acquired securities.

Degree of exposure to interest rate and foreign exchange risks

For the time being, NEURONES rarely conducts operations in foreign currencies and it doesn't have any foreign subsidiaries. Consequently, the foreign exchange risk is not significant.

The Group is debt free and the cash surpluses are invested in monetary instruments with reputably solvent banking institutions. Consequently, the current interest rate risk is not significant.

Tax scheme of Group companies

Since January 1, 2000, the NEURONES Group has opted for tax consolidation for the years 2000 to 2004. The consolidated Group includes NEURONES, NEURONES Solutions, SKILLS Consulting, UpGrade, INEXWARE Services and AXONES.

The tax consolidation option was renewed for the years 2005 to 2009 on the same scope.

Average number of employees

	2005	2004
Managers	734	661
Employees	623	572
Total	**1,357**	**1,233**

Events after the year-end closure at December 31, 2005

No significant event likely to call into question the financial statements as presented occurred between December 31, 2005 and the date the present document was prepared.

Dividend distribution

The Ordinary Shareholders' meeting called to approve the financial statements for the year ended December 31, 2005 will be asked to approve a dividend of €0.06 per share.

2. ANNUAL FINANCIAL STATEMENTS AT DECEMBER 31, 2005

Assets (in euros)	Notes	12/31/2005 Gross	12/31/2005 Depreciation and provisions	12/31/2005 Net	12/31/2004 Net
Dealerships, patents and similar rights		28,290	28,290	-	5,536
Goodwill		-	-	-	-
INTANGIBLE ASSETS	**Note 1**	**28,290**	**28,290**	**-**	**5,536**
Other tangible assets		56,114	44,866	11,248	11,181
TANGIBLE ASSETS	**Note 2**	**56,114**	**44,866**	**11,248**	**11,181**
Equity investments		55,090,708	-	55,090,708	54,029,013
Other capitalized securities		-	-	-	-
Loans		48,298		48,298	51,464
Other financial assets		5,059		5,059	5,059
FINANCIAL ASSETS	**Notes 3**	**55,144,066**	**-**	**55,144,066**	**54,085,536**
TOTAL FIXED ASSETS		**55,228,470**	**73,156**	**55,155,314**	**54,102,253**
Trade accounts and notes receivable	Note 4	3,623,370		3,623,370	2,433,243
Other receivables	Note 5	792,658		792,658	680,285
Marketable securities	Note 6	22,398,229		22,398,229	21,364,154
Available funds		850,518		850,518	1,106,451
TOTAL CURRENT ASSETS		**27,664,776**	**-**	**27,664,776**	**25,584,134**
Prepaid expenses	Note 5	105,596		105,596	23,007
TOTAL ASSETS		**82,998,843**	**73,156**	**82,925,687**	**79,709,394**

Liabilities (in euros)	Notes	12/31/05	12/31/04
Share capital		9,265,968	9,138,908
Additional paid-in capital		28,606,700	27,933,860
Legal reserve		910,842	910,842
Retained earnings		29,257,865	30,470,853
PROFIT FOR THE YEAR		34,022	(68,540)
TOTAL SHAREHOLDERS' EQUITY	**Note 7**	**68,075,397**	**68,385,923**
Provisions for risks		-	-
TOTAL CONTINGENCY AND LOSS PROVISIONS		**-**	**-**
Loans and debts with lending institutions		-	44
Trade and other accounts payable		3,922,600	2,901,433
Taxes and employer social security contributions		880,889	1,287,053
Other debts		10,046,801	7,134,941
TOTAL DEBTS	**Note 8**	**14,850,290**	**11,323,471**
TOTAL LIABILITIES		**82,925,687**	**79,709,394**

