NEURONES

Forward together...®

2016 ANNUAL REPORT

A number of staff members kindly allowed us to take photos of them at work for this annual report. We would like to thank them.
This report presents just a glimpse of the 5,044 people behind the Group's achievements and the 30,000 m2 of infrastructure in 2016.

NEURONES,
OVER 30 YEARS OF PROFITABLE GROWTH

With over 5,000 employees and revenues of €447 million, NEURONES boasts a prime position on the French market:

- in the top 12 Consulting and IT Services companies,
- one of the top 10 companies in the sector listed on the Paris Stock Exchange (including technology consulting companies), in terms of market capitalization.

Created from scratch in 1985 and listed since 2000, the Group has:

- experienced 32 years of rapid, profitable growth,
- formed a proven, solid core, mainly through organic growth,
- joined forces with about ten companies with complementary core businesses through external growth,
- more than doubled in size over the past seven years.

NEURONES has grounded its enduring success on a continually tailored line of services, currently focused on "digital transformation", along with a dynamic human resources policy and a novel, attractive organization of shareholder-entrepreneurs.

€446.8m
2016 REVENUES

9.5%
2016 OPERATING PROFIT

€29m
2016 NET PROFIT

5,044
STAFF AT 12/31/2016

2016
The Group reaches over 5,000 employees. It launches a digital marketing service.

2015
Strong growth in the IoT service line. The Group sets up a digital transformation consulting firm.

2013
LThe Group launches DevOps, Big Data and Analytics services.

2010
3 service centers opened outside France in succession (Tunisia, Singapore and Romania).

2008
Significant development of the Management and Organization Consulting business.

2006
The private cloud hosting service gets under way.

2000
NEURONES is listed on the stock exchange..

1999
The Group creates a new Security business and sets up an Applications Development entity.

1994
NEURONES' service offering is expanded to include help desk services and training, and the Outsourcing business gains momentum.

1985
NEURONES is founded and rapidly becomes one of the leading local network integrators.

Consulting and IT services jargon and acronyms are used only when necessary to understand NEURONES' businesses. They are explained in the glossary from page 121 onwards of this report.

OVERVIEW OF 2016

Tighter control over mobile telecom costs

The Group's mobile app publisher has entered into a partnership with one of the world's top names in telecom expense management solutions. It is now in a position to market a comprehensive line of services that covers both telecom expense management (fixed, mobile and data) and telecom fleet outsourcing, all handled by a single partner.

A recognized omnichannel solution

The omnichannel solution developed by the Group's service desk expert is among the award winners distinguished by the IT Innovation Forum (sponsored by CRIP, an infrastructure and production managers club). Its innovative contact management system caters for new user practices and confirms the Group's trailblazer status.

Award-winning SAP support

NEURONES' SAP specialist received the "Best External Support & Contributor" award at the UX Summit 2016 organized in Oslo by Neptune Software, the company that created the framework used to rapidly generate SAP apps for mobile devices. Two factors earned NEURONES the award: its ability to address the integration problems submitted by developers and contribute enhancements.

Great Place to Work

GREAT PLACE TO WORK® Best Workplaces 2016 France

NEURONES' specialized management and organization consulting entity (with a staff of over 110) was ranked fifth in the 2016 list of "Great Places to Work" in the category of companies with fewer than 200 employees.

Award winner in the "Concours d'Innovation Numérique"

The Group's specialist in integrated software solutions for risk management, market surveillance and fraud detection won an award in the second edition of the digital innovation competition run by the Commissariat général à l'investissement and BPI France under the Investments for the Future program.

Webinar on multi-cloud hybridization

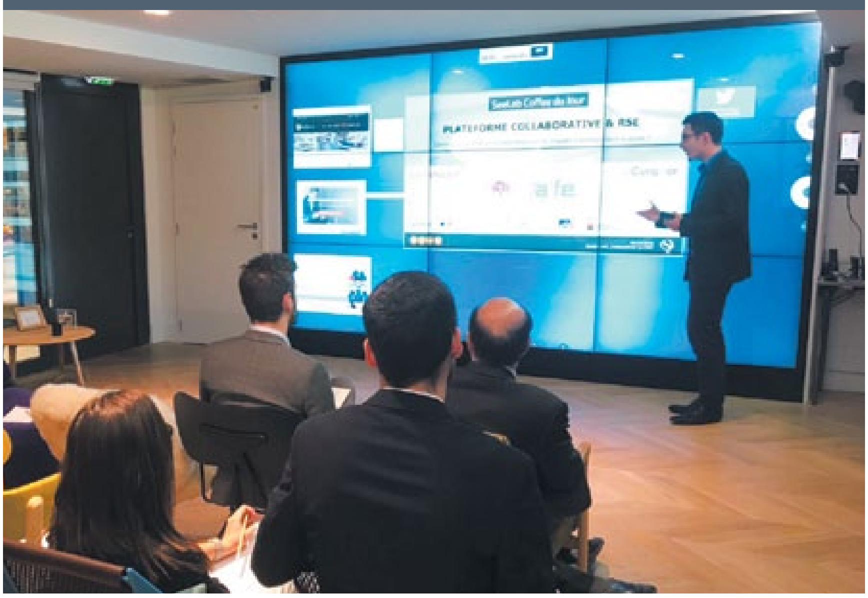
NEURONES' dedicated IT infrastructure business joined forces with Red Hat, the world's leading provider of open source solutions, to organize a webinar on multi-cloud hybridization.

Art and technology

To spotlight their partnership, the Group's specialist in Web app development and BI, and Nintex, the global leader in workflow automation, organized a novel event in an art gallery, showcasing their solutions through a customer case and an "e-demo".

Digitizing business processes

A series of roundtables has been launched for the entity dedicated to digitizing the Group's business processes and service lines. The idea is to invite customers and partners to meet in novel venues for informal discussions on a line-of-business topic.



New practices seminar

The Group's IT production specialist took part in the seminar held by the ITES (Innovation Technology European Summit), which brings together the members of the CRIP (an infrastructure and production managers club) to present new practices and the IT landscape in the five years to come.

Innovative cyber security service lines

The Group's IT Security specialist (which played a pioneering role in intrusion testing in 1995) took part in the 8th International Cyber Security Forum at the Grand Palais in Lille. It was an opportunity to present the latest innovative services to the 5,000 or so professionals present.

NEURONES' girls

The Group's team once again took part in the famous "La Parisienne" foot race (20th edition). All of the "NEURONES' girls" crossed the finishing line at the end of the approximately 7km race.

Service desk certified to ISO 9001:2015

NEURONES' service desk business has achieved certification to the new 2015 version of ISO 9001, the accepted standard for management and organization. This far-reaching change brings new requirements to factor in the understanding of the stakes involved, inclusion of the stakeholders, and assessment of the risks and opportunities.

Over 300 experts

The Group's SAP business is pursuing its external growth with the acquisition of another company whose primary focus is new technology, taking its workforce of SAP experts to over 300.

High-quality training

The IT training business has been accredited by OPQF, the industry body responsible for certifying training organizations. To meet this standard, organizations must measure the quality of the services and information they give to the customer as part of an ongoing drive to improve quality.

Forward together...

The Group organized the 12th edition of the NEURONES Golf Cup. A way of thanking the Group's main customers with a not-to-be-missed day's golf on the legendary Saint-Nom-la-Bretèche course. Everyone always looks forward to this opportunity to spend a fun day with Thomas Levet, France's most titled golfer.

24 hours of coding and finance

The Group's specialized market finance app business launched a challenge for in-house and external developers. The aim was to organize a project as a team (an ideas person and three or four developers) and spend 24 hours coding, onsite, on the theme of technological innovations in the world of finance.

Bespoke software apps

To keep up with its customers' needs, which change frequently and swiftly, the Group's specialized cloud hosting entity launched a new service line known as "Confexion", which turns its customers' ideas into made-to-measure software apps.

A certified SAP integration solution

The innovative "iSiServices" product marketed by the Group's SAP specialist has been certified by the well-known publisher. It is a SAP All-in-One solution for SMEs in the professional services sector. Based on the new generation of ERP packages, iSiServices features innovations such as the S/4HANA platform and the Fiori interface.

French connection

ioT wörld
WHERE CONNECTING THINGS MEET BUSINESS

The Group took part in the IoT World show for connected devices and their applications, with a special interest from NEURONES' business specializing in the field. This flagship event attracted over 6,000 visitors.

New digital marketing service line

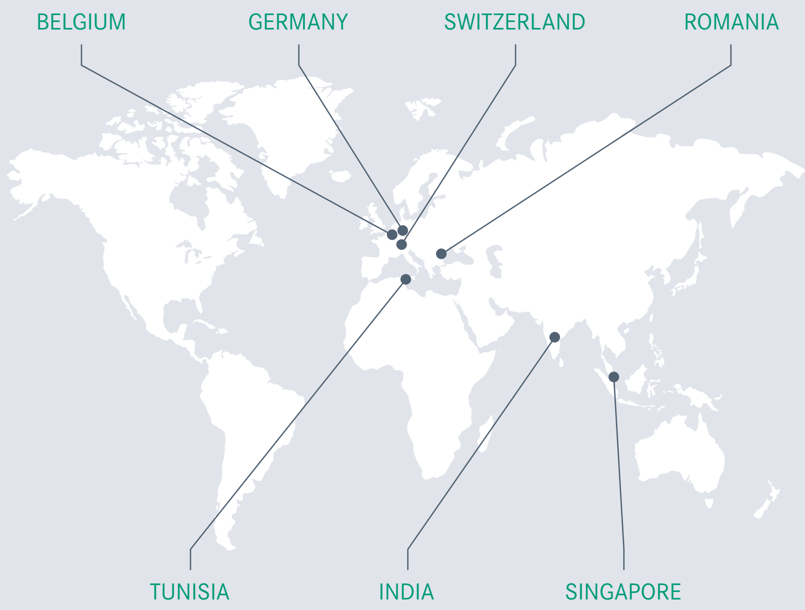
The Group set up a data and innovation consultancy to complement the Group's services, enabling it to extend the scope of its operations to include a new digital service line.

A trailblazing video player

HTML5

The media department of the Group's specialized process and content management entity developed an HTML 5 video player that is compatible with the brand-new video standard used by YouTube and Netflix.

International development



Overall workforce outside France tops 400 employees.

THE GROUP IN 2016

Chairman’s message

“Don’t judge each day by the harvest you reap but by the seeds that you plant.”

After a piece of advice like that (given by the author of “Treasure Island”!), why look back?

Undoubtedly to thank the Group’s 1,000 clients and 5,000 actors for their trust and commitment.

ACHIEVEMENTS

In 2016, NEURONES continues marching forwards:

- growth in operating profit (+14.6%), net profit - Group share (+8.3%) and net cash and cash equivalents (+€10.8m);
- rise in revenues (+11.9%) and, proportionately, in headcount;
- increase in size through specialized companies with a promising future joining the Group.

A full report to shareholders (who include a significant number of our employees) prompts us to point out that:

- the 8% organic growth (vs 10.5% on average over the last 10 years) is three times higher than the market trend (+2.7%);
- while three young fellow companies joined NEURONES in the course of the year, this is a modest addition, given the financial resources available. Proof that it is harder to build muscle than simply increase in size...

To sum up the fiscal year, among the 10 biggest French companies in its sector (including the fellow companies in “outsourced R&D”), your company ranks as follows:

- #2 for organic growth;
- #1 for operating profit (9.5% of revenues).

The sharp increase in the share price (+28.4% in 2016, after +25.6% in 2015, +10% in 2014 and +51.1% in 2013) is mentioned just as a reminder: the stock exchange includes parameters that sometimes have little to do with a company’s fundamentals.

How can these performances be explained? Are they reproducible? Over and above an enduringly buoyant market, NEURONES has robust assets in hand: trusting clients and a human capital in which the Group invested very early on by sowing and growing the seeds of company spirit.

MARKET

On February 11, 2016, CercleFinance.com titled: “NEURONES as optimistic as ever”.

Who would not think that the best is yet to come when:

- digital technology is permeating and transforming the economic and social fabrics at an ever-quicker pace. Speed, personalization and better service are now among the basic demands of clients and consumers, to whom technology has given greater power;
- the progress margins are evident, suggesting that the digital transformation is only just beginning. In both business and private life, there is still an extraordinary amount of time, information, energy, quality of communication and of service, rationality and efficiency being lost or wasted. The Group knows that the ideals of the “paperless office” (1980s) and “zero e-mail” (announced in 2011 for three years later...) will take time to become the norm!
- paradigm shifts are causing us to think that technology now leads the world;
- knowledge, innovations and the technology race are increasingly global;
- one technology encourages another and, sooner or later, all of them become cheap, providing input for the subsequent crop;
- the miniaturization of processors and the escalation of their computing power is a never-ending story. Their role as an adjunct to the brain is taking on an unprecedented scope with artificial intelligence and learning machines. The result is that humankind is now “augmented” and the plasticity of human intelligence is being called on to constantly adapt to ever-changing environments.

NEURONES’ clients and employees can undoubtedly look forward to a new world.

> “Confidence is the invisible cement that binds a team together.”

CLIENTS

This new fiscal year is an opportunity to thank our clients for:

- enabling the Consulting and IT Services sector to consistently grow two or three times faster than the French GDP;
- encouraging entrepreneurial adventures like those engaged in by NEURONES;
- placing their trust in the Group to:
  - reduce their operating costs (public and private cloud, content management, dematerialization, service desk, near and off-shore operations, rationalization of processes and management tools, etc.
  - increase their operational efficiency (organizational consulting, customer experience enhancement, big data, agile methods, DevOps);
  - protect their data (cyber security) and analyze their risks;
  - speed up their digital transformation (digital transformation consulting and a broad range of "SMACS" services [Social-Mobility-Analytics-Cloud-Security]);
- encouraging the technical and sales teams by acknowledging, over and beyond their technical competence and expertise, their empathy and their eagerness to be of service, sometimes even with a kindly remark about the "NEURONES touch". This obviously makes us all feel very proud.

In any case, the examples cited in the following pages show that, thanks to its structure in specialized entities, NEURONES has the agility to adapt, can work as a team, and develops an in-depth understanding of its clients' needs, whether this means integrating emerging technologies or meeting their need for local contacts in regional France, Europe or around the world.

From France to Singapore, Tunis, Timisoara, Frankfurt or Bangalore, the Group's talented, motivated people are undeniable differentiators.

DIRECTORS

Among those behind NEURONES' success, the shareholder-directors of the Group's entities deserve the prime recognition.

Having committed their ambition, energy, pride and the best part of their waking hours (in addition to their savings!) to the Group, their beliefs and passion prompt them to:

- consistently single out assistants, or sometimes future successors, who are better than they are in certain aspects, in keeping with the adage that "high-level people hire higher-level people";
- set a course, look far ahead, push back the boundaries, keep a constant eye out for opportunities... and anticipate unpleasant surprises, radiate entrepreneurial drive, and set the bar of high standards and rigor at the right level of ambition for growth and profits;
- take the wide-angle view of a ship's captain and apply the hands-on approach of his second-in-command, the latter rectifying the many losses of efficiency that, like ivy or mistletoe on a tree, creep in uninvited and erode profitability;
- create the close working relationships and climate of recognition that make everyone feel they exist. While consideration and fun make people feel good in the workplace, they don't rule out hard work and high standards, which push people to grow and bolster their pride and self-confidence;
- and, last but not least, manage their business with the requisite spirit of ownership, intuition and common sense.

> "NEURONES has the agility to adapt, can work as a team, and develops an in-depth understanding of its clients' needs in order to integrate emerging technologies."

In short, with their subtle mixture of long and short timeframes, overview and detail, charisma and rigor, these directors are orchestra conductors, whose example inspires and whose track record sparks emulation. At the end of the day, their job is to impart meaning to each employee's working life.

And one of the surest ways of doing this is to work hand-in-hand with their committed managers, the drivers behind today's and tomorrow's success.

MANAGERS

In turn, these managers in charge of sales, technology, HR, administration, marketing and more are responsible for enriching the Group's DNA by selecting the talents who will secure success on a daily basis, at a time when autonomy, a sense of action and values have supplanted discipline.

Each manager has their own specific "knack" for the job, but their common role is to:

- unleash people's energy and get them talking by developing listening skills, close relationships, a more stimulating work environment and grassroots empowerment;
- help the people they manage to grow, set the conditions for a clear future so that team members can project themselves and give their best;
- make team members "want to want", and give meaning to people's lives;
- show respect, in other words, have the courage to tell the truth, which is not always easy to say or to hear;
- bring the workplace to life by eliminating dull routine, resignation and bureaucracy;

- make the beginning of each week feel like the beginning of a new “mini-adventure”;
- in short, create the conditions for everyone to feel good, succeed and find fulfilment with confidence, the “invisible cement that binds a team together” (in the worlds of American footballer and politician Bud Wilkinson).

So our thanks go out to managers: they know that collective success hinges on the sum of the choices, solutions and cooperation on the ground, and especially the individual commitment of those they manage.

EMPLOYEES

The more seasoned managers would be tempted to remind employees that:

- everything is possible in the Group’s business lines. It doesn’t take rare talents to “do the job”: just an attentive ear, humility, perseverance, personal ambition and the determination to eliminate fictitious barriers;
- life passes quickly (and there’s no “rewind” button!), so it’s vitally important to take your career into your own hands and constantly strive to improve;
- the quiet, inner satisfaction of having achieved the goal often means more than we think;
- like each instrument in an orchestra, each person is essential to satisfying our clients, who are our real “bosses”;
- each new day is an opportunity to use your talents, make progress and be part of an adventure: as Benjamin Franklin said, “motivation is when your dreams put on work clothes”;
- a company can also be a “Great Place to Work” (the Group’s Consulting entity won this distinction again in 2016).

In any case, it is important that everyone is thanked for their contribution to the last fiscal year. It is patently obvious that, without trusting clients and engaged employees, no service company can hope to build the future.

And because the future is made of disruptions, it holds undeniable opportunities for NEURONES’ businesses...

... in CONSULTING, whose role is to:

- assist with optimizing or even reorganizing value chains on an almost constant basis;
- help clients take advantage of new technologies and the switch to digital;
- back them up so that they strengthen their core business, if necessary by competing with themselves.

... in DIGITAL SERVICES, bearing in mind:

- the growth factor generated by a new technology in terms of investments in integration services, commissioning, deployment, management of the new solution and training and change management;
- the exponential production of data. According to IDC, 118 billion emails are sent around the world every day, and 2.45 billion different items of content are posted on social media every day. That makes a lot of information to store, sort, manage and secure! And a lot to leverage, from a marketing angle, as does one of the Group’s recent specialized subsidiaries;
- the forthcoming multiplication (and networking) of connected devices (industrial or domestic, public and private), which looks set to be even more spectacular than the rise of tablets and smartphones.

How can NEURONES mine these revenue sources? The details will be found in the Group’s future annual reports. We should bear in mind at least the following, though: that the Group’s as yet modest size prompts us to be smarter and more agile, and that success is something we build little by little. Former Olympic champion and now coach Dan Gable reminds us that “Gold medals aren’t really made of gold. They’re made of sweat, determination, and a hard-to-find alloy called guts”!

Luc de CHAMMARD
Chairman and CEO

MAIN SHAREHOLDER-DIRECTORS

From left to right:

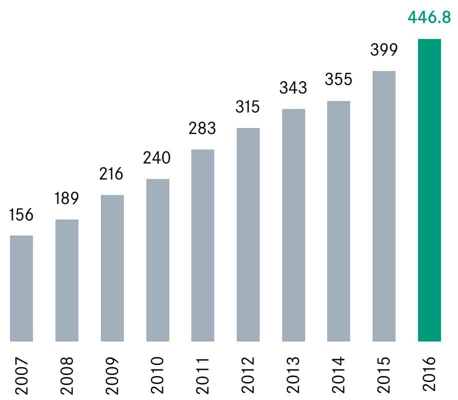
First row: Bertrand Ducurtil and Luc de Chammard.

Second row: Franck Dubray, Valérie Ader, Guillaume Blanchetière, Jean-François Hallouët, Bernard Lewis, Jean-Pierre Lafont and Jean Velut.

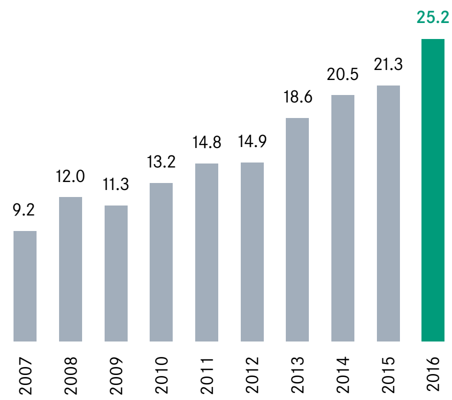
Third row: Stéphane Raillard, Alain Le Garlès, Frédéric Griveau, Alain Le Bras, Patrick Gadeyne and Michael Rouah.

Key figures

CONSOLIDATED REVENUES
(in € millions)

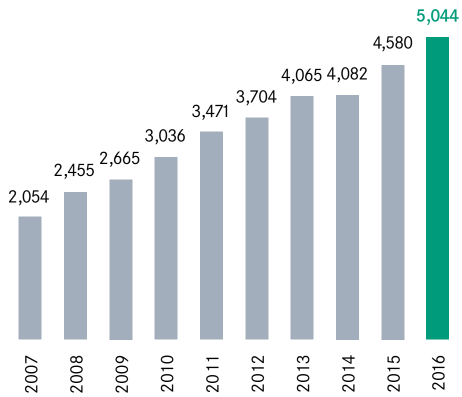


NET PROFIT – GROUP SHARE
(in € millions)



OPERATING PROFIT*
(as %)

STAFF
(at year end)



* IFRS accounting standards. From 2010 onwards, the Company Value Added Contribution (CVAE), totaling approximately 1% of revenues, is classified as a tax. Lastly, the Competitiveness and Employment Tax Credit (CICE) introduced in 2013, representing roughly 0.8% of revenues in 2013, 1.2% in 2014 and 1.1% in 2015 and 2016, is recognized as operating income.

+11.9%

REVENUE GROWTH IN 2016

+10.9%

COMPOUND ANNUAL GROWTH RATE
OVER 6 YEARS (2010-2016)

CONSOLIDATED INCOME STATEMENT
(in € millions)

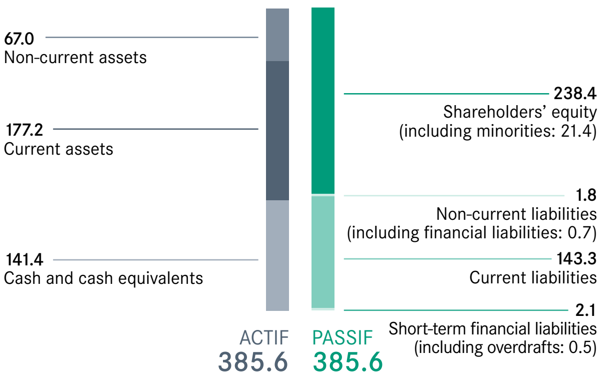
	2015	2016
Revenues	399.4	446.8
Business operating profit *	**37.6**	**43.5**
% OF REVENUES	9.4%	9.7%
Operating profit	**37.1**	**42.5**
% OF REVENUES	9.3%	9.5%
Net financial income	1.4	2.4
Income tax	(14.0)	(15.9)
Net profit for the period	**24.5**	**29.0**
% OF REVENUES	6.1%	6.5%
- of which net profit – Group share	**21.3**	**25.2**
- of which minority interests	3.2	3.8

* Prior to cost of stock options, free shares and impairment of assets.