Income statement

(in euros)	Notes	2005	2004
Sale of goods		75,297	22,444
Sale of services		14,387,996	11,004,277
NET REVENUES	**Note 11**	**14,463,294**	**11,026,721**
including exports		-	-
Operating subsidies		-	-
Writebacks on provisions and depreciation, expense transfers		6,220	6,220
Other income		8,494	30,998
OPERATING INCOME		**14,478,007**	**11,063,939**
Goods purchased		75,297	22,444
Variation in inventory		-	-
Other purchases and external expenses		13,842,603	10,218,630
Taxes, duties and similar payments		42,737	39,014
Salaries and wages		741,989	724,675
Employer Social Security contributions		303,902	295,298
Allocations to depreciation & amortization of fixed assets		12,233	7,617
Provisions for current assets		-	-
Contingency and loss provisions		-	-
Other expenses		83,500	3,000
OPERATING EXPENSES		**15,102,260**	**11,310,678**
OPERATING INCOME (LOSS)		**(624,252)**	**(246,739)**
Financial income from equity investments		216,215	-
Other interest and similar income		401,272	263,195
Net income from the sale of marketable securities		98,897	195,895
Writeback of provisions on financial assets		-	6,098
FINANCIAL INCOME		**716,384**	**465,188**
Interest and similar expenses		124,899	107,246
Other financial expenses		-	6,098
FINANCIAL EXPENSES		**124,899**	**113,344**
FINANCIAL INCOME (LOSS)		**591,485**	**351,844**
PRETAX INCOME FROM ORDINARY BUSINESS		**(32,767)**	**105,105**
Exceptional income from management operations		-	-
Exceptional income from capital operations		-	296,367
Writebacks on provisions and expense transfers		-	-
EXCEPTIONAL INCOME		**-**	**296,367**
Exceptional expenses on management operations		-	1,524
Exceptional expenses on capital operations		-	389,812
EXCEPTIONAL EXPENSES		**-**	**391,337**
NET EXCEPTIONAL INCOME (LOSS)		**-**	**(94,970)**
Employee profit sharing		-	-
Corporate income tax	Note 12	(66,789)	78,676
TOTAL INCOME		**15,194,391**	**11,825,495**
TOTAL EXPENSES		**15,160,370**	**11,894,035**
PROFIT / (LOSS)		**34,022**	**(68,540)**

NOTES TO ANNUAL FINANCIAL STATEMENTS

Introduction

The Company's annual financial statements for the year ended December 31, 2005 are presented and prepared according to generally accepted accounting principles in compliance with the regulations in force, as set out in CRC rule 99-03.

CRC rule 2002-10 (regarding amortization and depreciation of assets) and CRC rule 2004-06 (concerning the definition, recording and valuation of assets) took effect on January 1, 2005. These changes in method have no impact on the profit for the year and opening shareholders' equity.

Accounting rules and methods

Intangible assets

Software acquired for in-house use is depreciated based on the straight-line method over one year.

Tangible assets

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

- Fixtures and installations — Straight-line method 5 years
- Transportation equipment — Straight-line method 4 years
- Computer hardware — Declining balance method 3 years
- Office equipment — Straight-line method 5 years

Financial assets

Capitalized securities are valued at their acquisition cost. A provision for impairment is recognized when the security's value in use is less than its acquisition cost. The value in use is assessed notably based on the profit outlook.

Receivables and debt

Receivables and debt are valued at their nominal value.

If necessary, a provision for impairment is made on a case-by-case basis when the fair market value is less than the book value.

Marketable securities and cash

Marketable securities recorded in assets correspond to historical acquisition prices.

Accrued interest on commercial paper and certificates of deposit are booked on a prorata temporisbasis over the accrual period until the closing date.

If necessary, a provision for impairment is made on a case-by-case basis when the fair market value is less than the book value.

NOTES TO THE BALANCE SHEET

Note 1 – Intangible assets

GROSS VALUES (in euros)	12/31/04	↗	↘	12/31/05
Dealerships, patents and licenses	28,290	-	-	28,290
TOTAL	**28,290**	**-**	**-**	**28,290**

AMORTIZATION (in euros)	12/31/04	↗	↘	12/31/05
Dealerships, patents and licenses	22,754	5,536	-	28,290
TOTAL	**22,754**	**5,536**	**-**	**28,290**

Note 2 – Tangible assets

GROSS VALUES (in euros)	12/31/04	↗	↘	12/31/05
Fixtures and installations	9,988	6,765	-	16,753
Transportation equipment	7,318	-	-	7,318
IT and office equipment	32,043	-	-	32,043
TOTAL	**49,349**	**6,765**	**-**	**56,114**

Acquisitions correspond to IT equipment for internal use.

DEPRECIATION (in euros)	12/31/04	↗	↘	12/31/05
Fixtures and installations	6,758	2,576	-	9,334
Transportation equipment	7,318	-	-	7,318
IT and office equipment	24,093	4,121	-	28,214
TOTAL	**38,169**	**6,697**	**-**	**44,866**

Note 3 – Financial assets

GROSS VALUES (in euros)	12/31/04	↗	↘	12/31/05
Equity investments	54,029,013	1,061,695	-	55,090,708
Loans	51,464	-	3,165	48,299
Other financial assets	5,059	-	-	5,059
TOTAL	**54,085,536**	**1,061,695**	**3,165**	**55,144,066**

A table with information on subsidiaries and investment stakes is provided at the end of the notes.

The main movements for the year in the equity investment item concern the following flows:

- the repurchase of 4% of Brainsoft's shares from a historical employee shareholder,
- the repurchase of 0.5% of Codilog-Knowledge's shares from a historical employee shareholder,
- purchase of 90% of GED Systèmes, a company active in the IT training field.

Other financial assets correspond primarily to deposits paid in the form of loans as part of the 1% housing aid contribution as well as security deposits.

Off-balance sheet commitments concerning acquisitions

At December 31, 2005, there were no more off-balance sheet commitments on acquisitions.

Note 4 – Trade accounts and notes receivable

(in euros)	12/31/05	12/31/04
Trade accounts receivable	3,623,370	2,433,243
GROSS TOTAL	**3,623,370**	**2,433,243**

Note 5 – Maturity of receivables at year-end

(in euros)	Gross amount	Up to 1 year	More than 1 year
On fixed assets			
Loans	48,298	3,311	44,987
Other financial assets	5,059	-	5,059
TOTAL	**53,357**	**3,311**	**50,046**
On current assets			
Trade accounts and notes receivable	3,623,370	3,623,370	-
Government: Corporate tax	14,411	14,411	-
Government: VAT	701,081	701,081	-
Tax credits	6,985	6,985	-
Debit current accounts	70,181	70,181	-
TOTAL	**4,416,028**	**4,416,028**	**-**
Prepaid expenses	105,596	105,596	-
GRAND TOTAL	**4,574,981**	**4,524,935**	**50,046**

Current accounts are used to record movements related to corporate tax (tax burden, down payments and payment of corporate tax) as part of the tax consolidate scheme established between NEURONES and subsidiaries that are part of the Group tax consolidation. They are also used to record cash movements as part of a cash pooling agreement (cash pooling with capital rising in value by means of a mirror account) between NEURONES and the subsidiaries that are party to this agreement.

Note 6 – Marketable securities

	12/31/05		12/31/04	
	Purchase value	Net asset value	Purchase value	Net asset value
Commercial paper	12,414,352	12,467,437	12,430,115	12,482,681
Money market funds	5,334,829	5,334,829	4,413,334	4,413,334
Term deposits	4,649,048	4,649,048	4,520,705	4,520,705
TOTAL	**22,398,229**	**22,451,314**	**21,364,154**	**21,416,720**

Note 7 – Shareholders' equity

Note 7.1 - Capital

AAt December 31, 2005, the share capital amounted to €9,265,968, comprised of 23,164,920 fully paid-up shares of the same class with a face value of €0.40.

A double voting right is granted to every shareholder whose shares have been registered in his name for at least four years.

During FY 2005, 68,838 founder stock options and 71,460 other stock options were exercised creating 415,650 new shares at a price of €3.20, including €0.40 in face value and €2.80 in additional paid-in capital.

These new shares increased the share capital by € 166,260 and the additional paid-in capital by € 1,163,820.