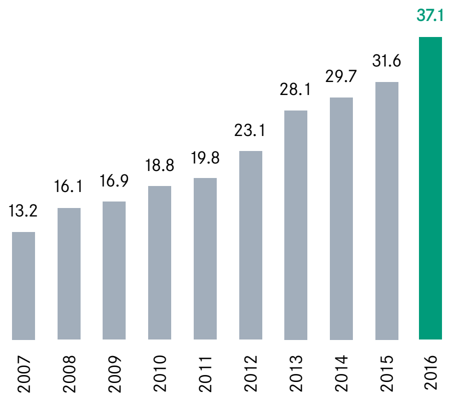
SIMPLIFIED CASH FLOW STATEMENT
(in € millions)

	2015	2016
Net profit	24.5	29.0
Non-monetary items	7.1	8.1
Changes in WCR (increase)/decrease	(0.1)	(13.6)
Net industrial investments	(12.8)	(6.7)
Free cash flow	18.7	16.8
Net financial investments	(12.6)	(5.4)
Net capital increase	0.8	1
Other (dividends, etc.)	1.2	(2.6)
Change in cash and cash equivalents	+8.1	+9.8
Cash and cash equivalents at year-end	**131.1**	**140.9**

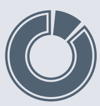
CONSOLIDATED BALANCE SHEET AT DECEMBER 31, 2016
(in € millions)



CASH FLOW FROM OPERATING ACTIVITIES*
(in € millions)



* Net profit + non-monetary items (essentially, net allocations to amortization, depreciation and provisions).



9.7%

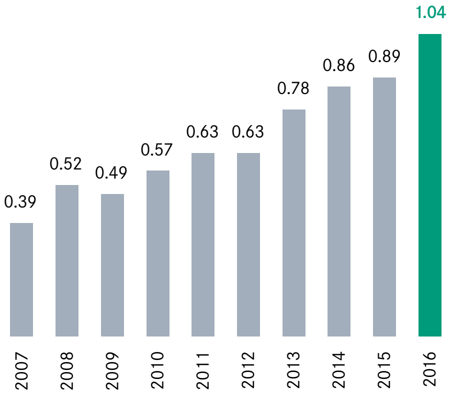
2016 OPERATING MARGIN

€138.6m

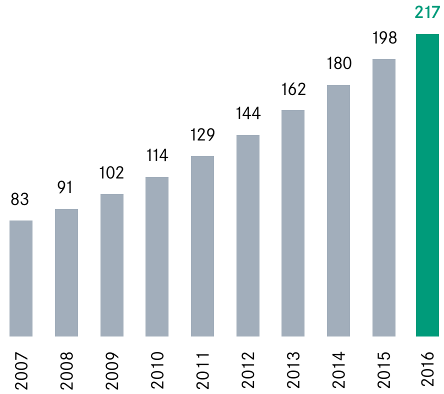
NET CASH AT DECEMBER 31, 2016

Shareholder information

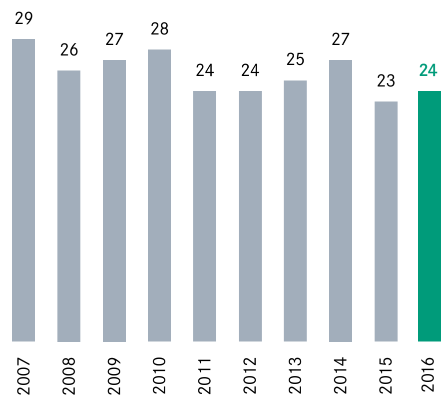
NET PROFIT – GROUP SHARE BY SHARE (in €)



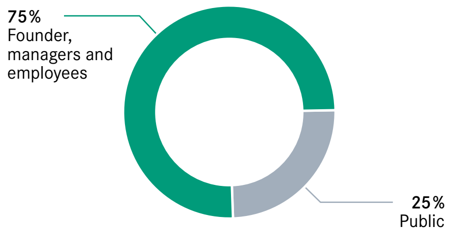
CONSOLIDATED SHAREHOLDERS' EQUITY GROUP SHARE (in € millions)



RETURN ON CAPITAL EMPLOYED (ROCE)* (as a %)



SHAREHOLDING (breakdown of capital)



* Operating profit after deduction of corporate tax (calculated at the rate in force) divided by capital employed (goodwill + fixed assets + working capital requirement).

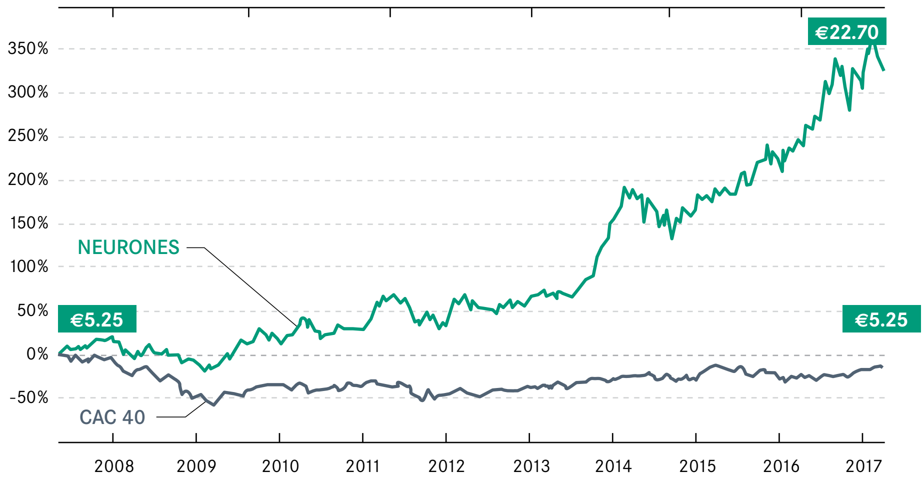
24%

2016 RETURN ON CAPITAL EMPLOYED

€0.06

PER-SHARE DIVIDEND PUT FORWARD AT THE ORDINARY SHAREHOLDERS' MEETING ON JUNE 8, 2017

CHANGE IN NEURONES' SHARE PRICE OVER THE PAST 10 YEARS
(from April 18, 2007 to April 18, 2017)



CALENDAR
(published after closing of the stock exchange)

1st quarter 2017 revenues:
Wednesday May 10, 2017

Shareholders' Meeting:
Thursday June 8, 2017

2nd quarter 2017 revenues:
Wednesday August 2, 2017

1st half 2017 profit:
Wednesday September 6, 2017

3rd quarter 2017 revenues:
Wednesday November 8, 2017

CHANGES IN STOCK MARKET INDICATORS OVER THE PAST 10 YEARS
(share price, capitalization, number of shares)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Highest price (in €)	6.45	6.24	7.15	7.74	9.10	9.20	13.58	16.00	18.35	24.70
Lowest price (in €)	4.85	4.52	4.14	6.01	6.85	6.95	8.30	12.30	13.50	16.25
Closing price at December 31 (in €)	**4.60**	**6.06**	**6.88**	**7.30**	**7.30**	**8.33**	**12.59**	**13.86**	**17.41**	**22.36**
Market capitalization at December 31 (in € millions)	145	107.7	142.2	162.1	172.4	197.9	301.7	332.4	421.9	542.1
Number of shares at December 31 (in € millions)	23.4	23.4	23.5	23.6	23.6	23.8	23.9	23.9	24.2	24.2

CONTACTS

Investor relations:
Paul-César Bonnel
Administrative and financial director
e-mail: investisseurs@neurones.net

Contact information:
Immeuble "Le Clemenceau"
205, avenue Georges Clemenceau – 92024 Nanterre Cedex
Tel.: +33 (0)1 41 37 41 37 - www.neurones.net

NEURONES SHARE DATA SHEET

Average daily volume traded in 2016:	4,100 shares
Share price (at April 18, 2017):	€22.70
Market capitalization (at April 18, 2017):	€550m
Number of shares (at April 18, 2017):	24,243,862

Euronext Paris:	Compartment B
ISIN Code:	FR0004050250 (NRO)
Bloomberg: NEUR FP	Reuters: NEUR.LN
Enternext Tech 40	

Strategy and line of services

Our strategy for lasting, profitable growth is to tailor our range of consulting and digital services to clients' changing needs and build a long-term entrepreneurial project with partner managers.

64%

SHARE OF GUARANTEED-PERFORMANCE SERVICE CONTRACTS IN TOTAL BUSINESS VOLUME

49%

PERCENTAGE OF TOTAL REVENUES GENERATED BY OUTSOURCING

AN UNWAVERING STRATEGY

Strategic policy directions

- expand our footprint with corporate clients and earn their recognition;
- maintain the entrepreneurial spirit of specialized entities in their field of business;
- broaden the range of services, in particular those related to digital transformation;
- industrialize production and adjust organization and cost structure to the market.

Resources

- above-market organic growth, occasionally bolstered by external growth;
- expanded footprint within and outside France, wherever clients' needs become apparent;
- investments not reliant on the general economic situation (€141m in free cash, no debt);
- an ongoing, decentralized model, close to clients and employees.

Core principles

- focus on profitability (an indicator of customer satisfaction) rather than size alone;
- align managers' and shareholders' capitalist interests;
- open up the capital to managers to build the long term;
- keep the fundamental business processes under quality assurance.

A FLEXIBLE SERVICE LINE-UP

Infrastructure Services

The Group's core business – and its original business – is designing, installing and managing infrastructures (cloud computing, virtual servers, active components, storage, workstations, mobile terminals, etc.).

The diversity of data locations (local storage, cloud, etc.) and data access terminals, along with the open information systems make this a business for specialists, especially when the job involves project management.

The Group operates in a variety of ways: through turnkey projects, working in clients' teams, needs-based expertise, service-center or fully-fledged outsourcing.

It takes the same technical know-how to run systems and networks, but we also industrialize certain specific services (cloning, packaging, help desk, supervision, security management, etc.) to achieve productivity gains. This drives down the cost of IT while often improving the service delivered to users.

Application Services

When companies need to adapt their legacy applications, they call on NEURONES to:

- develop or rewrite applications to adjust them to changed processes and scopes, and make them suitable for new devices (smartphones, tablets, etc.);
- integrate software packages (ERP, CRM, BI, HRIS, etc.) or new applications used for the Web or for managing an IT department's content, processes, services and assets;
- provide "industrialized" support and maintenance for these applications.

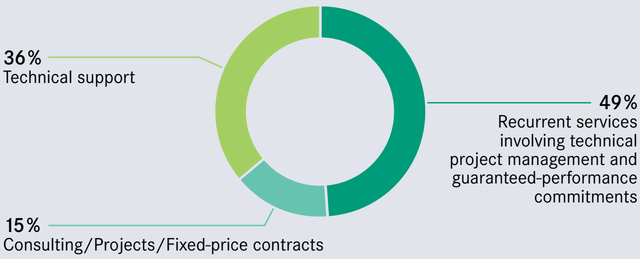
The Group is involved in combined outsourcing contracts covering both infrastructures and application maintenance.

Consulting

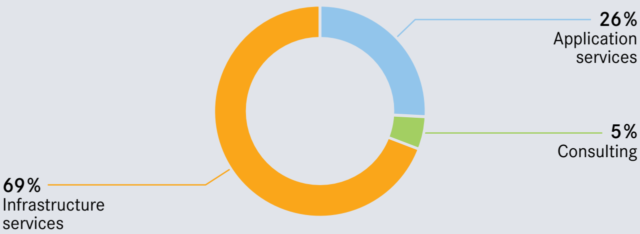
To adjust to digital technology and fast-paced company and environment transformation, businesses are increasingly relying on consulting services in organization and management.

This business segment, though situated upstream and quite separate from IT services, is nevertheless related and complementary to them. Technology eases reorganizations, but also prompts them by promoting the emergence of new "digital native" competitors or suggesting new processes.

BREAKDOWN OF 2016 REVENUES BY TYPE OF SERVICE



BREAKDOWN OF 2016 REVENUES BY BUSINESS SEGMENT



References and achievements

Around one thousand companies and public bodies of all sizes trust NEURONES, many for numerous years.

80%

OF CAC 40 COMPANIES PLACE THEIR TRUST IN NEURONES

1,000

CLIENTS CONTRIBUTE EACH YEAR TO REVENUES

EXTRACTS FROM LIST OF REFERENCES

BANKING – INSURANCE

AG2R LA MONDIALE
AVIVA
AXA
BNP PARIBAS
BPCE
CAISSE DES DÉPÔTS
CRÉDIT AGRICOLE
EULER HERMES
EURONEXT
GENERALI
MONTEPASCHI GROUP
GROUPAMA
HSBC
SOCIÉTÉ GÉNÉRALE
TEXA SERVICES

SERVICES – CONSUMER GOODS

ACCOR
AGEFOS
APTARGROUP
AUCHAN
BEL
FAFIEC
FONGECIF
HEINEKEN
KPMG
LVMH
NESTLÉ
OPCALIA
PERNOD RICARD
SHISEIDO
SOLOCAL

ENERGY – UTILITIES – HEALTHCARE

AREVA
BAYER
CENEXI
DELPHARM
EDF
ENGIE
ENI
LABORATOIRES ROCHE
OCP
REXEL
SAGESS
SANOFI
TOTAL
UGI CORPORATION
VEOLIA ENVIRONNEMENT

TECHNOLOGY – MEDIA – TELECOMS

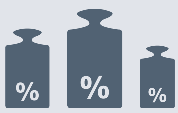
ALCATEL-LUCENT
BOUYGUES TELECOM
DASSAULT
ÉDITIONS LEFEBVRE
EUTELSAT
FRANCE MÉDIAS MONDE
GÉNÉRALE DE TÉLÉPHONE
GROUPE ARGUS
LAGARDÈRE
MICROSOFT
ORANGE
SAMSUNG
THE NEW YORK TIMES COMPANY
TV5 MONDE
VIVENDI

INDUSTRY – PUBLIC WORKS & CIVIL ENGINEERING

AVRIL
BOUYGUES
BRENNTAG
DAHER
EIFFAGE
ERAMET
LÉON GROSSE
MICHELIN
PLASTIC OMNIUM
SAINT-GOBAIN
SAFRAN
SOCOTEC
TARKETT
THALES
VINCI

PUBLIC SECTOR

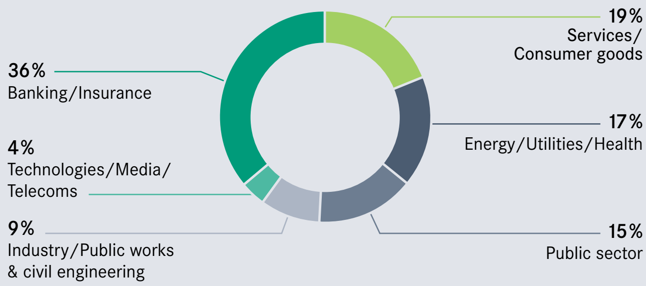
AGENCE FRANÇAISE DÉVELOPPEMENT
AGENCE NATIONALE DE LA RECHERCHE
AGIRC-ARRCO
BANQUE DE FRANCE
CEA
CENTRE POMPIDOU
HAUTS-DE-SEINE DEPARTMENTAL COUNCIL
ÉTABLISSEMENT FRANÇAIS DU SANG
IRSN
LA POSTE
LA FRANÇAISE DES JEUX
PARIS CITY COUNCIL
PMU
SNCF
UNEO



9.4%

SHARE OF THE NO. 1 CLIENT IN 2016 REVENUES

2016 REVENUE BREAKDOWN BY SECTOR

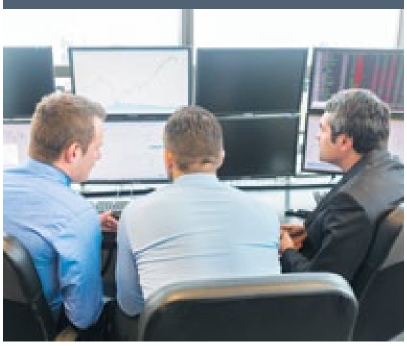


SELECTED 2016 PROJECTS

Infrastructure Services segment

FOR A LEADING WATER DISTRIBUTION AND SANITATION COMPANY. To simplify the maintenance of smart solenoid valves (electronic valves to control water flow), created an automation project: definition of architecture, configuration of servers and workstations, installation of specialist software for remote maintenance and support for IT Department in familiarizing themselves with the tool in order to ensure complete autonomy.

FOR AN AGRIFOOD GROUP SPECIALIZED IN OILS AND PROTEINS. Provided guidance and support for the IT Department's digital transformation project: migration of the current architecture to a virtualized IaaS (Infrastructure as a Service) platform, the associated outsourcing, supervision of all of the infrastructures, backups, operation and administration of the databases.



FOR THE IT ARM OF A MAJOR BANKING GROUP. As part of digitizing its branch offices: guidance and support with setting up a catalog of specialized apps on tablets for its banking advisers (42,000), definition of the project, the "deliverables" and the resources, management of the publisher (production of specific functions), configuration of the tool, oversight of the production, skills transfer, training and user support.

FOR A MAJOR NATIONAL TV CHANNEL. To reorganize support for the channel's 7,500 users in France and abroad: rolled out a portal containing a self-help platform, where users can solve their problems with the help of resolution trees, along with an online services catalog and a call-back cell, which steps in when users are unable to solve their problem themselves.

FOR A MAJOR FRENCH CHEMICAL GROUP. To standardize user request processes around the world and its service line-up: set up a single platform that is accessible around the clock for all 10,000 international users: definition of the specifications, configuration of the solution, interfacing with other line-of-business apps and administrator training.

FOR A MAJOR GLOBAL SPIRITS GROUP. To significant upgrade its operational security level: set up an international supervision system (to prevent computer vulnerabilities and detect security incidents by logging events) that can receive qualified alerts and activate the appropriate action plans.

FOR THE MANAGER OF THE GAS DISTRIBUTION NETWORK. As part of outsourcing part of its IT operations: set up a service center (35 employees) offering expertise in multiple domains (system, network, database, storage, backups, etc.) and the ability to manage outsourcing (change management, service level agreement, performance indicators, etc.).

Application Services segment

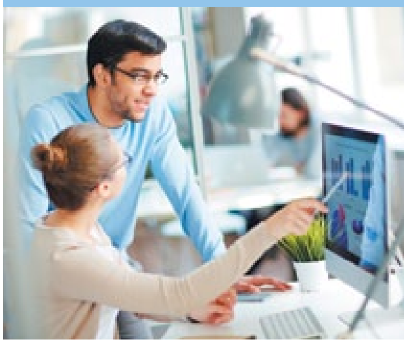
FOR THE LOGISTICS ARM OF THE MAIN MAIL CARRIER AND DISTRIBUTOR IN FRANCE. To make its SAP TM (Transport Management) system communicate with systems held by the parent company and certain service providers: deployed the SAP Process Orchestration software solution, which allows data to be exchanged and inter-application processes to be modeled in an information system. Services provided: collect needs and the business model, implement, test and release.

FOR THE BIGGEST SOCIAL LANDLORD IN PARIS. As part of dematerializing and automating its billing system: set up an application solution that automatically and quickly manages bills and their life cycle. The purpose of this was to secure their management and approval process, ensure interaction with the internal financial management tool, and include third parties in the validation process.

FOR A LEADING EUROPEAN ASSET MANAGEMENT COMPANY. As part of developing its innovation strategy, which revolves around data usage: trained an in-house team (made up of IT managers) in the Hadoop ecosystem (framework designed to facilitate the creation of distributed apps), the new architectures and data governance.

FOR A MAJOR REAL ESTATE DEVELOPER. Provided guidance and support with centralizing and filing its sales and marketing material (for more efficient in-house management and use): set up a Digital Asset Management solution for storing, organizing, adding to, sharing and, most importantly, protecting the company's digital assets.

FOR A SPECIALIST IN COMPANY PREMISES AND OFFICE RENTALS. With a view to using its accounting and sales information as a decision tool: implemented the HANA version of the SAP package. Used in conjunction with a Business Intelligence software suite, it can process and analyze, in real time, large volumes of data.



FOR A FRENCH SCIENTIFIC RESEARCH CENTER. Change management and support for using a dedicated platform to manage staff and structures. The assignment entailed drawing up a communication campaign and producing bespoke training tools for 5,000 users (Quick Learning modules for rapid understanding and learning in a simulated environment).

FOR THE LEADING PRODUCER AND SUPPLIER OF ELECTRICITY. With a view to guiding and supporting its finance division as it migrates its messaging system (from Lotus to Outlook) and the SharePoint collaborative portal associated with Office 365: drew up migration schedules, designed technical material on the new portal and tools, designed and delivered training aworkshops in classroom and web-conference mode, provided one-on-one coaching and user interviews after the migration.

Consulting segment

FOR A MAJOR BANK. Guidance and support for a plan to move 5,000 employees to new premises: consulting services regarding the installation of the IT infrastructures and the management of the employee relations, including change management and direction of the operation. Testing and implementation of new work spaces, including spaces with no designated desks ("flex office"), and technologies suited to this type of office layout.

FOR AN ENERGY STAKEHOLDER. With a view to a total overhaul of professional development programs and the creation of a "business academy", under the guidance of the HRD: drew up a map of the knowledge and skills required in the target areas, constructed the courses for each line of business, defined the governance system, designed the presentation guide and trained experts to create the learning material.

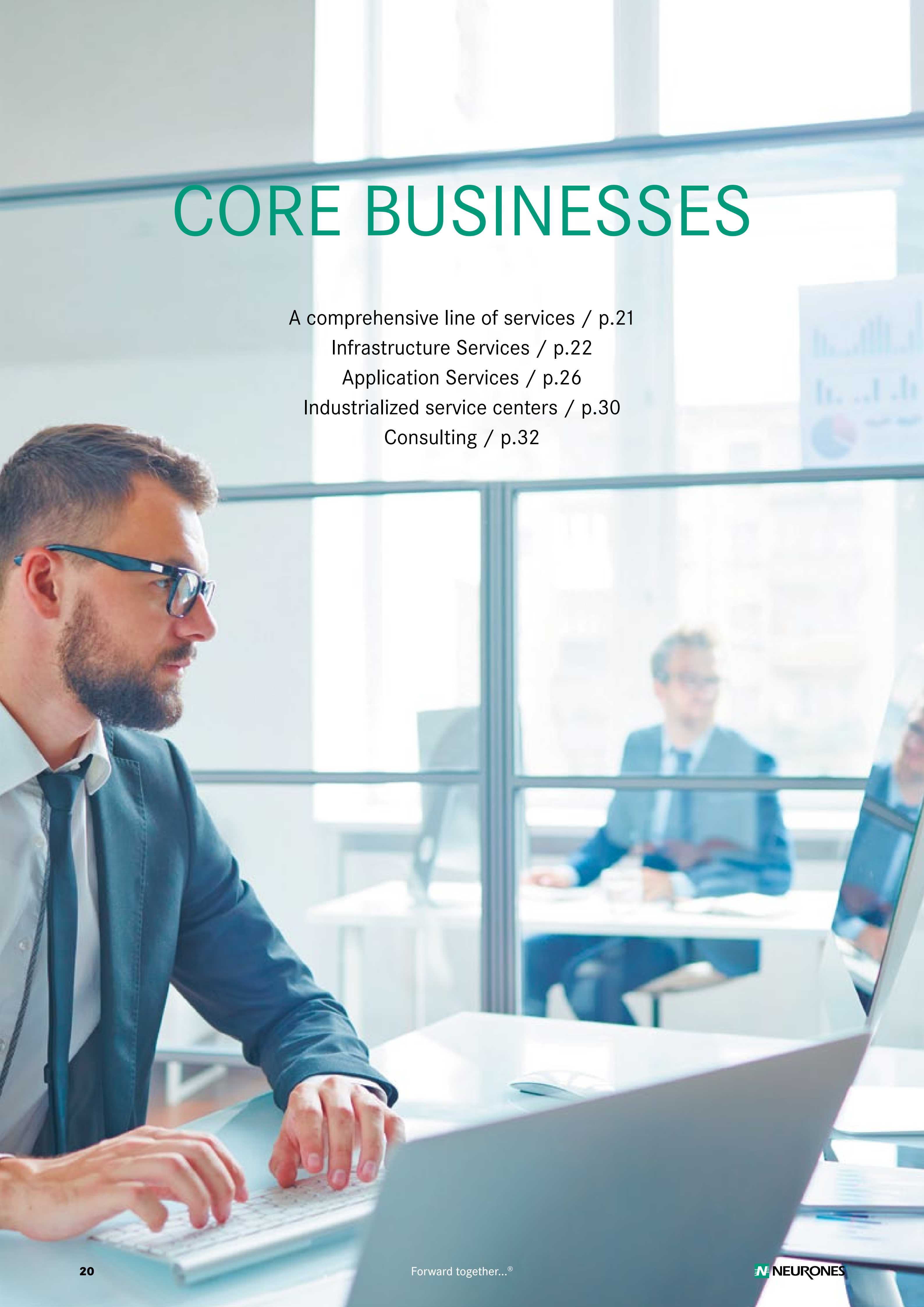
FOR AN ENERGY DISTRIBUTION NETWORK. Gave the IT Division guidance and support with introducing new mobile apps: advice about the new organization to adopt, scoping and functional oversight (from the design through to implementation, including regular reports on progress with the projects and any difficulties encountered).

FOR THE RESEARCH AND DEVELOPMENT DEPARTMENT OF A MAJOR ENERGY STAKEHOLDER. Production of a tablet-based augmented-reality feedback form: defined the test goals and procedure, compiled the comments made by users of the experimental sample, described the evaluation criteria and the associated results, analyzed the benefits and presented our recommendations (investments, risks involved, scope of use and conditions for industrialization).

FOR A LEADING AUDIOVISUAL COMPANY. With a view to increasing its audience, its online advertising revenues and its paid content models: guided and supported the company's senior management with scoping, the choice and introduction of advanced tools for collecting and processing cookies and customers (Data Management Platform, Tag Management System, Dataviz, etc.). Also helped in-house teams come to grips with these new levers.

FOR AN INSURANCE AND SOCIAL WELFARE GROUP. In order to roll out a community digital product and promote innovation, as well as new collaborative working methods: gave the business division guidance and support with launching an innovation laboratory (followed by workshops and the deployment of the service range) and with setting up an enterprise social network.

FOR A SPECIALIST IN ENERGY EFFICIENCY. To strengthen its customer relationship management: set up a study to identify and compare competing practices in organization and operations (documentary research into the quality of customer care departments, identification of the new customer experiences, inventory of the actions to be taken, etc.) and put forward a management system suited to the company's business model.



CORE BUSINESSES

A comprehensive line of services

NEURONES is active in both Digital Services and Management Consulting, including those related to digital transformation. Implemented by entities with specific areas of expertise, NEURONES' core IT Services business combines Consulting, Integration of state-of-the-art technological solutions and Outsourcing of information systems (design/build/run).

INFRASTRUCTURE SERVICES

Architecture (networks, servers, storage, etc.) and projects (including mobility, IoT, etc.)

Migrations and deployments

Managed services, outsourcing (application production, cloud computing, user support and digital workplace)

IT service management, IT governance, PMO

Cyber security

APPLICATION SERVICES

SAP integration

Big data, analytics, BI

Mobile apps, web apps

Enterprise social networks, social media and blogs

Electronic Content Management (ECM), Business Process Management (BPM), enterprise service bus, dematerialization

Computer training, change management

Market finance

CONSULTING

Management and organization consulting

Digital transformation consulting

Digital marketing consulting

For some key accounts, a central team manages the entire customer relationship

ETo support the various businesses' sales forces, this central team fulfills the following assignments:

- organizing and coordinating the Group's sales initiatives,
- identifying new business opportunities,
- consolidating completed projects and assignments,
- preparing reports for key accounts.

A single coordinating structure is dedicated to major cross-functional contracts

The assignments of this structure include:

- coordinating the performance of multi-business contracts during the initial start-up phase, the operating phase and the reversibility phase,
- capitalizing on experiences and regularly updating the Group's standards

Infrastructure Services

Guaranteeing high availability and secure access to IT infrastructures, managing them, making them profitable and developing them is the task of this business segment boasting over 4,000 employees.

CORE BUSINESSES

- Architecture (networks, servers, storage, etc.) and projects (including mobility, IoT, etc.)
- Migrations and deployments
- Managed services, outsourcing (application production, cloud computing, user support and digital workplace)
- IT service management, IT governance, PMO
- Cyber security

TYPICAL PROJECTS INCLUDE

- Set-up and management of private clouds
- Server consolidation and virtualization
- Networks and email systems (migration, administration, etc.), storage, backups
- Workstation management
- Information system security

€308.1m

2016 REVENUES

69%

SHARE OF THIS SEGMENT
IN THE TOTAL BUSINESS IN 2016

8.6%

2016 OPERATING PROFIT

3,995

EMPLOYEES IN THE INFRASTRUCTURE
SERVICES SEGMENT AT DECEMBER 31, 2016

DESIGN/INTEGRATION

Infrastructures are constantly evolving as new applications are brought into operation, volumes steadily grow and organizations merge and change. The Group undertakes not only major transformation projects but also localized responses in a wide variety of fields. The majority of these are fixed-price projects.

OUTSOURCING

Outsourcing services typically involve multi-year contracts (3 to 5 years), under which NEURONES provides project management and guaranteed service levels. For each contract, the sole person in charge of service delivery ensures ongoing compliance with the service level agreements and manages the improvement plan based on a benchmark and a catalog of standard actions.

In this line of business, it is crucial to rapidly capitalize on knowledge and best practices.

The Group has introduced standard processes for all of its contracts, applying tried and tested ITIL practices. The drive to industrialize outsourcing services is leading to a marked increase in the volume of operations performed through service centers.

BUSINESS SEGMENT OPERATIONS RELATED TO DIGITAL TRANSFORMATION

- Mobile infrastructure management
- Connected devices (IoT, including industrial plant): models, implementation, operation
- Installation of processing chains and teams (feature teams) in DevOps mode
- Private and hybrid cloud computing, cyber security

IN 2016...

Growth was driven by private cloud operations, resource contracts and new businesses (mobility, IoT, etc.).

A growing number of contracts are fulfilled by the service centers, replacing some of the customer onsite work.

Small acquisition in the field of cloud-computing outsourcing.

OUTLOOK...

Strong, steady growth in private cloud computing.

Development of service centers in France, in near- and offshore mode.

Potential opportunities in security as a result of more open IT systems.

INTERVIEW

Hybrid cloud services: 2017 will be a watershed year

Cloud computing, which consists in providing computing power or storage on remote servers over a network, has now reached maturity. Customers are no longer wondering whether to make the move to the cloud: they want to know how to get there. They need support and guidance, which is where NEURONES' hybrid cloud service comes in. Hybrid cloud services combine a private cloud (for the company's sole use, either in its own data centers or hosted by specialists like NEURONES) and a public cloud (pooled facilities hosted by outside service providers such as Microsoft Azure or Amazon Web Services).

HUGUES
Head of IT Consulting (IT Infrastructures)

Where do hybrid cloud services fit in NEURONES' service range?

The Group has been running private cloud services for 10 years now and currently hosts 17,000 virtual servers in its cloud infrastructures.

Over the past five years, NEURONES has provided consulting services and assisted its customers in the use of public clouds for some of their applications.

Today, the market and the services available are mature. Decision-makers want to enjoy the best of both worlds, i.e. take advantage of the services available from the major operators, but at the same time retain a secure production capacity with French stakeholders. NEURONES' hybrid cloud service combines expertise in both private and public clouds, and is grounded on several years' experience.

What is the ideal balance between private and public clouds?

The proportion is often close to the current market standards: around 80% for the private cloud and 20% for the public cloud. Since 2016, though, projects have involved more large-scale environments. For some companies, the relative proportion of private and public cloud is tipping over as they switch 80% over to the public cloud.

Over this period, NEURONES has been guiding and supporting its clients as they make the change, and is therefore adjusting its business models and service offerings accordingly.

11
DATACENTERS

17,000
VIRTUAL MACHINES (VM)

> “NEURONES has been guiding and supporting its clients, and is therefore adjusting its business models and service offerings accordingly.”

Do you have any examples of clients to illustrate this transition?

The use cases we are seeing now are the ends of cycles in data centers, renewals and a need for greater flexibility and agility.

For a French bank, for instance, NEURONES rolled out a mobile device management platform on Microsoft Azure. There were strict time and cost targets, the aim being to gain in flexibility, resilience and rapidity, and effectively manage Internet access. The Group installed available platforms the following month, thereby satisfying the client’s request in full.

Another example involves a French company operating on the timber market in Africa. For digital transformation reasons, it wanted to have services operational rapidly and be more agile. The aim was to be able to make a decision, put it to the test straight away and be able to put a halt to the project if necessary. With the hybrid cloud, the cycles are shorter than if the client had invested in its own data center.

The time taken to make the computing power available is sometimes reduced from a matter of months (the time required to install physical machines) to a day. The priorities are often to obtain shorter lead times, greater flexibility and the possibility of using more advanced services, all more cost effectively.

How do you go about this?

NEURONES is capable of producing made-to-measure solutions with a certain number of specific features, and providing flexibility and agility along with hybridization. All while providing “à la carte” guidance and support services to ease the transformation.

For this reason, in recent years we have forged partnerships with a number of major players, such as Microsoft Azure, Amazon Web Services and the French company OVH.

What are the benefits to be gained by working with NEURONES?

The Group gives IT Departments guidance and support with producing efficient architectures, then operates them, maintains them and upgrades them.

NEURONES also assists its clients with add-on tools. Our partners are increasingly talking about their business sector, digitization and transformation.

The Group therefore strives to bring all the necessary flexibility. This concerns not only the technical side, but also the people and the know-how - a transformation that NEURONES applies to itself while making it available to its clients.

How is this internal “revolution” playing out?

All of the clients are now talking about innovation. NEURONES must be in a position to analyze and understand it, so that it can support them. Sometimes they might request to use a major provider’s new service, for example an Amazon service, even before it is actually available!

The Group has to be able to keep up, so its employees are constantly on the lookout and observing the market and the services available so that they can continue serving the clients. It’s a real challenge for our teams, especially for the younger members, but it’s also a powerful motivator!

Application Services

Backed by 20 years of experience in applications projects, this business line boasting nearly 900 employees is committed to helping our clients in the successive changes in their information systems and digital transformations.

CORE BUSINESSES

- SAP integration
- Big data, analytics, BI
- Mobile apps, web apps
- Enterprise social networks, social media and blogs
- Electronic content management (ECM), business process management (BPM), enterprise service bus, dematerialization
- IT training, change management
- Market finance

TYPICAL PROJECTS INCLUDE

- SAP: integration and deployment of new modules and applications (including Fiori)
- Communication and training plans to support the deployment of major software systems (ERP, etc.)
- Digitalization of incoming and outgoing invoices
- Digital transformation programs
- Redesign of applications for mobile devices
- Corporate social networks, collaborative platforms
- Connected objects (counters, robots, etc.)

€116.2m

2016 REVENUES

26%

SHARE OF THIS SEGMENT
IN THE TOTAL BUSINESS IN 2016

11.2%

2016 OPERATING PROFIT

890

EMPLOYEES IN THE APPLICATION
SERVICES SEGMENT AT DECEMBER 31, 2016

DESIGN/INTEGRATION

Neurones is active in both software integration (ERP/CRM, BPM, EDM) and custom application development (on Java, .Net platforms, etc.), including open-source software.

Emphasis is placed on the initial phases of functional analysis and the methodology of project development (standard documentation, software engineering, standards, etc.).

OUTSOURCING

This business line includes support services and application maintenance, corrective maintenance and upgrading. The 50 or so contracts cover batches of several applications, interfaces or even entire application asset bases.

The TPAM centers for SAP, BPM/EDM applications and web developments use common tools and methods. Some of the teams are assigned to combined infrastructure and application maintenance contracts.

Training includes the "user support" component, in particular during ERP deployments.

BUSINESS SEGMENT OPERATIONS RELATED TO DIGITAL TRANSFORMATION

- Complex apps with Enterprise Service Bus (ESB)
- Solutions for distributing audio and video content
- Big data software for finance
- Design and roll-out of big data architectures (Hadoop, Hbase)
- "Mobile first" websites, agile methods, installation of DevOps chains
- Collaborative platforms (Sharepoint, Liferay), corporate social networks (Yammer, Jive, etc.)

IN 2016...

Strong organic growth in all businesses.

Prestigious clients for the start-up that publishes big data apps for finance.

Acquisition of a specialist in SAP Fiori line-of-business apps, taking the SAP business to 300 consultants.

OUTLOOK...

Good opportunities for services linked to digital transformation: numerous projects launched by the business segment departments.

Brisk business in SAP, ECM/BPM/EDM (dematerialization), digital and market finance.

Increase in importance of consulting for Big Data architectures (Hadoop, Hbase).

INTERVIEW

Big Data: a real-time data management platform for critical apps

NEURONES is now in a position to supply an "off-the-shelf" data management solution, aimed primarily at the banking and finance sector. With this concept, we enter the field of big data, which opens up the possibility of processing huge quantities of data to aggregate, analyze or mine them.

What is the aim of this data management product?

The main purpose is to speed up the implementation of risk management and compliance projects. In the banking and finance sector, the advantage of big data is that it helps meet the stringent regulatory requirements brought in since the 2008 crisis. This is due to its ability to process huge volumes of data while still allowing some flexibility in their processing. It helps companies manage their data more effectively, when the regulations or the law make it an obligation. These highly-regulated, data-heavy contexts oblige companies to aggregate, synthesize and produce reports. This is the "defensive" side of the big data approach: it's about fulfilling a legal requirement.

Does big data also have an "offensive" side?

Yes, it consists in making this data processing capacity available to the company's departments, where it can be used to gain customer insights, perform marketing classifications, etc. This is the case of the subsidiary of a major French banking group, which operates on banks' back office. Among other services, it manages investment fund outsourcing. It saw NEURONES' data management

HERVÉ
Managing Director (big data & analytics)

27

MAN-YEARS
OF DEVELOPMENT

3

MAJOR CONTRACTS SIGNED
IN 2016

> "With its solid experience in information systems, the Group has the ability to guide and support companies as they implement and industrialize big data projects, without affecting their legacy systems."

product as an opportunity to offer its customers new digital services, such as real-time data analysis with user-friendly interfaces, or the analysis of investment fund performances and risks (by analyzing investors' behavior).

How do you see the big data context?

2016 was a watershed year for big data. A lot of companies transitioned from the Proof of Concept (POC) stage, which is concerned with demonstrating feasibility, to actually using it on an industrial scale. NEURONES can leverage its expertise in this complicated transition from "PoC" to "run" in real-life situations. More specifically, it implies incorporating it into the existing information system, which is sometimes a bit stretched, and interconnecting with it without disrupting its operation.

What specific advantages does NEURONES have in this area?

With its solid experience in information systems, the Group has the ability to guide and support companies as they implement and industrialize big data projects. This can help avoid "big bang" type projects, which consist in recreating everything from scratch.

It often involves replacing, or rather adding to, traditional technologies, where the applications and data are "distributed". With the help of Hadoop, a set of open-source tools and components that brings the cost down, the data can be cross-referenced to meet regulatory requirements or find correlations that can then be used for a variety of purposes.

Do you have any examples from sectors other than banking and finance?

For a stakeholder in the Defense sector, data management proved very helpful under the French "Sapin 2" Act (transparency, anti-corruption provisions and the modernization of the French economy). The company was able to industrialize its compliance policy and monitor operational risk by setting up supplier evaluation and an anti-corruption whistleblowing system. In another sector, agrifood, a large cheesemaking group is also undertaking a data centralization project.

The data comes from production, market research and supply. The aim here is to find a correlation between changes in the products and consumer reactions at the end of the line, to shorten the new product creation cycle. NEURONES provides this expertise in data management and traceability, using data management to observe how it evolves over its lifecycle (in what is known as the "full audit trail" or "data lineage").

Why do you think these clients chose NEURONES in this area?

There are a variety of benefits, such as having a single point of contact and an integrated service line-up that includes the software, a capacity for special-purpose development, hosting capacity and, if applicable, line-of-business consulting services. At the end of the day, NEURONES brings agility and flexibility, without affecting clients' legacy information system.

Industrialized service centers

Since 1995, infrastructure outsourcing has been based on shared service centers (hosting, servers and applications, workstation management and support). Third-party Application Maintenance is carried out from dedicated service centers.

INFRASTRUCTURE OUTSOURCING CONTRACTS

Top 25 contracts	125 contracts	150 contracts
€3m/year on average	€0,5m/year on average	€0,15m/year on average

OUTSOURCING IN NUMBERS

2,550 employees working on contracts

7 million service desk and application support cases handled

23,000 third-party or proprietary servers operated

235,000 workstations managed

12
SERVICE CENTERS DEDICATED TO INFRASTRUCTURE

300
INFRASTRUCTURE OUTSOURCING CONTRACTS

5
SERVICE CENTERS DEDICATED TO APPLICATIONS

5 SUPPORT CENTERS

- 1,100 professionals
- 24/7
- Multilingual
- Nanterre, Angers, Lille, Tunis and Timisoara

5 SERVICE CENTERS FOR SERVERS AND APPLICATIONS

- 350 specialists
- Supervision, management
- Scheduling, operations plan
- Release management
- Nanterre, Courbevoie, Singapore and Bangalore

2 POOLED WORKSTATION MANAGEMENT CENTERS

- 20 people
- Cloning
- Packaging
- Remote software distribution
- Nanterre

11 HOSTING CENTERS

- 17,000 virtual machines (VM)
- Independent Internet service provider
- All operators
- Telecom infrastructure as failover
- Nanterre and Lyon (own facilities)
- 5 highly-certified (Tier 3+) partner hosting companies (multi-centers)

5 THIRD-PARTY APPLICATION MAINTENANCE CENTERS

- All ERP and applications
- Knowledge base, test tools, versioning
- Nanterre, Levallois, Angers, Nantes and Orléans

ISO 9001 certifications (outsourcing and 3 other businesses)

ITIL®

itSMF — Founding member

AF-SCM — Sponsor member

CERT certification of the Security Operation Center

Consulting

Managed by consultants with previous experience in major international firms, this business segment employs nearly 160 consultants, essentially providing consulting services in management, digital transformation and digital marketing.

CORE BUSINESSES

- Management and organization consulting
- Digital transformation consulting
- Digital marketing consulting

TYPICAL PROJECTS INCLUDE

- Assessment of strategic options, proposal of scenarios
- Guidance and support for provision of digital technologies for business lines and core businesses
- Support for governance of digital transformation programs
- Operational coordination and management for projects
- Impact studies on regulatory and technology changes
- Definition of strategies for sharing IT systems

€22.5m

2016 REVENUES

5%

SHARE OF THIS SEGMENT
IN THE TOTAL BUSINESS IN 2016

13.6%

2016 OPERATING PROFIT

159

EMPLOYEES IN THE CONSULTING SEGMENT
AT DECEMBER 31, 2016

Supporting complex projects for groups or organizations currently engaged in transformation, in order to help them incorporate new regulations and digital technologies, and generally become more efficient and effective.

Capitalizing on methods and expertise developed through over 1,000 assignments supporting business strategy and decision-making. Over the years, the business segment has developed expertise in the following areas:

- defining transformation plans,
- cross-functional communication and consensus-building,
- strategic alignment,
- assessment of resources and defining the perimeter of activities,
- defining new leadership models,
- coaching management boards,
- analyzing impacts and change management,
- digital marketing.

Digital transformation consulting concerns all sectors and has become a specialty in its own right with the creation of a dedicated entity. A specialized digital-marketing firm joined the Group in 2016.

Management consulting services are provided to the operational or functional divisions of corporate accounts. Projects sometimes include a component that requires competencies in information systems.

BUSINESS SEGMENT OPERATIONS RELATED TO DIGITAL TRANSFORMATION

- Design and facilitation of innovation workshops (Labs)
- Data science and data visualization
- Leadership of outside communities
- Management of Data Management Platforms' marketing data
- Modeling of multi-channel customer journeys
- Connected sales outlets

IN 2016...

Strong growth of the consulting firm specialized in digital transformation.

Acquisition, at the end of the year, of a firm dedicated to digital marketing, primarily in DMPs.

The Consulting and IT Services segments have been kept quite distinct.

OUTLOOK...

The Group aims to develop Consulting activities, despite the inherent lack of visibility.

Increased potential for digital transformation consulting.

International development

INTERVIEW

Data marketing:
a step closer to the customer-centric enterprise

The digital enterprise or digital transformation are not just passing fads: they are a deep-seated change. Though for some years industry talk and the reality on the ground were out of sync, we can now see a genuine determination to recast information systems and create technology gateways that will take us to customer-centric customer relations.

MARC
Managing Senior Consultant (consulting services in digital transformation)

What does the term "data marketing" encompass?

The need to personalize information messages, through different channels, with the help of an in-depth knowledge of data. Data helps us interact with clients in a far more personalized way through the many channels available, which include the Internet, telephone, face-to-face contact, smartphone apps and so on.

Data marketing is also used by management centers and call centers. It gives us more powerful tools for making decisions and responding swiftly to clients' expectations. In the insurance sector, for example, it expedites the handling of inquiries and losses.

What is the current situation with data marketing products?

There is a real demand: now no-one can claim that the client is not important! But the tools are so ill-matched, sometimes with an accumulation of apps inherited from companies that have, for example, merged or migrated their portfolios, that there is no control over the data.

From a data marketing point of view, the information is dispersed: there might be several reference bases containing data for the same stakeholder. Data accuracy can also be a problem if organizations

100 million

COOKIES MANAGED PER MONTH

60 million

PROFILES MANAGED IN THE DATABASES

> “NEURONES often stands out for its very detailed approach, on projects that require a lot of diplomacy, and/or projects that are complex or involve multiple stakeholders or multiple departments.”

fail to control the data that is fed into the bases, or lack formally documented, shared processes. And yet, in the insurance sector mentioned earlier, there is pressure from a number of channels: policy holders, the regulator and the competition.

All this calls for a better knowledge of the client in a broader context: family, work, socio-economic and life history, for which we need the associated data. This, then, is the real issue at stake in data marketing.

Who is this NEURONES product designed for?

The Group is targeting more specifically the various insurance stakeholders (insurance companies, mutual benefit funds, bancassurance companies, social welfare groups, etc.), as well as the media and the energy sector. NEURONES offers its services to them with a view to improving and optimizing the endeavor, with a keen sense of the human side. This is not about shutting ourselves away in a room, looking at the figures and saying “we’re cutting costs”. We have to get up close and personal with the client and their activity, bring our interpersonal skills and our know-how to bear, backed by line-of-business technical skills.

What sort of assignment does NEURONES undertake?

The main tasks are organizational, with a bearing on productivity, or are aimed at innovating in terms of digital services.

NEURONES also undertakes diagnostic assignments or inventories. Other assignments concern data or portfolio management to direct monitoring, profitability, mainly in connection with health, death and disability insurance. Taking the example of insurance again, prospects usually do their searching on the Internet. They might request an online quote, ask to be called back or use the online chat facility. The goal of data marketing, in this case, will be to create fluidity in the contact with the prospect and the distribution networks, based on the data, to lead the prospect to take out insurance. It also involves in-depth work on the interfaces and the user-friendliness.

What are your specific features, the areas in which you excel?