Subsequently, the Company reduced its capital by canceling a block of 98,000 shares repurchased in February 2005. Since the shares were repurchased at a price of €5.41 per share, the difference between the repurchase price and the face value of €490,980 was charged against additional paid-in capital.

The Board of Directors approved these capital changes at its meeting on December 19, 2005.

The variation in the number of shares in circulation during FY 2005 breaks down as follows:

Number of shares in circulation at 01/01/2005	Increase (Exercise of Founder Stock Options & Other Stock Options)	Decrease (Decrease in capital by canceling shares)	Number of shares in circulation at 12/31/2005
22,847,270	415,650	(98,000)	23,164,920

The Company has been listed in Paris since May 2000 and is part of the CAC Small90 and SBF250 indexes.

Note 7.2 – Share based payments

Stock option plans

The Extraordinary Shareholders' Meeting of November 29, 1999 allocated 476,385 founder stock options and authorized the allocation of a maximum of 964,875 other stock options (representing 5% of the capital). This authorization was finally wound up in 2003 as a total of 964,123 options were allocated between 11/29/1999 and 01/23/2003. The remainder of 752 non-allocated options was cancelled at the Ordinary Shareholders' meeting on June 25, 2003.

The Extraordinary Shareholders' meeting on June 25, 2003 authorized the Board of Directors to allocate a new stock option plan for a maximum of 250,000 options (representing 1.1% of the capital). This authorization was valid for thirty-eight months. The Board of Directors meeting on October 15, 2004 wound up this plan by allocating 250,000 stock options at a price of €4.20.

The Extraordinary Shareholders' meeting on June 25, 2004 authorized the Board of Directors to allocate a new stock option plan for a maximum of 100,000 options (representing 0.4% of the capital). This authorization was valid for thirty-eight months. The Board of Directors meeting on October 15, 2004 allocated 7,000 stock options under this plan at a price of €4.20.

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

Plan rules	Founder stock options	Stock option plan No. 1	Stock option plan No. 2	Stock option plan No. 3	Stock option plan No. 4	Stock option plan No. 5
Date of the Shareholders' meeting	11/29/99	11/29/99	11/29/99	11/29/99	11/29/99	06/25/03 & 06/25/04
Date of the Board of Directors meeting	-	11/29/99	07/27/00	07/11/01	01/23/03	10/15/04
Maturity date of the plans	11/29/04	11/29/04	07/27/05	07/11/06	03/01/07	10/15/08
Expiry date of the plans	11/28/05	11/28/14	07/26/10	07/11/11	02/28/11	10/14/12
Number of beneficiaries	49	19	171	238	60	60
including directors	*2*	-	-	-	-	-
Number of options granted	476,385	165,550	304,363	320,210	174,000	257,000
Number of expired options at 12/31/2004	(55,975)	(72,650)	(169,093)	(93,801)	(21,000)	(2,000)
Number of shares subscribed at 12/31/2004	(76,220)	-	-	-	-	-
Number of shares in circulation at 01/01/2005	344,190	92,900	135,270	226,409	153,000	255,000
Number of options that expired during the year	-	-	(22,863)	(22,425)	(31,000)	(28,500)
Number of shares subscribed to during the year *including directors*	(344,190) *(214,380)*	(71,460) -	None	None	None	None
Subscription price	€3.2	€3.2	€7.5	€3.8	€3.2	€4.2
Number of shares in circulation at 12/31/2005	0 Plan wound up and expired	21,440	112,407	203,984	122,000	226,500
Potential dilution (excluding cancelled options) - % of capital at 12/31/2005	-	0.09%	0.48%	0.88%	0.53%	0.98%
Potential dilution						**2.96%**

The share subscription price for beneficiaries is determined the day the Board of Directors grants the options and cannot be less than 80% of the average share price over the 20 stock market sessions preceding the day the options are granted.

Moreover, no performance conditions have been established for the plans allocated and described above.