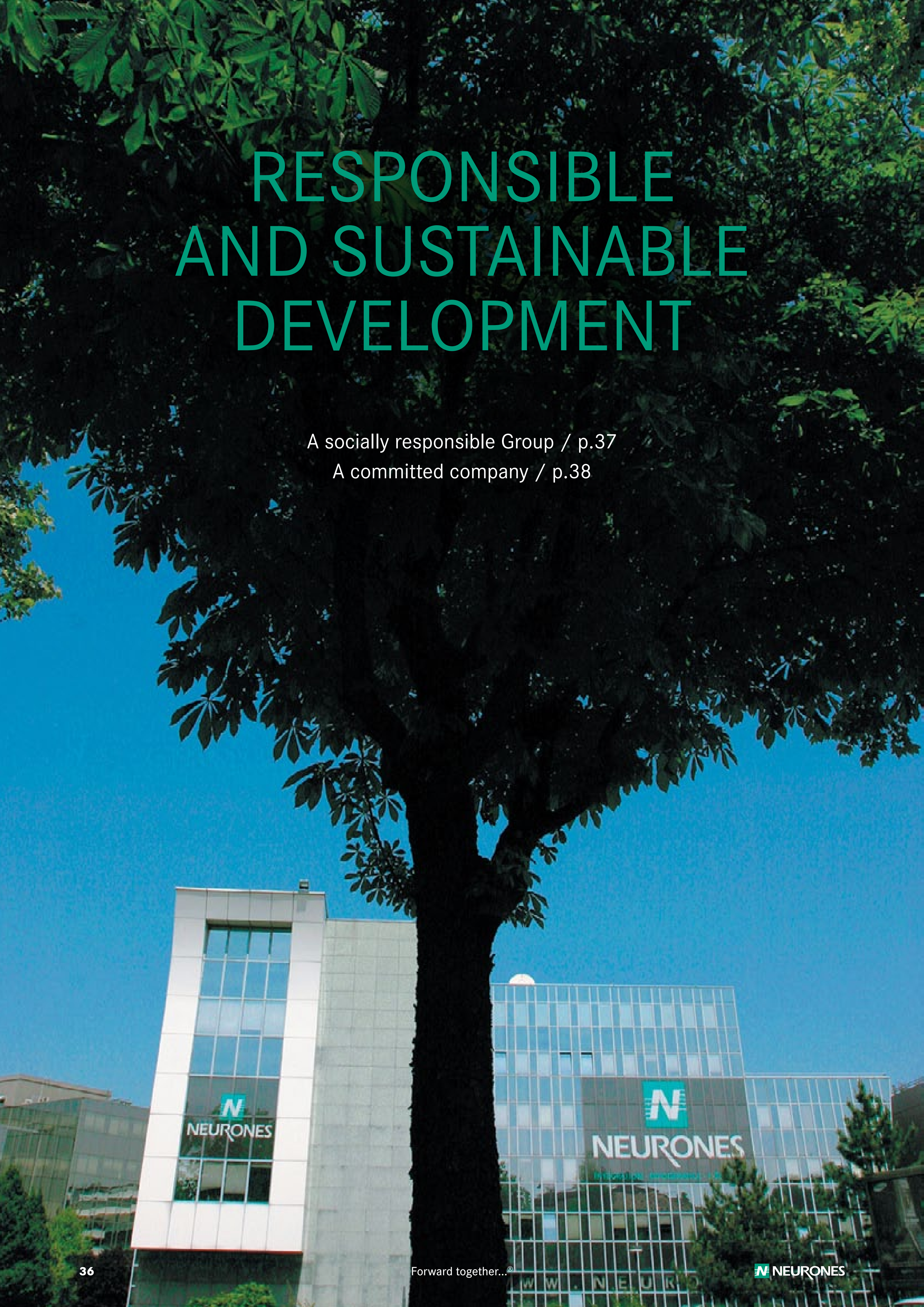
The Group often stands out for its very detailed approach, on projects that require a lot of diplomacy, and/or projects that are complex or involve multiple stakeholders or multiple departments. NEURONES operates at the crux of the transformations. The teams can step in to enter a digital diagnosis, always in relation to the data. A lot of digital initiatives have emerged in recent years. We have to sort through them and select what is useful, keep backbone projects and projects that might be profitable or contribute to better customer relations.

Consulting services help us ask the right questions: should we take a break or continue a project? Do we need new governance? How should we structure a new digital department?

What contacts do you work with?

With this service line, NEURONES increasingly works with innovation directors. Innovation has become a key factor in companies. In 2003-2004, for example, very few companies were planning major changes in the insurance field. Today, innovation has proved its worth; it has emerged as an essential factor.

RESPONSIBLE AND SUSTAINABLE DEVELOPMENT



A socially responsible Group

The employer's social responsibility is a priority for NEURONES' managers and executives. It is also in the interests of both the company and its clients.

When you have a long-term business view, the financial performance targets must take into account Environmental, Social and Governance (ESG) criteria.

Corporate Social and Environmental Responsibility

The fifth Corporate Social and Environmental Responsibility Report (page 61 of this document, followed by the auditor's opinion):

- addresses environmental, social and societal aspects, since NEURONES is convinced that success is achieved by including all stakeholders in the eco-system, not just the clients and employees: sub-contractors, other service providers (including fellow companies), training organizations (including engineering and business schools), public authorities, local authorities, civil society and shareholders;
- enables the Group to move forward thanks to:
  - indicators with more precise definitions,
  - the verification of processes and data-reporting tools,
  - the tracking of electricity consumption in data centers and fuel consumption.

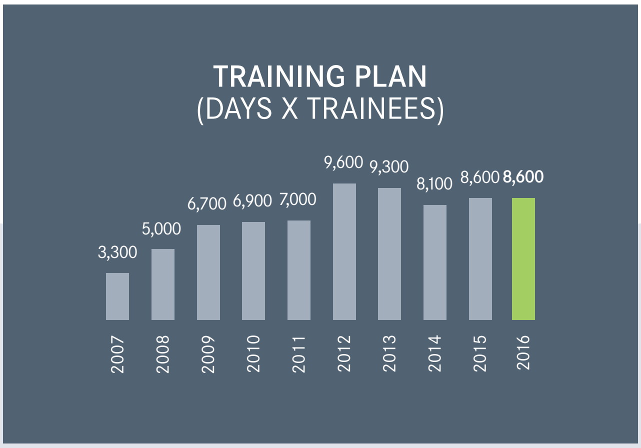
It is part of a proactive drive for continuous improvement.

Governance

The governance of NEURONES (described on page 115) essentially complies with the recommendations of the MiddleNext code for mid-cap and small-cap stock. The remunerations and other information concerning the company executive officers (page 98 and 99) are given in compliance with the recommendations of that same code.

A committed company

Since its inception in 1985, NEURONES has endeavored to pursue responsible and sustainable development within its environment. This is one of the company's key commitments.



333

NET JOBS CREATED IN 2016
(EXCLUDING EXTERNAL GROWTH)

95%

OF THE 2016 PROFITS
WILL BE REINVESTED
IN FUTURE DEVELOPMENTS

53

NATIONALITIES REPRESENTED
AMONG EMPLOYEES

OUR NUMBER 1 ASSET: HUMAN RESOURCES

Right from the outset, the Group has pursued an ambitious, innovative HR policy that fosters a diverse workforce (53 different nationalities represented, a variety of academic backgrounds, both novices and experienced workers, 220 apprentices, interns and employees on professionalization contracts in 2016, over 94% on permanent contracts, etc.).

Numerous job creations:

- net creation of jobs each year (333 in 2016),
- company growth and acquisitions are handled without using redundancy plans,
- an IT retraining program helps young graduates to find a job.

Longstanding capital sharing scheme:

- over 30 company managers and executives hold stakes in the capital of the companies they are developing,
- bonus-share and capital opening schemes,
- new key executives are regularly given the opportunity to acquire stakes in their companies and/or the Group.

Ongoing career management:

- lateral moves encouraged between different job fields and different functions, preference for internal promotion (especially for managerial and executive positions),
- annual performance reviews and interviews every few years are standard practice.

Long-term training policy:

- we do significantly more training than is legally required,
- training plans are easier to carry out because they use the Group's own training centers,
- employees encouraged to obtain qualifying certifications (ITIL and the main market players: Microsoft, VMware, SAP, HP, IBM, etc.).

Motivating working environment:

- an environment that empowers people and lets them build their own future,
- recurrent distribution of bonus shares (and stock options: 11 consecutive plans since 1999 representing over 5% of the capital,
- Group management holds a majority shareholding, which rules out takeover bids and decisions made by financiers or uninvolved shareholders.

CHARTE DE LA diversité EN ENTREPRISE

Four business entities
are signatories

GREAT PLACE TO WORK® Best Workplaces 2016 France

One of the Group's companies has obtained
this certification four times since 2012.

THE GLOBAL COMPACT

NEURONES is a member of the
United Nations Global Compact.

€6.7m

INVESTMENTS IN SERVICE CENTERS AND THE CLOUD COMPUTING SERVICE LINE IN 2016

CLIENTS

The Group applies a continuous improvement policies to its service lines in a bid to constantly adapt its solutions to IT decision-makers' needs.

Pooled services on an industrial scale:

- in 2016, €6.7m of industrial investments were channeled primarily into the service centers (extension in France and abroad) and the cloud computing line-up (hardware and software, and reserved areas with third-party hosters).

Active quality development:

- the Outsourcing, Service Desk, IT Production and Technical Support service lines achieved ISO 9001 certification.

Constant tailoring to needs:

- mergers with around 10 significant-sized firms since NEURONES floated on the stock exchange have expanded and enhanced the range of services and expertise available for its clients.

MARKETS AND SHAREHOLDERS

Profit reinvestment:

- for a long time (before the company was listed), profits were reinvested in full. Today, a large percentage of the profits is set aside to enable the Group to achieve its ambitions, irrespective of trends in the financial markets, the economic situation or bank policy.

Regular, transparent communications:

- the annual (audited) results are published within two months of the financial year end. The (unaudited) results are published every quarter. The Group has also issued a twice-yearly Shareholders' Newsletter since 2000.

Proven resistance to cyclical uncertainties:

- the diversified business portfolio and the recurrent nature of certain core businesses have allowed the company to come through the years of market contraction without too great an impact on profitability and without having to resort to staff cuts.

THE ENVIRONMENT

Given the nature of its core businesses, NEURONES' environmental footprint is only marginal. However, the Group:

- systematically recycles consumables (printer toners, electric batteries, etc.),
- has installed low-energy systems (lighting, HVAC, etc.),
- recruits, as far as possible, in labor market areas close to its service centers to limit daily commutes.

NEURONES is regularly evaluated by the EcoVadis questionnaire

As has been the case since 2011, NEURONES was once again selected as part of the 2016 Gaïa index (a CSR index for listed companies), which ranks the 70 most transparent and advanced companies from among 230 listed intermediate-sized companies.

Documents printed by eco-friendly printers.

WHAT OUR PEOPLE HAVE TO SAY

Aspirations, passions, career paths and more

AMÉLIE
Human Resources Business Partner (Service Desk)
With NEURONES since 2011

“ My career in the Group stems from a combination of my commitment and an environment that is propitious for professional development.

Six years ago, after working in a head-hunting firm, I joined the User Service Management branch as a Recruitment Officer.

On arrival, I followed a carefully-thought-out induction program, which helped me understand the professions, the goals and the strategy of the business. It also gave me an insight into the problems facing the operational staff for whom I worked, which was an effective springboard to a good start in the job.

Two years later, I was offered a new job as Human Resources Business Partner (HRBP), with a view to reinforcing employee management. Today I manage and lead all of the Human Resources processes (involving over 2,500 people), which span recruitment, mobility, retention and career management, for example. At the same time, I work on building collaboration between the HR teams and the operational staff.

“ Working in a group like NEURONES means sharing and attaining a common objective. ”

Working in a group like NEURONES means being able to progress “hand-in-hand” with the operational staff. It means sharing and attaining a common objective. All plus points for building a successful career with your employer! ”

“ NEURONES’ credibility suggests there are bright prospects ahead for my job satisfaction. ”

“ I didn’t join the Group two years ago as Consultant and Innovation Project Manager in the IoT business by chance.

With a dual background as a telecom engineer and a project manager, I was keen to join an organization that could feed my different areas of interest and give me the variety I craved (in the technologies, assignments, clients, etc.).

GUILLAUME
Consultant and Innovation Project Manager (Connected devices/IoT)
With NEURONES since 2015

So when I heard that NEURONES was recruiting new “talents” for its brand-new Innovation Business Unit devoted to the IoT, I jumped at the chance!

Business is currently booming and my role is evolving accordingly - to my great satisfaction - from intelligence to before-sales, including strategic project management and consulting.

These multidisciplinary assignments give me a chance to channel my creativity into Innovation. NEURONES’ market credibility, the variety of projects handled by the Group and the flexibility of the model make me think there are bright prospects ahead, both in terms of innovation for the IoT business unit and my own job satisfaction! ”

DIDIER
Managing Director
(Mobility)
With NEURONES since 2015

“ I joined the Group to boost my start-up’s growth by partnering with an organization that enjoys recognized success on the IT services market.

After useful learning experiences as an “intrapreneur”, in 2014 I set up a company specialized in mobile app development.

It soon became obvious that a partner who respected entrepreneurs’ freedom of initiative would speed up the company’s growth. After meeting with the senior management of the Group’s Infrastructure branch, we set up some joint mobility-related projects for the enterprise market.

Then, in late 2015, my company became a permanent member of the NEURONES Group. This partnership gives me the opportunity to market a comprehensive service line-up, which is unique on the mobility market: it spans everything from application development to security and mobile fleet outsourcing. The business already has nearly 50 employees and generates over 5 million in revenues.

NEURONES’ entrepreneurial DNA gives new life and meaning to the verb “dare”!

> “NEURONES’ entrepreneurial DNA gives new life and meaning to the verb “dare”! The future’s looking good!”

For an entrepreneur, it means coming into contact with more clients, developing the business in friendly contact with other start-uppers, enjoying the flexibility of an SME while belonging to a large group, and being able to focus on growing my business by innovating. The future’s looking good! ”

> “The short approval loops have given me a glimpse of a future in the Group where I can enjoy doing my job.”

JIHANE
Deputy Managing Director
(ECM, EDM and BPM)
With NEURONES since 2013

“ A profitable, motivating experience that has taught me a lot! That’s how I would describe my career in the Group. In just four years, I’ve had the opportunity to go from recruitment to management.

In 2013 I joined the Group’s ECM, EDM and BPM business as Recruitment Manager, then was rapidly appointed Human Resources Manager.

In that position, I made a point of revising the “HR basics”: defining the processes for recruitment and talent management, getting to know the Labor Code inside out, bringing in a specific toolkit, decompartmentalizing the departments, working on the employer brand, and so on.

As HRD, I stepped up the program with the help of a team put together over successive projects.

After that, with the variety of projects, my work extended to include legal, administrative and financial aspects, which led me to the position of Deputy Managing Director of the business (nearly 100 employees today).

For sure, I took a risk in leaving a management job for a new adventure at NEURONES.

The free rein I’m given, the short approval loops, the values of independence and transparency have given me a glimpse of a future in the Group where I can continue honing my skills and enjoying my job. ”

“ After graduating as a Telecoms and Networks Engineer, I rounded off my education with a Masters in Management at HEC and chose to do my end-of-course internship in the sales department of a digital services company.

Then, at the end of 2014, I seized the opportunity given to me through a co-optation to join the Group as a Sales Engineer for the Service Desk business: I learnt the ropes of selling Outsourcing services in the manufacturing sector.

However, my background in engineering had prepared me for selling more technical solutions. In 2016, I decided to take advantage of the openings available in the Group and, with my manager's backing, I entered the IT Infrastructures branch as a Sales Engineer in the banking and insurance sector. Today I'm lucky enough to develop high-potential accounts.

NEURONES provides more than gateways for its employees. Good management of the structure, its human capital and its recognition of the work provide a fulfilling work setting that fosters engagement.

On top of this, the Group has top-level credentials with major groups, so I can envisage broadening my horizons one day - why not as Key Account Manager? ”

“ NEURONES provides a fulfilling work setting that fosters engagement. ”

ADÈLE
Sales Engineer
(IT Infrastructures)
With NEURONES since 2014

“ I entered NEURONES as a trainee security consultant 10 years ago and today I'm Chairman and CEO of the security business. I owe my career success to the excellent work done by my teams, unflagging commitment and the freedom to operate as a start-up within a large group that encourages initiative and innovation.

To sum up a career that I would encourage others to emulate, five years after my internship, I became manager of the security unit, driven by my natural inclination for managing every aspect of a business: sales, human resources, R&D, etc.

At the same, I became a shareholder in the company. In 2015, the security branch became a separate entity, with nearly 70 cyber security specialists.

Backed by my experience and commitment, and the certainty that this was a high-potential market, I became the Chairman and CEO.

The NEURONES model gives this cyber security entity the position of a pure player in its ecosystem - an undeniable advantage on an ultra-competitive but promising market.

I hope to pursue my career as a boss at NEURONES, tackling the ever-present challenge of managing growth and supported by the people who are the Group's most valuable resource. ”

CYRILLE
Chairman and CEO
(IT Security)
With NEURONES since 2005

“ The freedom to operate as a start-up within a large group encourages initiative and innovation. ”

ANNUAL FINANCIAL REPORT 2016

1 GROUP BUSINESSES

1.1. GENERAL PRESENTATION

Identity and background

With more than 5,000 employees and revenues of €446.8 million for FY2016, NEURONES is ranked among the top 15 IT Consulting and Services and Technology Consulting companies in the French market. In terms of market capitalization, it is one of the top 10 digital-services companies listed on the Paris stock exchange:

	(in € millions)	Capitalization (12/31/2016)*	2016 worldwide revenues
1	Capgemini	13,751	12,539
2	Atos	10,502	11,717
3	Altran	2,440	2,120
4	Alten	2,248	1,748
5	Sopra Steria	2,209	3,741
6	Econocom**	1,569	2,536
7	Akka	702	1,123
8	Assystem	588	956
9	GFI Informatique	543	1,015
10	**NEURONES**	542	447

* Including technology consulting companies (Altran, Alten, Akka and Assystem).
** Listed in Brussels but generates the around half of its revenues in France.
Sources: company press releases and Euronext.

Created from scratch in 1985, the Group has experienced steady growth (averaging +13% per year over the last ten years).

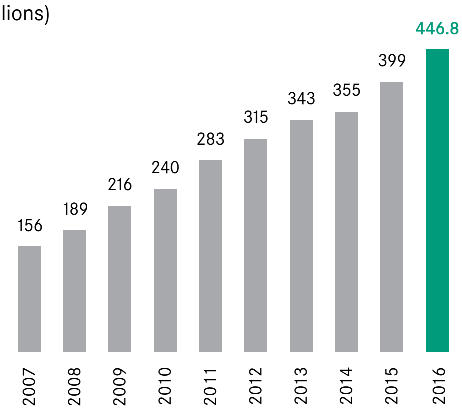
The Group was built by setting up dedicated subsidiaries for each core business, with their own unique technical know-how and using their own commercial brand. These companies were given the task of rapidly attaining a significant size in their field so that they could provide the best level of services at controlled structural costs. A cross-functional team coordinates the different entities working on contracts involving several complementary businesses and manages the overall relationship with certain "key accounts".

NEURONES has thus based its business on proven, sound foundations to further its internal development, and grow through acquisitions of companies with the same or complementary core businesses.

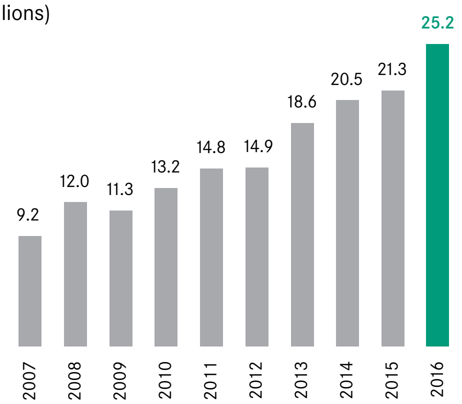
Since floating on the Stock Exchange in May 2000, the Group has made around ten significant acquisitions, which now account for roughly a third of its business.

Key figures

CONSOLIDATED REVENUES
(in € millions)



NET PROFIT - GROUP SHARE
(in € millions)



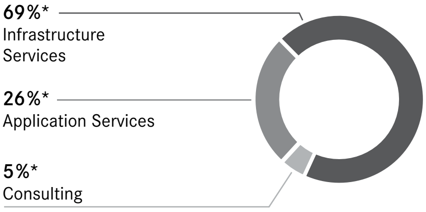
Changes in key figures *(in € millions)*	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues	156	189.3	216.4	239.6	283.3	315.4	343.2	355.2	399.4	446.8
Operating profit*	13.8	18.4	19.1	24.5	26.3	28.1	32.9	35.5	37.1	42.5
Operating profit (as a %)	8.9%	9.7%	8.8%	10.2%	9.3%	8.9%	9.6%	10%	9.3%	9.5%
Net profit	9.9	13	12.8	14.9	17	17.2	21.4	23.6	24.5	29
Net margin	6.3%	6.9%	5.9%	6.2%	6%	5.4%	6.2%	6.6%	6.1%	6.5%
Net profit – Group share	9.2	12	11.3	13.2	14.8	14.9	18.6	20.5	21.3	25.2
Staff at year-end	2,054	2,455	2,665	3,036	3,471	3,704	4,065	4,082	4,580	5,044

*IFRS accounting standards. The Company Value Added Contribution (CVAE) – 1% of revenues – has been classified as a tax since (and including) 2010. The operating profit benefited from the positive effect of the Competitiveness and Employment Tax Credit (CICE), equal to 0.8% of revenues for 2013 and 1.2% from 2014.

1.2. BUSINESS OVERVIEW

Business segments

The Group's activities are divided between three business segments: :



*2016-related revenues

The relative share of revenues of each segment changed as follows:

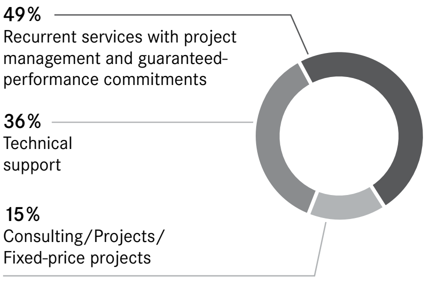
Change by business segment *(in € millions)*	**2014**	**% of total revenues**	**2015**	**% of total revenues**	**2016**	**% of total revenues**
Infrastructure Services	250.1	70%	282.1	70%	308.1	69%
Application Services	86	24%	95.1	24%	116.2	26%
Consulting	19.1	6%	22.2	6%	22.5	5%
TOTAL REVENUES	355.2	100%	399.4	100%	446.8	100%

Types of service, recurrence

The Group's IT Services activities (Infrastructures and Applications segments) break down as follows:

Type of activity carried out	**Information system domain**	
	Infrastructures	**Applications**
Design/Build	Architecture, projects, migrations, deployments	Application design, software package integration, tailored developments, tests.
Run	Managed services, outsourcing, service desk, hosting, "cloud computing", SOC (Security Operation Centers)	Support and Third-Party Application Maintenance (TPAM) Business Process Outsourcing (BPO)

According to its recurrence and the type of service (fixed price or on a time basis), the activity breaks down as follows:



Recurrent services with project management and guaranteed-performance commitments are long-term contracts concerning two business segments:

- Infrastructures: managed services and outsourcing
- Applications: Third-Party Application Maintenance (TPAM)

They require the intervention of seasoned pre-purchase service teams, substantial supervision, rigorous management control and the occasional intervention of experts, to ensure the group's methods are applied correctly, to audit the contract and to search for ways to improve the service quality and profitability.

These contracts have initial terms of 3 to 5 years. The average actual term is longer: they can be renewed formally or by tacit renewal.

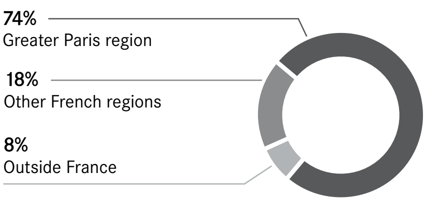
A significant portion of the simple technical assistance and certain projects are recurrent (i.e., the term of intervention is greater than 12 consecutive months).

By consensus, all Consulting work is considered to be a non-recurrent project activity.

Overall, the revenue recurrence rate is estimated at approximately 70%.

Activities by geographic zone

The Greater Paris region accounts for three quarters of the employees, while the portion of employees in other regions and outside France continues to grow regularly.



Breakdown of staff *(at year end)*	**2014**	**%**	**2015**	**%**	**2016**	**%**
Greater Paris region	3,229	79%	3,431	75%	3,718	74%
Other French regions	630	15.5%	833	18%	905	18%
Outside France	223	5.5%	316	7%	421	8%
TOTAL STAFF	4,082	100%	4,580	100%	5,044	100%

Outside France at December 31, 2016, staff were distributed as follows: Romania (200 people), Tunisia (156 people), Singapore (34 people), Germany (17 people), Belgium (7 people), India (6 people) and Switzerland (1 person). The vast majority work in service centers for services requested by clients located in France. The Group also contracts partners in around 20 countries under global contracts.