Free share allocation plan

The Ordinary Shareholders' meeting on June 24, 2005 authorized the Board of Directors to allocate a plan of 230,000 free shares (representing 1% of the share capital). This authorization is valid for thirty-eight months. At December 31, 2005, the Board of Directors had not used this authorization.

Note 7.3 – Variation in shareholders' equity

The variation in shareholders' equity over the year breaks down as follows:

(in euros)	At 12/31/04	↗	↘	At 12/31/05
Share capital	9,138,908	166,260	39,200	9,265,968
Additional paid-in capital	27,933,860	1,163,820	490,980	28,606,700
Legal reserve	910,842	-		910,842
Retained earnings	30,470,853	(68,540)	1,144,448	29,257,865
Profit for FY 2004	(68,540)	-	(68,540)	-
Profit for FY 2005	-	34,022	-	34,022
TOTAL	**68,385,923**	**1,295,562**	**1,606,088**	**68,075,397**

The main variations are:

- the increase, then the decrease in share capital and additional paid-in capital as described in note 7.1,
- dividend distribution (€0.05 per share) for a total of €1,144,448.
- allocation of profits to retained earnings.

Note 8 – Maturity of debts at year-end

(in euros)	Total	Amount < 1 year	Amount > 1 year and < 5 year	Amount > 5 year
Loans with lending institutions				
■ Less than two years originally	-	-	-	-
■ More than two years originally	-	-	-	-
Trade and other accounts payable	3,922,600	3,922,600	-	-
Taxes and employer social security contributions	880,889	880,889	-	-
Other debts	10,046,801	10,046,801	-	-
TOTAL	**14,850,290**	**14,850,290**	**-**	**-**

Note 9 – Accruals accounts

(in euros)	12/31/05	12/31/04
Accrued income		
Accrued interest receivable	53,085	52,566
TOTAL	**53,085**	**52,566**
Accrued liabilities		
Trade and other accounts payable	80,491	54,245
Taxes and employer social security contributions	178,075	157,069
Other debts	93,784	69,611
TOTAL	**352,350**	**280,925**

Note 10 – Items concerning affiliated companies and equity investments

(in euros)	Affiliated companies	Companies NEURONES has an equity stake in
ASSETS		
Equity investments	55,090,708	-
Trade accounts and notes receivable	159,672	-
Debit current accounts	70,181	-
TOTAL ASSETS	**55,320,561**	**-**
LIABILITIES		
Trade and other accounts payable	3,622,831	-
Credit current accounts	9,842,639	-
TOTAL LIABILITIES	**13,465,470**	**-**
PROFIT		
Operating income	1,675,037	-
Financial income	-	-
Other purchases and external expenses	13,212,177	-
Financial expenses	6,725	-

NOTES TO THE INCOME STATEMENT

Note 11 – Revenue analysis

Revenues consist primarily of head office expenses cross-charged to the various Group subsidiaries as well as revenues where NEURONES SA centralizes the cross-charging of national corporate accounts
Revenues, which were generated in France, break down as follows:

(in thousands of euros)	2005	%	2004	%
Business activity				
Cross-charging head office expenses	1,580	11%	1,749	16%
Cross-charging "reference accounts"	12,756	88%	9,242	84%
Other	127	1%	36	-
TOTAL	**14,463**	**100%**	**11,027**	**100%**

Note 12 – Breakdown of corporate income tax

(in euros)	Year			Previous year
	Pretax income	Tax	Income after tax	Income after tax
Profit from ordinary business	(32,767)	78,097	45,330	67,845
Exceptional income	-	-	-	(125,462)
Tax consolidation profit	-	189	189	977
Surplus corporate tax rate (> €763,000) (tax consolidation)	-	(11,497)	(11,497)	(11,900)
NET BOOK PROFIT	**(32,767)**	**66,789**	**34,022**	**(68,540)**

OTHER INFORMATION

Note 13 – Off-balance sheet commitments

Retirement commitments – At December 31, 2005, the amount of commitments related to retirement benefits was valued based on the retrospective method, but was not recorded. The amount of commitments at the end of December 2005 amounted to € 10,000.