Impact of the digital transformation

It is currently thought that around 22% of company revenues come from or are directly influenced by the digital sector. This figure may double over the next five years. The information technology and digital sectors have become the executives' top two priorities for investment ahead of product improvement and marketing.

The digital transformation brings together project which use digital technology to rethink services, improve the "customer journey", develop new services, use smart objects and big data to make the best use of data and, lastly, improve operational and support processes.

The digital transformation irrigates the majority of the group's core businesses: design of new disruptive products and services, cross-channel management, process digitization, big data and analytics, external social networks and blogs, internal collaborative platforms, mobility and mobile first sites, connected objects, interactive (agile) development methods, virtually continuous integration of versions of applications in production (DevOps), etc.

It is a delicate challenge to precisely define the perimeter of these activities, some of which have existed at NEURONES for some years. For example, the development of complex BPM applications (see glossary at end of the document) in the insurance field (managing a car accident by sending an SMS message to the mechanic, to the driver, managing the stages of the process, etc.) are typically very digitized applications with cross-channel management. The development of mobile-first sites and agile methods started several years ago. The network-related business lines (high-speed Internet), cloud computing (IaaS and SaaS), and security are boosted by the digital transformation. Other activities are, however, more recent (smart objects, big data architectures, etc.). It is thought that the services linked to the digital transformation equate to around 20% of the Group's revenues (including cloud computing and security). They are described below in detail by core business.

1.3. CORE BUSINESSES IN DETAIL

Core businesses making up the various segments

Each business segment comprises one or more core businesses, addressing both design/build phases and recurrent phases. Each core business is housed in a dedicated company, which enables the Group to have a simple legal structure that reflects its organization. Minority interests are held exclusively by the directors and executives of the subsidiaries, who accordingly act as shareholder-entrepreneurs.

Segment	Core businesses
Infrastructure Services	- Infrastructures, mobility, connected objects - Service desk, workstation outsourcing - Server and application outsourcing in cloud computing mode - Computer security - IT operations - IT service management, IT governance
Application Services	- SAP - Content management (ECM, EDM), business process management (BPM) - IT consulting for finance - Web (Java, .Net, open-source) and decision-making support (BI) - Mobility, social media, data analysis, big data - IT training and change management
Consulting	- Management and organization consulting - Digital transformation consulting - Digital marketing consulting

The figures given below for each activity represent the core business contributions to the Group's consolidated revenues, after restatement of the intra-group transactions (i.e. they are not the revenues of the companies in which these businesses are housed).

Core businesses of the Infrastructure Services segment

Infrastructures, mobility, connected objects

(in € millions)	2015	2016	16/15
REVENUES	74.4	75.4	+ 1%

Today, IT infrastructures are open and multiple. Users access a company's information system in mobile working situations, as the distinction between smart phones and laptops is subsiding. Many applications operate in SaaS mode (Office365, SalesForce, etc.) or in public clouds (Azure, AWS). The infrastructures and data themselves have multiple locations: on site, in third party data centers (infrastructure hosting companies), in the cloud (private, public or hybrid clouds). The movement to digitally transform companies increases the need to be proactive in implementing all of these resources, hence the emergence of organizations and tools like DevOps, combining the development, test and production functions, previously separated.

The design/build business consists in designing and implementing all or part of the IT infrastructures and related software as well as certain related cross-functional services: servers, storage and data back-up, private or hybrid clouds, local and remote networks, workstations, roaming terminals, remote access, security solutions, production tooling, etc.

This is a project business, often carried out in the context of fixed-price "turnkey" projects with a performance guarantee.

The upstream expertise consists in identifying the solutions available on the market that are long-lasting, productive and robust in operation. Given the great diversity of products and their rapid development, designing and costing these solutions requires the contributions of several technical experts. They are coordinated by a project manager, who is solely responsible for the commitments made.

The assignments typically carried out are as follows:

- implement best ITIL practices and automation tools for IT operations,
- design Architectures: Software Defined Data Center (SDDC),
- cloud support: identify cloud solutions adapted to needs, migrate applications and secure solutions,
- integrated networks: Software Defined Network (SDN),
- collaborative tools: implement or transform directory services and messaging services,
- consolidate and virtualize servers, and implement resilient infrastructures,
- migrate data centers,
- storage solutions: Software Defined Storage (SDS), SAN/NAS, back-up, archiving,
- virtualize the workstation and implement multi-screen digital strategy (smartphone, mobile, tablet, web, interactive terminal, etc.),
- remote access and management of mobility: Mobile Device Management (MDM),
- end-to-end supervision (applications performance, systems, networks),
- packaging, remote software distribution, masters,
- DevOps tools.

The technical specializations mentioned above are used in combination to help clients carry out virtualization projects and set up private and hybrid cloud computing services. The infrastructure entity constantly updates its private clouds that it manages, operates and administrates.

For comprehensive projects, this entity provides software (system, security, email, backup, etc.) and hardware (servers, storage, network equipment, etc.). This part of the business line tied directly to the resale of solutions is weak (less than 10% of the revenue of the entity concerned).

Different procedures are used for the recurrent management of infrastructures: stand-alone technical support, service outsourcing (on client sites and remotely from the Group's service centers or in mixed mode, on site and remotely), full operation including project management and service level agreements (managed services, outsourcing). In technical terms, the scope of service is typically as follows: servers, storage, networks, technical software layers (operating systems, databases, middlewares, messaging services, directories, etc.), security equipment, workstations, mobile telephony and connected objects (IoT).

The two activities (Consulting and Integration, on the one hand, and recurrent management, on the other), draw on the same technical profiles: consultants, architects, project managers, administrators, engineers and technicians.

Business linked to digital transformation:
- mobile infrastructure management and development of mobile-first applications,
- smart objects (models, roll-out),
- DevOps: supply of infrastructure services and tools

Service desk, workstation outsourcing

(in € millions)	2015	2016	16/15
REVENUES	119.1	132.2	+11%

The service desk receives and handles user requests, and either resolves them or passes them to other expert entities for resolution ("escalation"). It identifies, capitalizes and circulates the knowledge required for the proper operation and use of IT tools in the company.

It provides a responsive (short lead-times for handling and responding to requests) and competent (large capacity for immediate problem resolution) service. It contributes to the continuous improvement of information systems (identification of trends, study of causes, improvement recommendations) and therefore to the performance of companies.

The balance between the sense of client relations, technical knowledge and the understanding of the client's business processes is crucial to provide a quality service. Maintaining this balance over a period of time (several years) is a key factor for building client loyalty. For this reason, service desk staff are given regular practice sessions and training.

Half of the services are performed in 6 interconnected service centers and half on the client site. The support covers users in a dozen or so European countries.

These centers are equipped with the latest communication technologies. They ensure users can access the service using any channel (telephone, e-mail, text message, interactive chat, self-service platform, etc.) from any terminal (PC, tablet, smartphone), at any time (24/7) and with a choice of over 12 languages.

In order to increase its capacity to resolve technical issues and support clients during the transformation of IT infrastructures towards cloud-based systems and virtualization, the service desk business provides a service offer covering expertise (ExperTeam®), consulting, architecture and projects.

At the same time, in order to provide business departments (notably sales and marketing departments) with its expertise in terms of client relations, the service desk proposes a business support offer (Seequalis®) to improve the "client journey" and increase loyalty.

The business holds a recognized leadership position in France and these activities are currently being extended in Europe.

Business linked to digital transformation:
- mobile infrastructure management,
- management of industrial smart objects (intelligent meters) and terminals (cinemas),
- business support for customer relations (CRM, after-sales, customer loyalty).

Server and application outsourcing in cloud computing mode, IT security

(in € millions)	2015	2016	16/15
REVENUES	37.6	40.8	+8.5%

The remote server and application operation center (Osmose® solution) provides shared remote management of servers, networks and applications. The Group's teams handle alert reports transmitted by supervision tools (reactive mode), take preventive action (proactive mode), perform tasks planned using a scheduler, manage releases and changes.

This center runs on a 24/7 basis. It has been able to increase productivity by pooling certain resources, such as supervision, database administrators, ERP operation (SAP's BC profiles), security expertise, etc.

A clear distinction is made between Tier 1 operations (where incidents are handled according to a predefined set of instructions in a highly industrialized process) and Tier 2 operations (search for the root cause of the incidents, analysis and preventive measures, capacity review, technical office, preparation for implementations).

The main supervision tool used by the server service center was developed internally. It gives the Group a substantial competitive – and in particular financial – advantage. The Group also has a new-generation configuration management database (CMDB), which is systematically used for contracts.

At the same time, the infrastructure service line, which includes infrastructure hosting – now entirely in private cloud mode (Iode®) –, is experiencing strong growth. The old physical servers have been virtualized and installed on high-performance sets of blade servers. Data storage and backups are pooled and centralized. Invoices are calculated on a pay-per-use basis (processor power and memory capacity, storage capacity, Internet bit rates, etc.). The private cloud offer represents a volume of 16,000 virtual servers (VM), including VDI (cf. glossary at end of document).

Virtually all of the private cloud hardware and software is owned by the Group ("Capex"); the client pays a lease that covers the supply and hosting of the hardware ("Opex").

Recognizing that it was difficult to stay in the race (size and technology) led by data center specialists and not wanting to maintain specialist in-house "property" skills specific to hosting (building, electrical safety, fire safety, air conditioning, access security, etc.), NEURONES has progressively transferred its data center equipment to specialists. As such, most servers are now hosted within five "Tier 3+" certified partner companies in ten or so different data centers. The Group's two hosting centers (Nanterre and Lyon) serve as telecom network hubs and back-up data centers for some clients. Subcontracting is limited strictly to "simple hosting". Hosting partners do not have access to the servers managed in the areas rented from them.

Associated with the Tunisia's top private economic player, this entity rolled out and runs a data center in cloud computing mode in Tunis.

It has also acquired expertise in open-source email hosting (Zimbra).

The Group has several years' experience and feedback in private cloud computing with a large number of clients, which gives it a competitive edge in this sector.

The IT security business, which is a key success factor for outsourcing in cloud computing mode, is also growing in a market that remains fundamentally buoyant. Information systems are now more open and readily accessible – and hence more vulnerable – than ever before, with e-mail, systematic Internet connections, interconnections between a company's head office, agencies, clients, suppliers and partners, and the widespread practice of remote access from portable computers or devices (staff who work off site or from home, etc.).

Cyber security consolidates complementary missions:
- qualification: audits and intrusion testing,
- consulting: defining security policy and plans,
- on clients' behalf, Security Operations Center (SOC) management, IT system supervision centers for the detection and prevention of security incidents.

Business linked to digital transformation:
- Cloud computing (IaaS and SaaS)
- Cyber security.

IT operations

(in € millions)	2015	2016	16/15
REVENUES	38.8	47.5	+22%

IT operations concerns managing the processing operations of business applications run on enterprise servers and using database management systems (DBMS like Oracle, SQL Server, Sybase, etc.). IT operations draws on a variety of profiles: operators, operations analysts (support, operation, preparation), operations engineers, systems engineers and operations project managers, along with data center architects and PMO (Project Management Office) profiles.

The IT operations business has changed considerably and now deals primarily with real-time applications, along with the methods and software tools it uses. The IT operations business requires proficiency in Unix, the main schedulers on the market ($Universe and Control M), the main supervision (HP-OV) and alert tools (Patrol), and the main backup tools (Netbackup, Networker). For many clients, it is also necessary to have a good grasp of Internet architectures (e.g. Websphere).

Proper integration of the applications in production (adjusting processing and controls, documentation) and efficient management of changes remain key success factors, together with completion of the operations plan.

The client base of this business segment is essentially made up of corporate accounts in the banking and insurance sector, and outsourced clients.

IT service management, IT governance

(in € millions)	2015	2016	16/15
REVENUES	12.1	12.2	+1%

The areas covered include managing services and assets for an IT department (IT Service Management, ITSM). The projects carried out improve cost control and structure IT services in order to increase IT service quality and user satisfaction.
There are various types of missions:
- certificate training courses for ITIL (EXIN accreditation),
- consulting: defining organization and setting up ITIL processes, benchmarking,
- assistance to contracting authorities: defining projects, drafting specifications, managing change,
- operational IT process management and IT project management,
- implementation of ITSM software solutions and project portfolio management (partnerships with HP Software, ServiceNow, EasyVista and others),
- Third-Party Application Maintenance, either on client premises or provided through the Group's shared service center.

Core businesses of the Application Services segment

SAP integration and outsourcing

(in € millions)	2015	2016	16/15
REVENUES	23.6	36.9	+56%

The Group's SAP activities can be broken down as follows:
- Integration: functional design and then installation and deployment of new modules. Exclusive pre-configured SAP solutions for service activities and the distribution sector.
- Expertise: work on the key points of projects (data transfer, structural changes, non-regression testing, BI, etc.).
- ABAP development.
- SAP administration and operation using in particular the BC module.
- Support and TPAM, which can also be included in broader outsourcing contracts).
- User documentation and training (change management).
- NEURONES has significant references for the following types of assignment:
- split-up or merger of SAP systems,
- country roll-out: a core model is rolled out in different European countries.

A first affiliate (80 consultants), specialized in Utilities (SAP ISU modules), joined the Group in December 2015 (integrated in the consolidated financial statements from January 2016). A second structure (20 consultants) specialized in the latest generation SAP user interface (Fiori), which also concerns SAP screens on laptops and tablets, strengthened the activity from December 1, 2016.

Content management (ECM, EDM), Business Process Management (BPM)

(in € millions)	2015	2016	16/15
REVENUES	23.3	24.8	+6%

Enterprise Content Management (ECM) consists in managing unstructured information in electronic form (letters, contracts, invoices, e-mails, miscellaneous electronic documents, photos, films, etc.), as opposed to information stored in databases.

It includes all of the management and formatting of the mass of content published by companies on the Internet: Web Content Management (WCM).

ECM also includes Electronic Document Management (EDM) applications: acquisition, classification, storage, archiving and distribution of scanned documents (bank statements, telephone or electricity bills, etc.).

Business Process Management (BPM) is a set of methods and applications that optimize and automate workflows.

ECM and BPM converge when the workflows concern case handling (insurance claims, subscriptions, etc.) and document circulation.

As a result of the steep increase in paperless mail, both incoming (letters) and outgoing (statements and invoices), and the proliferation of unstructured data, ECM/BPM applications today make up a sizeable market segment, on a par with ERP, CRM (Customer Relationship Management), SCM (Supply Chain Management) applications.

This business segment is made up of two entities:
- an ECM specialist and major partner of IBM FileNet,
- a BPM specialist that is a partner of Tibco Software, Software AG, EMC Documentum, Microsoft Sharepoint and Alfresco, among others.

Business linked to digital transformation:
- complex applications using several different application modules (Internet website, SAP, sending and receiving SMS, dematerialization, etc.) and multi-channel management,
- distribution applications for text, audio and video content.

IT consulting for finance

(in € millions)	2015	2016	16/15
REVENUES	26.5	29	+9%

This "market finance" entity advises corporate and investment banks for what is commonly referred to as their trading activity (shares and derivatives, rates, credit, exchange and raw materials). It provides expertise in assistance to contracting authority, architecture and project management for information system projects in the different sectors of the finance industry:

- Front Office: pricing, position management, negotiation, risk management, liquidity forecasts,
- Middle Office: control, validation, enrichment,
- Back Office: confirmation, settlement and delivery, cash flow, accounting.

It is also involved in Asset Management and Securities Services.

This entity invested in a startup creating a piece of software for the finance sector (risk management and real-time transaction analysis) based on big data technologies. Beyond the prospects for this software, this operation developed skills in the implementation of big data architectures (Hadoop, Hbase). In 2016 a major threshold was crossed when this software was sold to several "corporate accounts." For one of these clients, the software, running as SaaS, will be hosted in the Group's private cloud centers.

Business linked to digital transformation:
- developing big data software for finance (Scaled Risk),
- roll-out of big data architectures (Hadoop, Hbase),
- data scientist services.

Web and BI

(in € millions)	2015	2016	16/15
REVENUES	10.9	12.9	+18%

Using agile development methodologies, this entity works in the following fields of expertise:
- integration of collaborative platforms (Sharepoint, Nintex, Intrezz, Liferay) and corporate social networks (Yammer, Jive), Content Management Systems (CMS, Easypublish, Drupal),
- development of tailor-made Web and business applications: Java, .Net (Microsoft),
- design and development of mobile applications,
- integration of decision-making support solutions (Business Intelligence): data warehousing, decision support systems, requesters, etc.,
- consulting and project management assistance in the banking/insurance sector,
- application support and Third-Party Application Maintenance (TPAM).

The application support and TPAM fixed-price projects have been grouped together within a service center in order to continue industrialization and to standardize the methods and tools: tracking requests and setting up development and testing environments with the help of virtual machines (VMs), testing tools, and versioning and documentation tools, etc. Support and TPAM can be included in combined outsourcing contracts (infrastructures and applications).

Business linked to digital transformation:
- Collaborative platforms (Sharepoint, Liferay), corporate social networks (Yammer, Jive, etc.),
- Mobile applications, mobile-first sites,
- Agile methods (Scrum),
- Devops: linked to the systems and networks entity for the infrastructure part.

Mobility, social and collaborative, digital marketing, big data, analytics

(in € millions)	2015	2016	16/15
REVENUES	3.9	4.4	+13%

With the Chief Digital Officers (CDO) of corporate accounts as contacts, this recently-created entity's mission is to explore and implement the main technological innovations that will structure the information systems of tomorrow:
- Web & Mobility: provide mobile access to company applications and other management software to all internal or external employees,
- Social and Collaborative: create and manage next generation collaborative tools (corporate social networks, etc.…),
- Digital Marketing: support the digital transformation, the development of customer knowledge (CRM) and the integration of social networks for acquiring sales and marketing data),
- Big Data and Analytics: test and deploy new architectures and decision-making solutions capable of processing and analyzing huge volumes of disparate data. The first experiments involve the finance, media and energy sectors.

Business linked to digital transformation:
- all activities set out above.

IT training and change management

(in € millions)	2015	2016	16/15
REVENUES	6.9	8.2	+19%

This business encompasses consulting in the organization of training plans (educational engineering, management of training plans and courses), the actual delivery of training (traditional training sessions, distance training, e-learning, etc.), the design and management of "IT stores" or "IT counters" on client premises, and support and assistance with rolling out office software (such as Windows 7 or 8) or ERP software.

One of the buoyant activities in this business is providing support for the installation of new ERP or line-of-business software packages. These are tailored training courses related to deployment projects. They include an upstream phase of consultancy and design of learning and documentary tools (e-learning, instructions for use) and a downstream support phase. Learning tools are disseminated through LMS (Learning Management Systems) platforms.

Outsourcing

For recurrent operations, the business entities provide two distinct types of service: stand-alone technical support, with no project supervision, and outsourcing. This second type of service typically involves multi-year contracts (3 to 5 years), the service provider acting as project manager and guaranteed performance commitments for service levels (with penalties for non-compliance).

For a contract concerning a single service, just one Group entity is called on. When several services are concerned, a single contract manager is appointed. They ensure that service level agreements are honored over the long-term. The contract manager also manages the improvement plan, based on a benchmark and a service request catalog.

A concerted effort is made to rapidly capitalize on knowledge and best practices: this is vitally important for the service line's development. Proven ITIL practices have been used to set up consistent processes.

Where improvement plans are concerned, the Group has 15 years' experience and feedback, with concrete, significant gains. The number of tickets are routinely cut by 20% to 25% in three years. The productivity gains are split evenly between the client and its outsourcer in the form of a lower fee or a rise in the level of service.

At the end of 2016, 300 infrastructure outsourcing contracts were ongoing (often including a cloud computing section) as well as 100 application contracts (TPAM). Around 2,550 people - over half of the Group's staff - are engaged in carrying them out.

In a bid to industrialize operations, an ever-growing percentage of the business is generated by shared service centers:
- 5 service desks in Nanterre, Angers, Lille, Tunis and Timisoara,
- 2 remote workstation management platforms: cloning, packaging, remote software distribution,
- 5 remote operation centers for servers and applications
- 11 hosting centers: three internal centers in Nanterre, Lyon and Tunis as well as spaces reserved with "Tier 3+" third-party hosters,
- 5 service centers for application support and TPAM in Nanterre, Levallois, Angers, Nantes and Orléans.

In order to set up the service centers, the Group had to first develop rigorous processes and sophisticated interfaces between the service centers and the onsite teams.

When used for an Outsourcing contract, the service centers become part of comprehensive, cross-functional, "internal client"-focused processes: The crucial goal for the Outsourcer is to achieve consistent user satisfaction by ensuring that the different technology "silos" harnessed to work on the contract (service desk, server and network service center, support center and TPAM, onsite teams) interact correctly with each other. The service centers have been set up to achieve productivity gains. They must be combined with sound management of cross-functional aspects so that the outsourcer's internal organization is "transparent" for the client.

There is a very real "entrance barrier" in this business, as a competitor must possess the following competencies:
- ability to provide prime contracting,
- integration of various specialized service centers,
- technical expertise in systems and networks,
- know-how to rapidly assign a suitable team to each project.
- Whereas stand-alone technical support assignments are often subject to a selection process by purchasing departments, outsourcing contracts tend to be negotiated as one-offs, then signed, by IT departments.
- Apart from the growth of remotely-delivered services, the main trends in this business are as follows:
- third generation "consolidated outsourcing", which merges several already-outsourced domains (as opposed to second-generation "selective outsourcing", which is split up into batches, and first-generation "end-to-end outsourcing", which often involves transferring staff),
- outsourcing, which generally goes hand-in-hand with major projects in information-system transformation and often server virtualization,
- a maturing market, with a trend towards opening ongoing outsourcing contracts to tendering – possibly with an extended scope – rather than launching totally new projects.
- Revenues are recorded for each entity in proportion to its contribution to the contract.

Consulting business segment

Management and organization consulting

(in € millions)	2015	2016	16/15
REVENUES	20	18.5	-7.5%

Management consulting services are provided to the operational or functional divisions of corporate accounts. Projects sometimes include a component that requires competencies in information systems or in digital transformation.

The management and organization consulting services provided include:
- assessment of strategic options, proposal of scenarios,
- guidance and support for complex projects,
- coordination of actors for transformation plans,
- guidance and support for provision of digital technologies for client business lines and core businesses,
- support for governance of digital transformation programs,
- operational coordination and management for projects,
- impact studies on regulatory and technology changes,
- definition of strategies for sharing IT systems.

They are implemented by teams led by associates from major international firms.

Consulting in the service of the digital transformation of companies

(in € millions)	2015	2016	16/15
REVENUES	2.3	4	+74%

Launched at the beginning of 2015, this specialized firm employed 35 consultants at the end of 2016.
Its fields of expertise are:
- running innovation workshops with unique tools (design thinking, creative games), acculturation sessions for executives and managers on digital technologies, demonstration of roll-out on real cases, help in creating new products and services,
- data science, data visualization,
- new intranets and corporate social networks, management of internal communities: consulting and roll-out,
- management of external communities (blogs, social networks): advice on multi-channel distribution of content, monitoring and listening to social networks, e-reputation and social footprint analysis.

Business linked to digital transformation:
- all activities set out above.

Digital marketing consulting

(in € millions)	2016
REVENUES	1.5*

* Pro forma.

This specialized firm of 15 consultants joined the Group on December 1, 2016. With scoping or operational type interventions, its fields of expertise include:
- managing marketing data on DMP (Data Management Platforms) and managing cookies and their historization, like BlueKai (Oracle) or Krux (Salesforce),
- personalization: choose, in real time, the sales information sent to a web surfer based on his browsing history and the CRM data concerning him. Personalization software: Maxymizer (Oracle) and Optimzly,
- Omni-channel model of attribution: modeling cross-channel client journeys to orient media expenditures in real-time based on the visitor's known profile and the tactics decided for all channels,
- strategy and innovation: high-tech product specifications (media, telecom, IoT, etc.): market studies, product definitions, business plans, specifications, etc.
- omni-channel: with the Abode Campaign and Next Best Action (NBA) tools,
- connected points of sale: using sensors, count the people who pass in front of a store, those that stop, those that enter, M/F, age, etc. to improve the client knowledge and optimize the number of salesclerks based on traffic peaks.

Business linked to digital transformation:
- all activities set out above.

Financial items by business segment

The change in the different business activities' contribution to operating profit was as follows:

Operating profit (in € millions)	2014	% of revenues	2015	% of revenues	2016	% of revenues
Infrastructure Services	25.8	10.3%	25.2	8.9%	26.4	8.6%
Application Services	7.8	9%	8.7	9.1%	13.1	11.2%
Management Consulting	1.9	10.2%	3.2	14.5%	3	13.6%
TOTAL	35.5	10%	37.1	9.3%	42.5	9.5%

Operating rate

The operating rate is defined as the ratio between the time allocated to clients' projects and the time the technical resources are available (number of working days less leave, sick leave and miscellaneous absences). This indicator is not defined the same way by all consulting and digital services companies.

Moreover, standard operating rates vary greatly from one line of business to another: consulting (around 70%), projects (around 80%), technical support (around 90%) and outsourcing (not applicable).

For projects, it is more meaningful to look at the operating rate and the average selling price per day together, rather than the operating rate in isolation. In entities with a high proportion of technical support, the operating rate is a key management indicator and monitored on a weekly basis.

In outsourcing, on the other hand, it is the margin made on contracts that is monitored, not the operating rates, which are inherently the highest in the Group. The main factor that determines how much profit is made on a contract is the productivity rate.

Likewise, the service desk's operating rate (which can top 95%) is meaningless. It should be analyzed in combination with productivity indicators (the number of calls handled per day per support technician).

Similarly, for training, the occupancy rate (number of participants per room, number of rooms occupied) should be analyzed at the same time as the operating rate to see whether good use is being made of the technical resources.

Partners

An impartial specifying policy

From the outset, NEURONES has remained strictly independent of any vendor, services company or manufacturer. This complete impartiality in its choices and recommendations is vital for supporting its clients and nurturing their trust on a long-term basis.

Main partners and certifications

This has not stopped the Group from being recognized by the main technology developers and certification bodies – for many years now in some cases – as a partner of choice in its various business lines.

Systems and network integration:

AWS Standard Partner - Barracuda - CA - Cisco Select Partner - Citrix Gold Partner - Centreon Gold Partner - Datadog - Dynatrace - Equinix - ExtraHop - F5 - Fortinet - HPE Reseller - IPlabel Gold Partner - Landesk - Microsoft Gold Partner - NetApp - Newrelic Reseller - Oracle Gold Partner - OVH Partner - RedHat Premier Partner - Riverbed - Simplivity - Velostrata Platinium Partner – Vmware: Entreprise, Vcloud Air Network - Zerto.

Server and application outsourcing in cloud computing mode, IT security:

Arjel - Checkpoint - Cisco – Fortinet Platinum Partner - IBM Global Partner World Service Provider - Imperva Silver Partner - Juniper - Microsoft Gold Partner Hosting - Oracle Gold Partner - Passi - PCI DSS - VMware Service Provider Program - VMware vCloud Air Network Service Provider - VMware vCloud Powered - Qualys Value Added Services Program - Zimbra Gold Partner.

Big data:

Amazon Web Services - Cloudera - Docker - HortonWorks - Scaled Risk.

Smart objects (IoT):

Factory Systèmes - IBM - Microsoft - Objenious - Polestar - Visioglobe – Wyres.

Service desk/Telephony/CTI:

Acronis - Apollo Formation - Arp - Comsoft - Easyvista - Eptica - Igel Technology - Knowesia - Microsoft Gold Certified Partner - Orsys - Paessler PRTG - ServiceNow - Suconi - Touch and Play - Genesys.

ERP, CRM, BPM, EDM:

SAP Silver - SAP Partner Center Of Expertise - SAP REx Hana - Alfresco Partner Premier - BonitaSoft - Business Document Partner - DocuSign Partner - EMC Captiva Partner - Ephesoft Partner - IBM Partner Analytics & Social (Box, CMOD, Content Manager, Datacap Insight, ECM FileNet, Tririga) - Kofax Diamond partner - Redhat - OpenText - Tibco Software.

Internet consulting & development, Portals:

IBM WebSphere Portal - Intrexx - J2EE - LAMP - Liferay - Microsoft Silver Partner Software Development.

Mobility:

Apperian - LookOut - VMware AirWatch.

Decision-making tools:

Cognos - Datastage - Informatica - Microsoft SQL Server - SAP Business Objects Partner.

Groupware/Unified communications:

Microsoft Gold Partner Collaboration & Content - Microsoft Silver Partner Portal & Collaboration - Microsoft Office Sharepoint Server - Nintex Workflow - United Planet Intrexx - Xamarin.

Training:

AutoDesk Training Center - Centre de Test TOSA - ITIL Authorized Training Center & Authorized Certification Center (EXIN by Axelos) - Microsoft Partner Gold Learning - Microsoft Partner Silver Devices & Deployment - SAP End-User Education - SAP Partner - Cisco - Citrix - Vmware.

Clients

NEURONES' client base is made up of around 1,000 medium and large-sized private-sector companies, in addition to state-owned enterprises, local authorities and government departments, for whom the Group carries out mid-size projects (up to € 10 million per year).

The revenue breaks down by sector as follows:

At the end of this financial year, as in previous years, the number one client is a major group whose many decision centers order services independently of each other and from different Group entities.

All told, 80% of NEURONES' client base (i.e. 32 out of 40 clients) are CAC 40 groups.

In 2016, the top 20 clients were (in alphabetical order): Accor, Auchan, Axa, Banque de France, BNP-Paribas, BPCE, Bouygues, CEA, Crédit Agricole, EDF, Engie, Fromageries Bel, Haut-de-Seine Departmental Council, IRSN, La Poste, LVMH, Saint-Gobain, SNCF, Société Générale, Veolia Environnement.

Over the long term, as the Group grows, there is a tendency for its revenue to become increasingly concentrated:

Breakdown of revenues *(in € millions)*	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Top 20 clients										
- Value	79.1	96.2	109.3	128.9	160.6	174.0	198.7	211.4	225.6	260.5
- % of consolidated revenues	50.7%	50.8%	50.5%	53.8%	56.7%	55.2%	57.9%	59.5%	56.5%	58.3%
Top 10 clients										
- Value	54.4	67.2	77.7	96.3	119.3	129.1	147.6	161.8	175.0	206.4
- % of consolidated revenues	34.9%	35.5%	35.9%	40.2%	42.1%	40.9%	43.0%	45.6%	43.8%	46.2%
Top 5 clients										
- Value	36.6	46.9	55.4	70.0	86.4	89.3	102.3	116.6	127.2	146.1
- % of consolidated revenues	23.5%	24.8%	25.6%	29.2%	30.5%	28.3%	29.8%	32.8%	31.8%	32.7%
Share of the no. 1 client										
- Value	13.1	17.9	19.9	25.9	30.8	30.6	31.9	34.4	37.6	42
- % of consolidated revenues	8.4%	9.4%	9.2%	10.8%	10.9%	9.7%	9.3%	9.7%	9.4%	9.4%

At December 31, 2016, accounts receivable represented 90 days' revenue, including 16 days of invoices to be issued:

2012	2013	2014	2015	2016
87 days	89 days	86 days	86 days	90 days

The Group uses neither factoring nor the exchange of securities for debt.

Subcontracting

Upstream subcontracting

A small portion of the revenues (roughly 2.2% in 2016) is generated by acting as a subcontractor for a manufacturer, vendor or fellow company.

Downstream subcontracting

Il Occasional use is made of independent subcontractors, who are incorporated into NEURONES teams. No projects whatsoever are subcontracted, either partially or in full, to fellow companies. However, certain workstation outsourcing missions may be (notably outside of the Paris region and abroad). Heavy use is made of independent subcontractors in two business lines: training and IT operations. The value of subcontracting purchases, as a percentage of the Group's revenues, is growing, mainly due to the increase in sub-contracting as part of global workstation outsourcing contracts and TPAM SAP contract:

2012	2013	2014	2015	2016
14.7%	16.7%	15.6%	17.2%	19.3%

Trademarks and patents – Industrial and intellectual property

Software

The Group has developed and is the owner of various "software building blocks", which it uses for its own requirements or those of its clients.

Patents

By law, software cannot be patented as such, so there are no patent license agreements.

Trademarks

The Group owns or uses, free of charge, the trademarks used for the business names of its entities, websites and offers.

1.4. MARKET AND COMPETITION

The IT services market: size and trends

There are around 600,000 salaried IT technicians in France (excluding freelancers) divided roughly as follows:
- two thirds in SSII, the technology consulting sector and software industry,
- one third at end clients.

The sector is thought to represent 2.5% of salaried work generating revenues of around €52 billion making it twice as big as the aeronautical and aerospace sector, and in terms of revenues, twice as big as the pharmaceutical industry. It can be broken down into three subsectors as follows:

Size of the French market *(in € billions)*	2016	%
IT consulting and services	31.7	61%
Technology consulting	8.9	17%
Software publishing	11.4	22%
TOTAL	52	100%

Source: Syntec numérique & IDC.

Since 1999, the compound annual growth rate of investments in IT services is reported to be 2.8 times higher than that of all investments made in France.

According to various analysts and forecasters, the French consulting and IT services market, in the strict sense, grew by 2.7% in 2016 (vs 2.5% forecast in April 2016). It is expected to grow by 2.7% in 2017:

Change in the French market	2012	2013	2014	2015	2016	2017(e)
IT consulting and services	0%	- 0.5%	+ 1.0%	+ 2.0%	+ 2.7%	+ 2.7%
Technology consulting	+ 2.0%	- 1.5%	- 1.5%	+ 1.6%	+ 3%	+ 2.7%
Software publishing	+ 1.9%	+ 1.7%	+ 1.8%	+ 3.4%	+ 3.4%	+ 4.2%
WEIGHTED AVERAGE	+ 0.8%	- 0.2%	+ 0.9%	+ 2.2%	+ 2.9%	+ 3%

Source: Syntec Numérique – March 2017.

In 2017, the weight of offshore is estimated at 8.2% of the French market for IT services.

For digital service companies (SSII), development is driven by projects related to digital transformation and innovation such as SMACS (Social, Mobile, Analytics, Cloud and Security), which represent 12% of business in 2015, 16% in 2016 and 19% in 2017.

The acronym SMACS covers a wide variety of projects which involve infrastructures as well as applications.

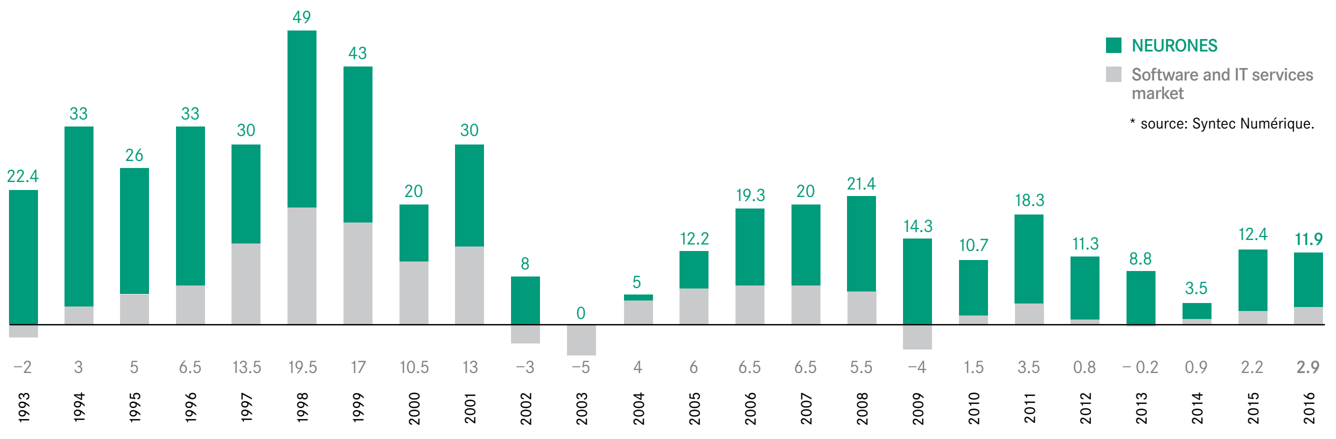
- Social: collaborative platforms, corporate social networks,
- Mobility: redesign of mobile applications, unified workstations (tablets), mobile banking,
- Analytics and big data,
- Cloud computing: rationalization and modernization of infrastructures (private and public cloud computing, hybrid cloud, virtualization of workstations, etc.),
- Security: strengthening security as IT systems become increasingly open.

Banking-insurance, finance, energy, utilities, transportation, trade and distribution will pull the market.

The involvement of business departments in IT projects is expected to increase regularly.

For their part, software publishers should continue the development of SaaS.

ANNUAL GROWTH (IN%) OF NEURONES AND THE SOFTWARE AND IT SERVICES MARKET IN FRANCE COMPARED



Competition

In terms of revenues, NEURONES is the 11th leading Consulting and IT Services company in the highly fragmented French service market (the number of companies with more than 10 staff is estimated at 3,800):

	Revenues of main digital service companies in France*	French market share** (approximate share)	Nationality
1	Capgemini	7.7%	France
2	Atos	5.7%	France
3	IBM	5.6%	United States
4	Sopra Steria	5.3%	France
5	Orange Business Services	3.8%	France
6	Accenture	3.6%	United States
7	HP Entreprises	2.8%	United States
8	CGI	3%	Canada
9	GFI	2.3%	France
10	Econocom	2%	Belgium
11	**NEURONES**	1.4%	France
	Top 11 total	43.2%	

* Excluding technology consulting companies: Altran, Alten, Akka Technologies, Assystem.
** Sources: 2016 revenues in France according to PAC (April 2017), 2016 market in France estimated at €31.7 billion according to Syntec.

NEURONES encounters a wide range of digital service companies and management consulting firms of all sizes on its various markets. As a multi-specialist, the Group tends to find itself up against different competitors of different sizes in each of its businesses, rather than overall competitors.

Design, integration and operation of systems and networks

This is a highly fragmented market made up of departments of some larger digital service companies and dedicated companies of various sizes, who are sometimes specialized in a sub-segment (pure-play remote network integrators, or specialists in supervision, virtualization, storage or backup tools, for example).

Service desk

The Group's specialized entity is the leader in its market. Its main competitors are outsourcers' support centers, a handful of medium-sized digital service companies, and companies' in-house solutions.

Server outsourcing in cloud computing mode, and IT security

In the private infrastructure cloud computing segment (IaaS), after a phase of fragmented competition, the number of players is decreasing in a volume-based market; with competitors differentiating themselves through services targeted at different client bases. The Group advises its clients about the public cloud (Amazon Web Services - AWS, Microsoft Azure, etc.), but doesn't use it. The security specialists are small companies or departments of large digital service companies, industrial groups and auditing firms.

Infrastructure outsourcing

In view of the "entry barrier" in this business, the Group only has around ten competitors: either comprehensive outsourcers or outsourcers specialized in infrastructures.

Application development, SAP integration and outsourcing, ECM and BPM

The competitors here are either specialized services companies in the small to mid-size range, or specialized departments of large IT services companies.

IT consulting for the finance industry

The challengers in this business tend to be relatively recently-established specialized services companies in the small to mid-size range.

Mobility, social media, big data and analytics

The major digital service companies have been setting up specialized in-house departments, so there are now numerous startups catering to these new technology waves.

IT training and change management

The Group is one of the top five specialized IT-training players in France (apart from manufacturers' and vendors' training departments). Competitors are primarily independent training organizations.

Consulting services in management, organization, digital transformation and digital marketing

The competition is extremely varied, including both the "top players" and numerous medium and small-sized consulting firms (between 200 and 300).

1.5. ORGANIZATION

Operational organization chart

The following functions are centralized:
- Group senior management,
- finances (consolidation, management control coordination, management of the parent company's cash and the "cash pool" supplied by the subsidiaries),
- legal,
- Group marketing and communications,
- customer relationship management for selected key accounts: a manager coordinates the action of the entities' sales engineers, who are specialized by type of service and by sector. The account manager also does the reporting for the business at the desired intervals,
- coordination of major multi-entity projects: all of the Group's commitments to clients are taken across the Group, with the support of the account manager and the technical manager of the entity chosen as leader. A cross-functional department coordinates the different technical teams and service centers involved in carrying out the services,
- quality and security.

The operational subsidiaries perform the following functions:
- senior management,
- sales,
- service delivery (team allocation, contract performance and monitoring),
- marketing,
- recruitment, human resources management and payroll,
- quality (certification, monitoring, improvement plans),
- accounting and management control,
- IT and support services.

The billable (or "productive") workforce make up a stable proportion of the total headcount:

2012	2013	2014	2015	2016
90.0%	90.0%	89.8%	89.8%	89.9%

The Group is organized into highly independent profit centers, with the central functions kept to a strict minimum. Each subsidiary communicates in its business line under its own name.

The management committee is composed of around fifteen senior managers, who are shareholders in the entity they manage or which they set up, and/or also hold shares in the Group.

Sales organization

The sales organization has two levels:
- the sales forces, specialized by type of service and by the business sector, are divided up among the entities, business by business,
- on top of which sits a cross-functional Group department for some key accounts. The overall account manager coordinates the work of the different entities' sales engineers and carries out consolidated reporting for the clients.

Marketing and communication organization

The Group marketing and communication department reports to the general management. It designs and deploys operational marketing initiatives to support NEURONES' reputation and image. The team handles both external communication (job applicants, shareholders and investors) and in-house communication.

As soon as an entity attains the requisite size, a local team is set up to handle its own marketing for service lines and clients, sometimes in coordination with the Group-wide department.

Technical organization

The technical departments are distributed in the business entities.

Each subsidiary manages its technical knowledge using its collaborative tools.

Human resources organization

Each subsidiary handles its own recruitment, training plan and compensation policy. Payroll management is pooled in several processing centers, as is participation in selected career fairs.

Administrative and financial organization

The following functions are centralized:
- the budgeting process,
- management of the Group's cash position and cash pooling,
- monthly consolidation and statutory half-yearly consolidations,
- support for external growth,
- the legal function, in liaison with the Group's legal advisors.

Each subsidiary is responsible for its accounting, management control and cash management.

Internal control

Internal control hinges on two processes:
- establishing forecasts: annual budget in November of year N-1, sometimes followed by another forecast in September of year N,
- monitoring performances: monthly financial reporting, with full application of the consolidation rules each month.

Operational activity is also tracked by a staffing-levels dashboard and relevant indicators for each business (number of job applications received, operating rate, average selling price per day, occupancy rate, etc.).

NEURONES also has a regularly-updated "Group Management Rules" handbook that sets out the procedures and management rules.

Quality system

The three main entities in the Infrastructures business are ISO 9001 certified, which together represent 57% of the Group' revenues. The certified activities include systems and network design/build and operation, IT operations, and the service desk and workstation remote management.

For its other businesses, NEURONES generally has a set of documented procedures.

1.6. RISK FACTORS

Financial risk

Financial risk under IFRS 7

Financial risk management (IFRS 7) is described in the appendix to the consolidated financial statements (cf. paragraph 4.24. below). It covers:
- credit risk,
- liquidity risk,
- market risk,
- capital management.

Country risks

Because NEURONES generates around 95% of its revenues in France, it does not face any significant country risks.

Off balance sheet commitments

There are no significant off balance sheet commitments. The commitments include:
- office rentals: standard 3, 6 or 9-year commercial leases,
- standard office equipment rentals and maintenance contracts (3-year photocopier servicing, etc.).

There are no other off balance sheet commitments, such as: unmatured discounted bills, contingent commitments, financial guarantees, holdings, etc.

Minority interest repurchase agreements

Repurchase agreements exist with the minority shareholders of Group companies. Indexed on the operating profit of the companies concerned, the buy-back prices do not represent a significant risk.

These commitments are recorded in the 2016 consolidated financial statements at €3.5 million, a limited amount given NEURONES' financial situation.

Business risks

Risks associated with recruiting and retaining staff

The Group cannot guarantee that it will be able to recruit and retain the consultants, engineers and technicians it needs to achieve its objectives, especially when the predicted shortage of executives occurs. Despite continuing high turnover in the Paris region, NEURONES has always been able to recruit sufficient staff to date (without lowering its recruitment criteria), even in very tight periods. To lessen the risk of key staff leaving the company, the Group practices very decentralized management and runs profit-sharing and bonus-share schemes.

Risks associated with the competition

On the whole, the information technology market has very few entrance barriers likely to curb the emergence of new competitors, which is a threat for certain Group businesses.

The businesses least at risk are:
- the service desk: the initial investment required acts as an entrance barrier,
- Outsourcing: the entrance barrier in this case is the long sales cycle of at least 6 months, and above all the need for all the necessary skills and service centers: project management, service desk, remote device management center, hosting, systems and network technical expertise, ability to deploy large teams, etc.

Technological risks

The environment in which NEURONES operates is characterized by advanced technology, changing industrial standards, the constant arrival of new competitors and the rapid emergence of new services, software and products. The Group's future success will depend in part on its ability to immediately adapt its products and services, and to develop new ones, to meet clients' changing needs at a competitive price.

Client risks

The largest client represented 9.4% of the 2016 revenues. Its total volume of contracts corresponds to a variety of deals concluded between different independent decision-making centers and several NEURONES business entities.

The Group's clientele is comprised of major corporations or midcaps presenting a lower risk than the average. The Group's entities that work with many clients, like the training entities, have subscribed contracts with information banks about companies' solvency.

Risks associated with failure to meet the commitments of fixed-price projects

Apart from the Consulting business, which is deemed to be a 100% project activity, non-recurrent fixed-price project activities for the IT Services business account for approximately 10% of revenues.

For infrastructure fixed-price projects, the risks of off-target performance are limited. They stem from a mismatch between the different hardware and software items to be integrated. Occasionally an item of hardware or software cannot finally be installed to fulfill its intended purpose. In these rare cases, NEURONES complains to the manufacturer or vendor, assisted by its insurer if legal action has to be taken.

For application development fixed-price projects, the number of days actually worked is seldom equal to the number of days initially calculated. There is a real risk of overshooting the target, which can become quite significant. For this reason, a maximum commitment is set for each lot. When a project is too big, it is broken down into lots.

Stringent technical and legal checks are made during the pre-sale phase (and must be approved by an authorized person). In all of the entities concerned, the list of projects in progress is reviewed at the end of each month and a fresh estimate of the advance or delay is made for each project. Any sudden change in the estimated "still to do" triggers a review of the contract in question.

On the whole, experience shows that the risk of off-target performance on fixed-price application projects remains limited, given the size of the projects handled by the Group (< €1 million).

Finally, recurrent fixed-price services (infrastructure outsourcing and third party application management), with penalties in case service levels are not achieved, have become the riskiest projects. In the pre-sales phase, the service provider has to anticipate productivity levels for each activity, using its nomograms but without having all of the necessary background information in the specifications (apart from the usual information about the size of the installed base and the volumes, though even this is often incomplete). Outsourcers generally offer a fixed price per workstation or per server, regardless of the number of technical acts to be performed. Additionally, outsourcers often commit to binding productivity gains throughout the duration of the contract. However, operations become far more productive with each successive renewal. To meet its service commitments, a new outsourcer may have to assign more teams than were foreseen during the start-up phase or, worse still, during the routine operations phase. If so, the situation is analyzed and discussed with the outsourcing client at meetings specified in the contract, and a jointly agreed action plan is set up. In some extreme cases, a contract's profitability may remain permanently insufficient or even negative.

A provision for loss on termination is recognized for the projects or outsourcing operations concerned and in progress on the account-closing date.