Other commitments – There are no other off-balance sheet commitments.

Note 14 – Degree of exposure to interest rate and foreign exchange risks

Due to the nature of its business, conducted in France and invoiced in euros, NEURONES SA is not exposed to any significant interest rate or foreign exchange risks.

Note 15 – Average number of employees

	2005	2004
Managers	9	8
TOTAL	**9**	**8**

Note 16 – Remuneration of officers and directors

Members of NEURONES' Board of Director fees were paid total compensation of €289,308 in FY 2005.

Note 17 – Other Company commitments related to long-service medals

The collective bargaining agreements in force in NEURONES do not make any special provisions for long-service medals.

Note 18 – Increase and lightening of the future tax debt

(in euros)	2005	2004
Reintegration of the year to deduct the following year		
Internally generated	21,547	14,227
TOTAL	**21,547**	**14,227**

NOTE 19 – TAX SCHEME FOR CORPORATE GROUPS

Since January 1, 2000, the NEURONES Group has opted for tax consolidation for the years 2000 to 2004. The consolidated Group includes NEURONES SA, NEURONES Solutions SAS, SKILLS Consulting SAS, UpGrade SAS, INEXWARE Services SAS and AXONES SAS. The tax consolidation option was renewed for the years 2005 to 2009 on the same scope.

Methods of distributing the corporate tax based on the entire Group's profit

The consolidated companies, subsidiaries and parent, support the tax burden as when there is no tax consolidation. Consequently, this expense is calculated based on each company's own taxable income after charging all of their prior losses.

The parent company retains all tax savings earned by the Group due to losses. The parent company also keeps any non loss-related savings earned by the Group.

Difference between the tax booked and the tax born without tax consolidation

(in euros)	
Tax booked	(66,789)
Tax paid	1,150,805

Difference between the tax booked and the tax born without tax consolidation

(en euros)	
Tax booked	(66,789)
Tax born without tax consolidation	(78,096)

NOTE 20 – IDENTITY OF THE COMPANY PREPARING THE CONSOLIDATED FINANCIAL STATEMENTS

NEURONES SA is the Group's parent company and it prepares the consolidated financial statements.

TABLE OF SUBSIDIARIES AND EQUITY INVESTMENTS

Company	Capital	Other shareholders' equity[1]	Share of capital held as %	Book value of securities held Gross	Book value of securities held Net	Loans & advances granted	Pledges and guarantees given	Revenues excl. tax	Profit 2005	Dividends received
I - SUBSIDIARIES (More than 50% owned)										
■ HELP-LINE	400	8,094	93.00%	1,345	1,345	-	-	34,656	1,767	-
■ BRAINSOFT	480	1,408	90.23%	875	875	-	-	6,991	64	-
■ UPGRADE	3,813	855	100.00%	3,811	3,811	-	-	4,522	59	-
■ INTRINSEC	480	1,154	85.00%	448	448	-	-	5,460	557	-
■ NEURONES SOLUTIONS	7,373	2,573	95.05%	7,006	7,006	-	-	21,664	563	-
■ SKILLS CONSULTING	22,875	10,531	100.00%	22,867	22,867	-	-	19,663	1,559	-
■ CODILOG-KNOWLEDGE	5,460	928	71.57%	3,307	3,307	-	-	3,325	490	216
■ AS INTERNATIONAL GROUP	555	1,850	100.00%	12,196	12,196	-	-	1,880	92	-
■ INEXWARE SERVICES	2,250	730	100.00%	2,250	2,250	-	-	6,180	291	-
■ AXONES	40	(3)	100.00%	40	40	-	-	-	(1)	-
■ GED SYSTEMES	360	135	90.00%	945	945	-	-	314	28	-
II - EQUITY INVESTMENTS (10 to 50% held)	-	-	-	-	-	-	-	-	-	-
III - OTHER SECURITIES	-	-	-	-	-	-	-	-	-	-
TOTAL	-	-	-	**55,090**	**55,090**	-	-	-	-	**216**

(1) Before distribution.

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