Offshore risks

Though rapidly expanding, offshoring is a risk that the Group wants to anticipate so that it can take advantage of it. While it is more frequent in the United States and the English-speaking world, offshoring is thought to represent 8% of the SSII business in France in 2016 (40% of services provided by French IT services companies are thought to be produced in India). Application development and TPAM, which represent only a minor percentage of the Group's revenues, are the businesses most affected in this trend. Certain phases of projects are said to be easier to offshore than others (detailed design, module development, unit tests). The upstream phases (functional specifications, overall design) and downstream phases (integration tests, acceptance testing), on the other hand, require staff to work close to clients' sites.

In the wake of the service center set up in Tunis, the Group now has an offshore presence in Timisoara and more recently in Bangalore.

Risks associated with external growth operations

In its future external growth operations, as in the past, the Group will select medium-sized enterprises whose teams can be easily integrated, with a culture similar to that of its current management team. Most of the time, this will allow these fellow companies to remain autonomous and keep their directors at the helm as they take advantage of synergies with the other companies in the Group. Great attention will be paid to ensuring that the owners and senior/key executives that join or become partners with NEURONES have a capitalist interest in maintaining their previous asset-based situation.

Environmental risks

The Group's operations as a provider of IT services and consulting do not represent any particular risk for the environment.

Exceptional events, ongoing litigation and law suits

As far as the senior executives are aware, there are no exceptional events or litigation that have had or are likely to have any significant repercussions on the Group's operations, assets or financial situation.

Insurance

The Group insurance policies provide the following cover and offer the following main features:

- professional civil liability: €10 million per claim and per calendar year (all damages combined: bodily injury, material and immaterial damage, whether consequential or not)
- operational liability: €10 million per claim (all damages combined: bodily injury, material and immaterial damage, whether consequential or not)
- civil liability for senior managers and administrators: €5 million per calendar year (all damages combined),
- property damage and business interruption: general contractual indemnity limit of €35 million per claim, with a contractual indemnity limit of €10 million for buildings and/or lease risks, general and technical facilities and a limit of €20 million for business interruption and additional expenses.

The total premiums linked to "civil liability" and "property damage and business interruption" policies (including those taken out directly by the subsidiaries, notably abroad) represent approximately 0.05% of the consolidated revenues.

1.7. DEVELOPMENT STRATEGY AND INVESTMENT POLICY

Development strategy

To move significantly faster than the market, NEURONES applies a strategy that revolves around the following points:

- help clients benefit from new technologies by supporting them in the fundamental shift of the digital transformation; expand relations with corporate accounts and increase the size of projects the Group handles;
- work with innovative or complementary consulting firms and digital service companies. Being organized into autonomous profit centers, with their own operating statements and resources, has accustomed NEURONES to dealing with partner companies. The Group makes available its tools, structure, databases and dense sales network. Providing it respects the personality of the directors and the distinctive strong points of the independent consulting firms and IT services companies that join the Group, these partnerships have great potential;
- play an active role in the slow but steady concentration of the sectors in which the Group operates. The main criteria for partnerships are as follows:
  - profitable companies (or subsets of companies),
  - management has a proven track record,
  - operation increases earnings per share;
- take advantage of the major trend towards outsourcing IT services to acquire a leadership position;
- Expand by extending geographical coverage (regions, international). Initially, the Group channeled its efforts into attaining a significant size in its core businesses, in the Paris region. Now, thanks to the initiatives of subsidiaries, the proportion of the business generated in French regions and outside France is becoming significant (18% of staff in regions outside of Paris, 8% of staff outside France).

Core principles

In keeping with its strategic development priorities, NEURONES bases its operations on core principles that, according to its management, correspond to the deep-seated demand of its corporate accounts and will guarantee its medium and long-term presence on the market:

- recruit, train and develop its consultants: the Group makes a point of recruiting the most highly-qualified consultants, offering them an environment and culture that is rich and dynamic, along with stimulating remuneration and career prospects in a Group with solid growth. They are given the opportunity to boost their professional development by working on complex projects, in which they often provide real project management;
- maintain a sufficient number of fixed-price project teams: to be able to provide an accurate, rapid technical opinion on increasingly complex problems, the Group needs to maintain and retain a strong technical core group of expert engineers who work exclusively on fixed-price projects – a prerequisite for providing project management. This core group also forges a deep-seated technical bond among the teams, alongside the essential knowledge-management tools, Intranets and other formal, cross-functional technical meetings;
- maintain quality assurance on two fundamental processes for guaranteeing medium-term growth:
  - recruitment: provide mandatory multiple-choice questionnaires and personality interviews, and manage job applications in collaborative working tools;
  - the pre-contractual phase of responding to a client request: "go/no go" procedures and risk assessment, mandatory formal description of the services, systematic appointment of a single account manager to handle all bids for calls for tender.

Investment policy

Research and development

R&D investments are not centralized, but planned and carried out in each entity. Days spent on technology watches and R&D are not capitalized on the balance sheet.

Since 2009, the Group has conducted a cross-functional review of its R&D activities. In 2016, the eligible research programs generated Research Tax Credits (RTC) of €1.2 million (0.9 in 2015 and 0.5 in 2014).

Financial investments

Over the 17 financial years since it was listed on the stock exchange in May 2000, the Group has made a number of acquisitions, of which 11 were of a significant size, for a total disbursement of €63.9 million at December 31, 2016 (net of the acquired companies' cash and cash equivalents). To date, these investments have been almost entirely financed by free cash flows generated by the Group's operations over the same period (€187.2 million).

Cash flow statement* *(in € millions)*	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	TOTAL
Net profit	3.7	5.4	5.9	4.9	5	6.3	6.6	9.9	13	12.8	14.9	17.0	17.2	21.4	23.6	24.5	29	221.1
Amortization and provisions	1.1	1.3	1.9	1.9	1.6	1.1	3	3.3	3.1	4.1	3.9	2.8	5.9	6.7	6.1	7.1	8.1	63
CASH FLOW	4.8	6.7	7.8	6.8	6.6	7.4	9.6	13.2	16.1	16.9	18.8	19.8	23.1	28.1	29.7	31.6	37.1	284.1
Change in WCR (increase)/ decrease	(1.4)	2.5	(1.7)	1.3	0.9	(1.9)	(5.3)	2.1	0.6	(1.3)	(3.3)	(10.0)	(2.5)	(6.2)	0.6	(0.1)	(13.6)	(39.3)
Net industrial investments	(1.0)	(1.2)	(0.9)	(1.1)	(1.0)	(0.9)	(2.2)	(2.6)	(2.3)	(2.2)	(2.8)	(4.7)	(4.4)	(5.5)	(5.3)	(12.8)	(6.7)	(57.6)
FREE CASH FLOW	2.4	8.0	5.2	7.0	6.5	4.6	2.1	12.7	14.4	13.4	12.7	5.1	16.2	16.4	25.0	18.7	16.8	187.2
Net financial investments	(8.8)	-	(3.8)	(2.1)	(0.8)	(1.0)	(2.9)	(2.8)	(14.2)	(3.9)	(2.8)	2.9	(1.9)	(1.7)	(2.1)	(12.6)	(5.4)	(63.9)
Capital increase	29.9	-	-	-	0.2	0.8	0.3	0.5	0.1	0.3	0.4	1.1	0.4	0.3	1.5	0.8	1	37.6
Dividendand other items	(0.1)	(0.2)	-	-	-	(1.2)	(1.5)	(1.5)	(4.4)	(2.6)	(1.7)	(2.4)	(2.0)	(1.9)	(2.3)	1.2	(2.6)	(23.2)
CHANGE IN CASH AND CASH EQUIVALENTS	+23.4	+7.8	+1.4	+4.9	+5.9	+3.2	(2.0)	+8.9	(4.1)	+7.2	+8.6	+6.7	+12.7	+13.1	+22.1	+8.1	+9.8	+137.7
Cash and cash equivalents at year-end	26.6	34.4	35.8	40.7	46.6	49.8	47.8	56.7	52.6	59.8	68.4	75.1	87.8	100.9	123.0	131.1	140.9	-

* Since the company was listed on the stock exchange in May 2000.

Net industrial investments

In 2015, "industrial" investments were exceptionally high. At €6.7 million in 2016, they return to the average level of the past six years. They primarily concern computer hardware and software (especially the Group's private clouds), fixtures and company cars. They were financed by the available cash and cash equivalents.

The Group rents all of its premises (30,000 m^2 at December 31, 2016) from external owners who have no connection whatsoever with shareholders in NEURONES or its subsidiaries.

1.8. RECENT DEVELOPMENTS AND OUTLOOK

Quarterly growth and operating profit

NEURONES recorded 11.9% growth (of which 8% internal growth) in 2016, broken down as follows:

(in € millions)	T1	T2	T3	T4	2016
2016 revenues	109	112.5	103.8	121.5	446.8
Year-on-year change	+16.9%	+10%	+9%	+11.8%	+11.9%
Operating profit	8.5%	8.8%	9.6%	11.2%	9.5%

2017 Forecasts

When it met with financial analysts on March 9, 2017, NEURONES declared that the Group:
- recorded "sustained" growth in the order of 5% of revenues at end 2016,
- noticed that the recruitment market continued to be tight.

Factors potentially affecting the market and the company in 2017 were also reported.

Favorable factors:
- digital transformation wave represents a sustainable and extensive opportunity,
- the arrival of new technologies that normally improves margins,
- risks spread over specialized mobile entities with controlled costs and operating in a variety of sectors,

Unfavorable factors:
- geopolitical uncertainties,
- the length of sales cycles entailing higher pre-purchase service costs,
- the business has become more industrial and more buyer-focused,
- few quality "targets" that create value and have a system of succession management.

It was also stated that NEURONES' estimates for 2017 will be announced, as usual, when it posts its 1st quarter revenues (May 10, 2017).

Provisional calendar of financial events

Shareholders' Meeting:

- Thursday, June 8, 2017.

Revenue announcements*:

Wednesday, May 10, 2017 (Q1 2017),
- Wednesday, August 2, 2017 (H1 2017),
- Wednesday, November 8, 2017 (Q3 2017).

Profit announcements*:

- Wednesday, September 6, 2017 (H1 2017),

* at the close of trading.

2 CORPORATE SOCIAL AND ENVIRONMENTAL RESPONSIBILITY REPORT

2.1. MESSAGE FROM GENERAL MANAGEMENT

A consulting and IT services group owes its existence to its clients and employees. It has a patent social responsibility to the latter.

NEURONES' managers have made it a priority to provide good working conditions, improve each person's well-being, avert risks, train, build loyalty, motivate, promote, anticipate expectations, engage in dialog and share the Group's capital. This is what is commonly called the employer's social responsibility, but it is also in the interests of both the company and its clients!

Success is not solely dependent on the three-part unit formed by the client, the service provider and the employee. It also hinges on being able to factor in all of the ecosystem's stakeholders, including the environment, in which any business player operates.

At first sight, service businesses would appear to have little impact on nature. On closer examination, though, when the headcount mounts into the thousands, the carbon footprint becomes a tangible reality.

The challenge then is to analyze, inform, challenge habits, anticipate, innovate and factor in the new environmental dimension, list avenues for improvement, measure, and rally the Group's people around issues that concern all citizens. The economy, which has integrated the social dimension, now has the duty to pay special attention to the environment.

Publishing this fifth Corporate Social and Environmental Responsibility Report is part of a proactive drive for continuous improvement.

2.2. THE GROUP'S COMMITMENT

Governance

The Group has set up a system of Corporate Social Responsibility (CSR) management: it entails a commitment on the part of senior management and addresses the distribution of roles and responsibilities, the introduction of indicators, the definition of action plans, the measurement of progress, and evaluation.

The Group's CSR initiative is led by a Sustainable Development Committee. This nine-member committee reports to the administrative and financial director and has the following responsibilities:
- pass on ideas for projects,
- select programs,
- for each of the projects selected: choose indicators and define their initial and target values,
- regularly review the progress made (continuous improvement),
- monitor developments in CSR, manage the selected indicators over time.

Timeline

2010: the first entities sign the Diversity Charter (four signatories to date) and the United Nations Global Compact (two entities signed in 2010, and NEURONES in 2016).

2011: NEURONES is included in the Gaïa Index. Launched in 2009 with the backing of the SFAF (French financial analysts society) and Middlenext, this index ranks the 70 listed French companies that obtained the best non-financial ratings out of a panel of 230 issuers. Since it entered the index, NEURONES has always been part of it.

2012: the Sustainable Development Committee is set up.

2013: the report is verified by an independent third party Kpmg).

2014: monitoring of data centers' electrical power consumption is implemented.

2015: an internal survey for employees on their commute to work is launched.

2.3. SOCIAL POLICY

Staff

Over the past ten fiscal years, the following trend has been observed in year-end staffing levels:

2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
2,054	2,455	2,665	3,036	3,471	3,704	4,065	4,082	4,580	5,044

The geographic distribution is as follows:

Staff per zone	2016	%
Greater Paris region	3,718	74%
Other French regions	905	18%
Outside France	421	8%
TOTAL	5,044	100%

In France, more than 94% of the staff have permanent employment contracts. The remaining employees have fixed-term contracts, primarily professionalization and apprenticeship contracts. Part-time workers (1.4% of employees) are counted as one person.

Workforce-related figures (below) are calculated for the entire Group, unless it is specifically stated that they refer to a smaller scope (e.g. France or "Zadiq").

To enable its employees to enjoy a stimulating environment, NEURONES endeavors to apply the best practices of sound HR policy and measure the effects.

Active recruitment policy

The number of new recruits (open-ended and fixed-term contracts) has changed as follows:

2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
820	990	700	1,100	1,400	1,240	1,250	1,146	1,697	1,826

The quality-assured recruitment procedures provide for the following, for example:
- technical multiple-choice questions for each specialization,
- at least one technical interview,
- at least one personality interview.

At end-2016, 86 young people were working under a professionalization contract and 40 were doing an apprenticeship. In the course of 2016, we received 94 people doing internships.

Turnover

Staff turnover (number of resignations during the year relative to the average staffing level of the year), is generally stable for the last five years:

2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
20%	21%	10%	12%	16%	14%	11%	13%	13%	13%

It should be pointed out that three quarters of the Group's operations are in the Paris region, where turnover is traditionally higher than in other parts of France.

In 2016, staff arrivals and departures can be broken down as follows:

Detailed figures concerning staffing	2012	2013	2014	2015	2016
New hires	**1,240**	**1,241**	**1,142**	**1,647**	**1,695**
Changes in scope (acquisitions)	0	7	4	50	131
Departures:					
Resignations	513	421	522	551	654
End of trial periods	194	125	152	203	246
Layoffs	115	130	156	135	133
End of fixed-term contracts, internships and apprenticeship contracts	93	141	188	167	182
Mutual-agreement terminations	55	54	85	108	136
Miscellaneous	32	16	26	35	11
Total departures	**1,002**	**887**	**1,129**	**1,199**	**1,362**
NET INCREASE IN HEADCOUNT	238	361	17	498	464

Working hours

Over 98.6% of the workforce in France work full time. With the exception of the training entity, the Group's employees are covered by the Syntec collective agreement. This means they are entitled to a number of additional days' leave (called "RTT" in French), depending on the subsidiary that employs them and their position: non-managerial, admin, technician and supervisory staff; managers who work a set number of hours per week; managers who work a set number of days per year.

Remuneration

Remuneration is calculated on employees' profile and experience. It can be supplemented by optional and statutory profit sharing schemes.

In 2016, gross remuneration increased 12.2% to €184,904,000 (€164,758,000 in 2015). This amount includes fixed and variable pay, and provisions for paid leave and RTT leave. It does not include the social security contributions paid by the employer, statutory and optional profit sharing, the employer's contribution to meals and public transport passes, occupational health services, payments to works councils, or, of course, the fees paid to subcontractors.

With a payroll of 4,851 people in 2016 (4,360 in 2015), the average headcount is up 11.3%. The average gross salary came to €38,100 per year (€37,800 in 2015 and 37,500 in 2014).

Six stock option schemes and five bonus-share schemes were conducted between 1999 and 2012. In 2015, four subsidiaries launched bonus-share schemes with their own shares. The schemes that reached maturity were heavily subscribed. 100% of employees, who benefit from stock option plans, have been able to exercise their options at a profit or are currently enjoying capital gains. The plans that have yet to mature concern approximately 2% of the Group's staff.

Careers

The following concrete measures have been taken to facilitate mobility:
- for more than 90% of the workforce, their personnel records are recorded in a common computer system (Zadig Hypervision) that can be viewed selectively by HR managers and certain authorized managers,
- a statement of staff transfers between Group entities is drawn up each year.

Sustained, innovative in-house training

The training plan is defined each year based on the company's anticipations, especially technological, as well as the needs expressed by clients and employees' wishes. It primarily includes technical training programs, but also management and language training courses.

The presence of a training activity within the Group is an asset. A significant part of the training plan is delivered in its own training premises. This simplifies enrolment and cancellation procedures and allows us to provide training material and in-house certification (the Group is certified to conduct certain technical certifications). Staff are encouraged to sit for these qualifying exams.

The proportion of training courses using online platforms is growing rapidly.

Training plan (days x participants):

2012	2013	2014	2015	2016
9,600	9,300	8,100	8,600	8,600

Eligible training courses within the continuing professional development system in France and courses of the same type completed abroad. 60,200 hours of training in 2016, i.e. 8,600 days x 7 hours. The training days cover 96% of the Group's scope.

Active in-house communications

Each line-of-business subsidiary has its own in-house communication tools (Intranets, Yammer type corporate social networks, in-house newsletters or magazines, briefing meetings or recreational gatherings), in addition to which there is the Group's in-house magazine ("Talents") and formal welcome and presentation sessions for new hires. All the tools aim to integrate, and inform staff, to prevent anonymity and to foster exchanges.

Well-balanced average age

The average age of our team members was 35.7 years at end-2016 (compared with 35.5 years at end-2015), broken down as follows:

Workforce breakdown by age bracket	2012	2013	2014	2015	2016
under 25 years	7%	7%	8%	8%	8%
25 to 29 years	23%	23%	22%	22%	21.5%
30 to 34 years	26%	24%	24%	23.5%	22.5%
35 to 39 years	20%	20%	19%	18.5%	18%
40 to 44 years	13%	14%	14%	14.5%	15%
45 to 49 years	7%	7%	8%	8%	8.5%
50+ years	4%	5%	5%	5.5%	6.5%
TOTAL	100%	100%	100%	100%	100%

Company-wide agreements and action plans for employees over the age of 50 were introduced at the end of 2009. They have paid off since, at the end of 2016, the share of over 50s has increased and now represents 6.5% of the staff.

Diversity

NEURONES is actively involved in an initiative to promote diversity in all its forms – gender, age, background, disability, etc. – to make its teams more innovative, more productive and more competitive. As regards the staff in France, a total of 8.6% of employees are non-French nationals, representing 53 different nationalities:

	2012	2013	2014	2015	2016
% foreigners	8.5%	8.6%	7.7%	7.8%	8.6%
Number of nationalities represented	49	48	48	46	53

"Zadig" scope.

Gender equality

Although women are not well represented in engineering schools' IT courses, they make up 17.7% of the Group's workforce. The salaries earned by men and women in the Group's two largest entities (which together represent 65% of total staff) is compared by level of qualification each year in preparation for the mandatory annual negotiations. These comparisons may also be extended to other NEURONES entities.

In the Consulting segment, there is overall gender equality, in terms of staffing and remuneration.

On an international level, the percentage of female staff is higher than in France (Romania: 80%, Tunisia: 40%, Singapore: 25%).

Disability

The Group strives to be "disabled-friendly" and raise the percentage of disabled people in its workforce, currently 0.9%, which is quite insufficient, even if probably around the average for digital service companies. The Group entity with the largest headcount takes an active part in the disabled employment week.

Purchases from businesses and establishments specifically set up to work with disabled staff came to a total of €50,000 in 2016 (€55,000 in 2015).

Labor-management relations

In France, there is regular dialog with the employee representative bodies (works council members, employee representatives, workplace health, safety and welfare committee (CHSCT) members and union representatives). Because of the Group's decentralized structure built around line-of-business subsidiaries, there are a large number of collective agreements. The two largest entities (65% of staff) each have six agreements in force: mandatory annual pay negotiations, night work and on-call duty, the cross-generation mentoring scheme, gender equality, the 35-hour week, statutory profit sharing, optional profit sharing, if applicable, and employee savings schemes.

MANDATORY ANNUAL PAY NEGOTIATION AGREEMENT

In 2016, a Mandatory Annual Pay Negotiation agreement was signed in the service desk entity, where there is the most staff in France. This agreement provides for improvements for employees concerning the regional fuel bonus and the meal voucher subsidy. It also provides for an increase in the Company Works Council's social and cultural activities budget and establishes a minimum envelope for individual pay increases in 2017. Finally, it makes provision to try a 4-day workweek, which should provide more flexibility for the company and a better work/life balance for employees who volunteer to adopt this timetable.

Created in 2013, the Group Works Council, with 14 union representatives, meets every year.

In Tunisia, a staff consultation commission has been set up. This joint labor-negotiations commission is made up of two company representatives and two elected staff representatives. A staff representative has been appointed in Romania. In Singapore, a staff representative body has not yet been created.

Health and safety at work

In France, the Workplace Health, Safety and Welfare Committees (CHSCT) of the various Group entities meet at regular intervals as required by law. They map the professional risks and take preventive measures (information, signage and drills) in close cooperation with the occupational health service. Awareness building workshops on workstation ergonomics are organized regularly. Different psycho-social risk prevention measures were also taken: training of middle management, strengthening procedures for isolated workers. In tertiary businesses, the main known risk remains road accidents (especially for employees riding two-wheeled vehicles) with private or company vehicles (commuting or business travel).

Indicators	2012	2013	2014	2015	2016
Absenteeism rate*	3.5%	3.7%	4.2%	4.1%	4.2%
Number of accidents at work resulting in lost time *(of one day or more)*	24	35	39	28	29
Corresponding number of lost days	850	1,256	1,147	416	664
Lost-time injury frequency rate *(number of accidents at work resulting in lost time per million hours worked)*	4.9	6.5	7.0	4.8	4.7
Lost-time injury severity rate *(number of days of paid sick leave per thousand hours worked)*	0.17	0.23	0.21	0.07	0.11

* Number of days absent: sickness, accidents at work, leave to care for sick children, leave for family events, as a ratio of the theoretical number of days of work. All of the data in this table is for the "Zadig" scope.

Promotion of and compliance with ILO (International Labor Organization) conventions

NEURONES is committed to abiding by the ILO Declaration on Fundamental Principles and Rights at Work. It undertakes to abide by national and local labor regulations on the minimum age for entering the workforce, the refusal of forced or compulsory labor or excessive disciplinary practices, non-discrimination, freedom of association and the right to collective bargaining, working hours, pay, health and safety.

In Tunisia, Romania and Singapore the weekly working time is 40 hours. In these three countries, the employees benefit from supplementary health insurance financed by the Group. The youngest employees are 20 years old, as in France.

Prevention of corruption

A chapter is devoted to business ethics and compliance in the "Group Management Rules" handbook: it sets out the policy concerning gifts and invitations, preventing corruption, loyalty in responding to calls for tender. It is sent every year to the managers of subsidiaries.

2.4. COMMUNITY POLICY

NEURONES is keenly aware of being part of an ecosystem of stakeholders with whom it is duty-bound to establish balanced, ethical, law-abiding and motivating relations. The Group owes its past and future achievements to: its staff, clients, subcontractors and other suppliers, editors, manufacturers, schools, the French government and local authorities, civil society and shareholders.

CSR service lines

The Group's specialized entities carry out various projects to make incoming and outgoing documents paperless, thereby cutting down on the use of paper at the clients concerned.

EcoVadis score

EcoVadis is a French SME set up in 2007 to develop responsible purchasing solutions. It helps purchasing departments assess their suppliers' "sustainable development" performance. At the request of several of its clients, NEURONES regularly responds to EcoVadis questionnaires.

Subcontractors and suppliers

In 2016, purchases of subcontracted services for the Group as a whole amounted to €86 million, or 19.2% of revenues, a ratio which likely puts us slightly above the average for big groups.

The Group strives to make responsible purchases. Outsourcers who join NEURONES' project teams are treated in the same way as in-house staff. Self-employed contractors enjoy special payment terms: their invoices are paid at the end of the month, 30 days after receipt.

In ISO 9001 certified subsidiaries, subcontractors that exceed certain service volume thresholds are assessed formally. These subcontractors are made aware of CSR and part of their assessment depends on it.

Relations with educational establishments

Attracting talent for the future is a key issue for NEURONES, which continues to invest in building its notoriety and becoming an employer of choice. Against this backdrop, a core part of its strategy consists in developing relations with a group of schools and universities:
- the Group uses the apprenticeship tax to finance target schools,
- it runs various initiatives to support students and recent graduates (seminars, forums, job interview practice sessions, resume workshops, sponsorship, etc.),
- it spots and hires interns, apprentices and recent graduates.

In France, NEURONES essentially channels its apprenticeship tax into the following establishments: Centrale Lille, Ece, Efrei, Em Strasbourg, Ensiee, Epita, Esg Management School, Esiea, Esiee, Esigetel, Esilv, Ingesup, InTechInfo, Isep, Itic, Mines d'Alès, Mines de Paris, Supinfo, Telecom Paritech and Utc Compiègne.

NEURONES participates in many school job fairs each year.

"GREAT PLACE TO WORK"

One of the Group's companies was rated a "Great Place to Work" in 2012 and 2013 and then again in 2015 and 2016 ("A great place to work is one in which you trust the people you work for, have pride in what you do, and enjoy the people you work with" - Robert Levering, cofounder of "Great Place to Work").

Volunteering with civil society

The Group has signed a "Town Hall-Company" charter with the municipality of Nanterre. It encourages initiatives by associates and staff who wish to get involved in their local community or the voluntary sector (Handigolf, cofunding a skipper for the Route du Rhum yacht race, etc.), giving of their time or creativity.

Indicator (in € thousands)	2012	2013	2014	2015	2016
Budget devoted to partnerships and sponsorships	44	63	58	49	130

SKILL SPONSORSHIPS AND "NON-PROFIT" CONSULTING

This scheme, which was established by the French Aillagon Act in 2003, allows a business to delegate staff members to work for public-interest non-profit associations during their working hours on an occasional basis, either free of charge or at a discounted rate.

The Group's Consulting business provides assistance under this scheme to the Relais des Aidants, an association that helps social entrepreneurs scope and implement their projects (consultants coach entrepreneurs) and to a third association that supports young people from deprived neighborhoods in their first job search (sponsorship by experienced employees). Drawing on the success of this initiative, the Group Management Consulting firm helped create a non-profit structure devoted to supporting associations, along with three fellow companies. Since then, every year the non-profit firm benefits from a full-time consultant for approximately 6 months.

On its side, an entity in the Applications segment assigned a BI expert for 4 months with an association.

Security of consumer personal data

The Group works on client applications which manage personal data (bank or health related data, email in-boxes, etc.) In most cases, it makes contractual commitments to guarantee the confidentiality, integrity and availability of these data. Pursuant to the legislation in force, the internal procedures define the security rules and set out the rare cases where a Group employee is entitled to access personal data.

Furthermore, the Group is preparing to apply the European General Data Protection Regulation (GDPR), whose implementation is scheduled for May 2018. This will also concern client and employee (CRM) data.

2.5. ENVIRONMENTAL POLICY

As part of its corporate social and environmental responsibility approach, NEURONES has thought about its impact on the environment and the best ways to reduce it. It must first measure, then take action.

For its two subsidiaries with over 500 employees, the Group sends in greenhouse-gas emission audits every three years to the DRIEE Ile-de-France (the local environment and energy department).

In this paragraph, greenhouse gas emissions are measured for the following items:
- travel (commuting and business travel), by far the primary source of emissions,
- energy consumption in Neurones' premises and data centers (not that from client sites),
- paper consumption.

On the other hand, the data are not yet available for the following emissions:
- durable goods consumption (IT and non-IT goods),
- eating meals (food production, etc.).

Reducing travel costs (business travel and commuting)

Based on a common scale (tons CO_2 equivalent), the Group's travel-related fuel consumption (professional, home-workplace commuting) is four and half times higher than the electricity consumption in its buildings and data centers.

NEURONES has therefore:
- started systematically using "place of residence" data in its project team allocation systems. This means that, as far as possible, it recruits in labor market areas close to its service centers to limit daily commutes,
- since 2007, it has bought Eco2 company cars, which emit less than 120g of CO_2 per kilometer,
- set up a car-sharing system (at the Angers service center),
- encouraged and facilitated the various videoconferencing systems.

Indicator	2014	2015	2016
Share of employees in the Greater Paris region using public transport to commute to work	57.0%	62%	65.5%
Consumption by commuter journeys by car or motorbike (in tons CO_2 equivalent)	nd	3,010	3,295
Emissions from NEURONES' vehicle fleet (in tons CO_2 equivalent)	411	430	464
Emissions for work travel reimbursed on expense accounts (in tons CO_2 equivalent)	206	199	209

Scope: France.

A study of employees' place of residence in the Paris region (75% of the total headcount) shows that they are rather evenly distributed among the six departments (Hauts-de-Seine, Paris, Seine-Saint-Denis, Val d'Oise, Yvelines and Val-de-Marne), with 10-15% of the headcount in each. The Essonne and Seine-et-Marne departments each account for about 5% of the employees.

It has been found that it is more efficient to locate its business premises close to employees' homes and public transport than to make its buildings more energy efficient, even if these two approaches are not mutually exclusive.

To evaluate the consumption by commuter journeys, NEURONES carried out an internal survey in July 2015 (scope: France) on the modes of transport used:

Mode of transport for work commute	Greater Paris region	Other French regions	Total France
Public transport	61.7%	24.1%	54.3%
Car	28.3%	62.2%	34.9%
Motorbike	7.8%	2.3%	6.7%
Walking	1.0%	8.6%	2.5%
Cycling	1.0%	2.1%	1.2%
Car-sharing	0.1%	0.5%	0.2%
Working from home	0.2%	0.2%	0.2%

Scope: France. Study carried out in July 2015.

For journeys by car or motorbike, the survey found that an employee travels an average of 27 km (one way) and that the average consumption by personal cars and motorbikes is 6.5 liters/100km (declared).

The consumption of the 203 vehicles in NEURONES' fleet was calculated on the basis of an average consumption per fleet vehicle of 6 liters/100 km and 15,000 km traveled per year. For business journeys, 2,150 km are reimbursed on average a year and per employee concerned. Consumption for visitor travel and public transport was not estimated.

CAR-SHARING PROJECT

For several years, the Angers site has encouraged carpooling. Parking spaces in the vicinity of the offices are reserved for employees who undertake to use this type of transport. Today, 16 pairs take part in this system (32 people).

VIDEOCONFERENCING AND REMOTE JOB-APPLICANT INTERVIEWS

Around ten rooms have been equipped for videoconferencing (using Polycom). Each room is used eight times a month on average. Staff are encouraged to use Webex. The proportion of remote job applicant interviews (using Skype or Link) continues to grow regularly.

Energy efficient buildings

Low-energy systems have been installed, such as lighting, individually-adjustable energy-efficient air conditioning, and presence detectors.

Indicators	2014	2015	2016
Electricity consumption per m² and per year (apart from data centers) (in kWh/m²)	139	126	133
Average floor area (in m²)	19,600	23,000	27,500
CO_2 emissions (in tons CO_2 equivalent)	277	363	496

Data available for 88% of areas occupied by the Group, then extrapolated to provide estimation of total consumption. Using the Ademe (French Environment and Energy Management Agency) emission factors). In France, a MWh corresponds to 82 kg of CO_2. In Tunisia, to 463 kg of CO_2. In Romania, to 413 kg of CO_2. In Singapore, to 499 kg of CO_2. In Germany, to 461 kg of CO_2.

The average energy consumption for service-sector buildings in France stands at 211 kWh/m² (source: Club des Acteurs du Développement Durable). The consumption of teams on client premises (which was not possible to calculate) is considered as being managed by the clients.

STANDBY MODE FOR COMPUTERS AT NIGHT AND ON WEEKENDS

A novel system for turning off workstations was installed in all service desk centers (Nanterre, Angers, Marcq-en-Baroeul Tunis, Timisoara). It uses a "home-made" script rather than the standard Windows GPO tool to put machines in standby mode. Users readily accepted the system because it enables a rapid workstation start-up in the morning (4 seconds), unlike the standard systems (a matter of minutes).

Electricity consumption of "green IT" data centers

It should be borne in mind that electricity consumption per m2 in a data center is commonly around 50 to 100 times higher than in traditional service-sector offices.

The Group has gradually transferred the servers managed in its own data centers to "simple hosting" specialists. As such, most hosted servers are now with five "Tier 3+" certified partner hosting companies in ten different data centers (eight in France, two in Tunisia). The Group's two units (in Nanterre and Lyon) are being maintained, but their servers were gradually transferred elsewhere. Today they are used only as telecom network nodes and backup data centers for certain clients.

CSR criteria have been integrated and led to the selection of different hosting subcontractors providing effective PUE (Power Usage Effectiveness – see glossary) ratios in the target range of 1.4 to 1.5 (at full load, with average weather throughout the year). The objective is to gradually reduce the average PUE ratio by progressively increasing the load rates of cabinets and by preferring next generation data centers with a low PUE.

Indicators	2014	2015	2016
Number of cabinets "switched on" (entire Group)	106	120	161
Real average power per cabinet in kW	2.35	2.42	2.44
Average PUE	1.66	1.72	1.66
Total consumption in MWh (after PUE)	3,600	4,426	5,705
CO_2 emissions (in tons CO_2 equivalent)	380	483	588

Using the Ademe (French Environment and Energy Management Agency) emission factors). In France, a MWh corresponds to 82 kg of CO_2. In Tunisia, to 463 kg of CO_2.

The PUEs were estimated based on written assessments obtained from the different hosting companies. The data centers' consumption is presented for information purposes, based on approximate information provided by these data centers.

Recycling: paper, computer workstations, ink cartridges

The recycling of consumables (printer toners, electric batteries, etc.) has been in place for several years. Consistent with the current rules (concerning Electric and Electronic Equipment Waste), at the end of its life computer hardware is disposed of at accredited brokers or given to associations like "la Gerbe."

Printers and copiers are set up to print in black and white and recto/verso. Growing use is made of digitized archiving, especially by sales administration and accounting teams, rather than hard-copy files. The use of networked scanners, which is becoming widespread, contributes to the drop in the number of photocopies.

Indicator	2014	2015	2016
Quantity of paper used per m^2 and per year	710 g/m^2	570 g/m^2	447 g/m^2
CO_2 emissions (in tons CO_2 equivalent)	19	17	11

Paper in A4 or A3 format. Some sites have reported the quantities purchased and not consumed. In 2016, the ratio between CO_2 emissions and paper tonnage was updated significantly by Ademe.

WASTE SORTING

An entity with about 100 employees is sorting three types of waste for recycling with the "Le Cèdre" association: paper and cardboard, cans and paper cups. In 2016, 1,230 kg of paper and cardboard were collected. This helped save 21 trees, 36,800 liters of water and 675 kg of CO_2. A second entity saved 53,000 single-use cups per year by changing to a "mug" system. These systems have not been brought into wider use at the large sites in Nanterre, where it is hoped that the city council will collect rubbish that has been sorted beforehand.

Reduction in the meal-related carbon footprint

This topic, though significant, is seldom documented in corporate social and environmental responsibility reports. The Group has scheduled an awareness-raising initiative to encourage employees to adopt a diet that entails less CO_2 emissions, by eating less meat, for example. It is included in a handbook of eco-friendly initiatives, the first version of which was brought out in 2013.

2.6. METHODS USED

Reporting scopes

Three scopes have been defined for producing detailed indicators:
- the so-called "Zadig" scope covering all France subsidiaries managed in the ADP-GSI HR software, namely 83.8% of the Group's staff,
- the "France" scope, which covers 91.7% of the Group's workforce,
- the entire Group scope ("Group").

Indicators were produced for the following scopes:
- "Zadig" scope: percentage of open-ended work contracts (CDI), average age, breakdown by age bracket, percentage of senior employees, of non-French nationals, number of nationalities, gender breakdown, percentage of full-time jobs, absenteeism rate, lost-time injury frequency and severity rates, proportion of employees using public transport,
- "France" scope: number of apprenticeship contracts, professionalization contracts, interns, purchases from organizations set up to work specifically with disabled staff, number of school job fairs, sponsorship, fuel consumption,
- "Group" scope: staff, incoming/outgoing employees, turnover, payroll, average salary, subcontracting purchases, training hours and days, sponsorship and partnership budgets, energy consumption in offices and data centers, weight of paper consumed per m2 of office space.

To analyze employee departures by type, an extrapolation was carried out from the "Zadig" scope (85% of departures) to define outgoings for the Group.

For training days, the scope studied concerns 96% of the Group's staff.

The energy consumption indicator for buildings (excluding data centers) is calculated on the areas that were used for 12 months in a row. In 2016, this indicator was calculated on 88% of the premises' total surface area (82% in 2015). The total consumption was extrapolated based on the average consumption noted for 88% of the surface area.

Energy consumption in the data centers was calculated using available data, which differed according to the infrastructures concerned:

- for the Group's data centers that have become essentially empty, the estimations of kWh consumed based on PUE,
- for third-party hosting companies, the average power in kW per cabinet before PUE. In 2015, the four main hosting companies also produced written PUE evaluations for each center. In 2016, these PUE assessments were used.

The regional, economic and social impact of the business and the recycling of Waste Electrical and Electronic Equipment (WEEE) were analyzed for the "France" scope.

Sources and tools used

The indicators for the "Zadig" scope come from the common HR system. The indicators for the "France" and "Group" scopes come from non-financial and CSR annual reports in each subsidiary, and consolidated across the relevant scope.

Consolidation and control methods

A common reference base (a handbook containing explanations for each indicator) was sent to the person in charge of CSR reporting in each subsidiary. The results are compiled by the Group finance department.

Correspondence with the list of Grenelle II indicators (Article R. 225-105-1 of the French Commercial Code)

NEURONES chose to use only those indicators that were relevant to its businesses and could be calculated accurately.

The Group's suppliers and subcontractors are not located in countries listed on the World Bank's list of the most exposed States in terms of Human Rights, except for Tunisia. In this country, the Group uses subcontractors with higher education diplomas (other IT service companies, consultants, accounting firm and auditors).

Note also that the Group only has service-sector dealings.

The following Grenelle II indicators were discarded:
- means devoted to the prevention of environmental risks and pollution,
- provisions and guarantees for environmental risks,
- measures concerning discharges into water, air and soil,
- noise pollution,
- adjustment to the consequences of climate change,
- impact of the business's operation on the neighboring or local population,
- water consumption,
- measures taken to protect biodiversity,
- measures taken to combat food waste.

2.7. AUDITOR'S OPINION

Report by one of the auditors, appointed independent third party, on the consolidated social, environmental and community information shown in the management report

Financial year ended December 31, 2016

To the shareholders,

In our capacity as statutory auditors of NEURONES S.A., appointed as an independent third party, accredited by COFRAC under number 3-1049[1], we hereby present our report on the consolidated social, environmental and community information related to the fiscal year ended December 31, 2016, presented in the company's management report (hereinafter "the CSR Information"), pursuant to Article L.225-102-1 of the French Commercial Code.

Company's responsibility

It is the Board of Directors' responsibility to draw up a management report containing the CSR Information specified in Article R.225-105-1 of the French Commercial Code, prepared in accordance with procedures used by the company (hereinafter the "Reference Bases"), a summary of which is included in the management report, and which is available on request from the company head office.

Independence and quality control

Our independence is defined by the regulatory texts, the code of professional conduct and the provisions of Article L.822-11-3 of the French Commercial Code. Moreover, we have set up a quality control system that contains documented policies and procedures aimed at ensuring compliance with the rules of professional conduct and the applicable legal and regulatory texts.

Responsibility of the independent third party

Based on our audit, it is our responsibility to:
- certify that the required CSR Information is contained in the management report or, in the event of omission, that there is an explanation pursuant to the third paragraph of Article R.225-105 of the French Commercial Code (Statement confirming the presence of the CSR Information);
- express a conclusion of limited assurance that all the significant aspects of the CSR Information have been truthfully set out in accordance with the Reference Bases (Assurance statement on the truthfulness of the CSR Information).

The work was carried out by four people between September 2016 and April 2017 for a total working time of around two weeks. To assist with the audit, we called on our CSR experts.

We conducted the audit described below in accordance with the decree of May 13, 2013 setting out the procedure by which the independent third party performs its assignment, with the professional doctrine of the National Statutory Auditors Association related to this assignment and, concerning the reasoned opinion on fairness, with the international standard ISAE 3000[2].

1. Statement confirming the presence of the CSR Information

Type and scope of the audit

Through interviews with the department heads concerned, we learned about the sustainable development priorities, based on the social and environmental consequences of the company's business and its community commitments and, if applicable, the ensuring actions or programs.

We compared the CSR Information presented in the management report with the list set out in Article R.225-105-1 of the French Commercial Code.

If certain consolidated information was missing, we checked that explanations had been provided in accordance with Article R.225-105 paragraph 3 of the French Commercial Code.

We checked that the CSR Information covered the consolidated scope, namely the company and its subsidiaries as defined in Article L.233-1 and the companies it controls as defined in Article L.233-3 of the French Commercial Code, with the limitations specified in the methodological note presented in the "Corporate social and environmental responsibility" section of the management report.

Conclusion

Based on our work and given the limitations mentioned above, we certify that the required information is contained in the management report.

2. Assurance statement on the truthfulness of the CSR Information

Type and scope of the audit

We conducted various interviews with the people responsible for preparing the CSR information for the departments in charge of the information-gathering process and, where applicable, the people responsible for internal control and risk management processes, in order to:
- judge whether the reference bases were suitable, i.e. relevant, exhaustive, accurate, neutral and understandable, based on industry best practice, where appropriate;
- check that a process was in place for collecting, compiling, processing and checking the exhaustiveness and consistency of the CSR Information, and learn about the internal control and risk management procedures applied to the production of the CSR Information.

We determined the type and scope of our tests and controls on the basis of the type and importance of the CSR Information in the light of the company's characteristics, the social and environmental issues at stake in its operations, its sustainable development policy and industry best practices.

For the CSR Information that we deemed most important[3]:

- for the consolidating entity and the entities, we consulted the source documents and conducted interviews to corroborate the qualitative information (organization, policies, actions), we applied analytical procedures to the quantitative information and, based on spot checks, checked the calculations and consolidation of the data, and we checked that it was consistent with and matched the other information contained in the management report;
- regarding the representative entity sample[4] that we selected on the basis of their business, their contribution to the consolidated indicators, their location and a risk analysis, we conducted interviews to check that procedures had been correctly applied and to identify any potential omissions and we carried out tests of details on the basis of samplings, consisting in checking the calculations made and comparing the data with the supporting documents. The selected sample represents 84% of the headcount considered as a characteristic quantity of the personnel component and between 20% and 52% of the environmental data considered as the characteristic quantities[5] of the environmental component.

For the other consolidated CSR Information, we assessed its consistency by comparison with our knowledge of the company.

Lastly, where applicable, we assessed the validity of the explanations for the total or partial absence of certain information.

We believe that the sampling methods and sample sizes we used on the basis of our professional judgment allow us to form a conclusion of limited assurance; a higher level of assurance would have required a more extensive audit. Because of the use of sampling techniques and the other limitations inherent in any information and internal control system, the risk of non-detection of a significant anomaly in the CSR Information cannot be totally eliminated.

Conclusion

Based on our audit, we did not find any significant anomaly that could invalidate the fact that the CSR information, as a whole, is presented truthfully and in accordance with the reference bases.

Observations

Without calling into question the above conclusion, we would like to draw your attention to the fact that some CSR Information[6] is estimated on the basis of the methods specified in the "Corporate social and environmental responsibility" chapter of the management report.

Paris-La Défense, April 24, 2017

KPMG S.A.

Philippe Arnaud	Philippe Saint-Pierre
Partner Sustainability Services	Partner

(1) The scope is available on: www.cofrac.fr

(2) ISAE 3000 – International Standard on Assurance Engagements, setting out the principles and procedures to be applied during non-financial audits.

(3) Labor indicators: total workforce and geographic distribution, by age and by gender, number of new hires, absenteeism rate, occupational accident frequency rate, number of layoffs and training hours.

- Environmental indicators: paper consumption per m^2, energy consumption excluding data centers, related CO_2 emissions per m^2.
- Qualitative environmental information: waste prevention, recycling and reuse measures and other forms of reclaiming and eliminating waste; the energy consumption and measures taken to improve energy efficiency and the use of renewable energies; the items with significant greenhouse gas emissions generated by the company's activities, especially by the use of the goods and services it produces.
- Qualitative community information: the actions undertaken to prevent corruption, the importance of subcontracting and the consideration of corporate social and environmental responsibility when dealing with suppliers and subcontractors.

(4) Neurones IT, Intrinsec, RS2I, Helpline France, Helpline Roumanie, Colombus, Saegus.

(5) See the list of environmental indicators mentioned in note (3) above.

(6) Especially staff departures and data center electricity consumption.

3 CONSOLIDATED FINANCIAL STATEMENTS

3.1. CONSOLIDATED FINANCIAL SITUATION (AT DECEMBER 31, 2016)

ASSETS *(in € thousands)*	Notes	12/31/2015	12/31/2016
NON-CURRENT ASSETS			
Intangible fixed assets	*Note 1/Note 2*	39,916	44,547
Tangible assets	*Note 3*	14,594	14,495
Financial assets	*Note 4*	10,862	5,865
Other financial assets valued at fair value		-	-
Deferred tax credits	*Note 5*	1,811	2,094
TOTAL NON-CURRENT ASSETS		67,183	67,001
CURRENT ASSETS			
Inventory	*Note 6*	409	245
Deferred tax credits due		6,475	7,116
Trade accounts and notes receivable	*Note 7*	145,756	169,864
Cash and cash equivalents	*Note 8*	131,373	141,405
TOTAL CURRENT ASSETS		284,013	318,630
TOTAL ASSETS		351,196	385,631

SHAREHOLDERS' EQUITY AND LIABILITIES *(in € thousands)*	Notes	12/31/2015	12/31/2016
SHAREHOLDERS' EQUITY			
Capital		9,693	9,698
Additional paid-in capital		31,381	31,424
Consolidated reserves and profits		157,348	175,918
TOTAL SHAREHOLDERS' EQUITY ATTRIBUABLE TO PARENT COMPANY SHAREHOLDERS	*Note 9*	198,422	217,040
Minority equity investments		17,326	21,415
SHAREHOLDERS' EQUITY		215,748	238,455
NON-CURRENT LIABILITIES			
Non-current provisions	*Note 10*	897	1,069
Non-current financial liabilities	*Note 13*	1,893	862
Other non-current liabilities		-	-
Deferred tax liabilities		-	-
TOTAL NON-CURRENT LIABILITIES		2,790	1,931
CURRENT LIABILITIES			
Current provisions	*Note 11*	3,290	2,239
Taxes due		1,339	2,476
Trade and other accounts payable	*Note 12*	126,366	138,593
Current financial liabilities and bank overdrafts	*Note 13*	1,663	1,937
TOTAL CURRENT LIABILITIES		132,658	145,245
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		351,196	385,631

3.2. CONSOLIDATED INCOME STATEMENT (FOR THE YEAR ENDED DECEMBER 31, 2016)

(in € thousands)	Notes	2015	2016
Sale of goods		15,326	10,928
Sales of services		384,042	435,832
REVENUES		399,368	446,760
Purchases consumed		(13,113)	(9,326)
Salaries and related expenses	*Note 14*	(243,269)	(271,228)
External expenses	*Note 15*	(99,171)	(117,211)
Taxes and duties		(6,814)	(6,976)
Allocations to amortization and depreciation	*Note 16*	(5,275)	(7,735)
Allocations to provisions	*Note 16*	(526)	1,032
Impairment of assets	*Note 16*	(58)	16
Other income	*Note 17*	6,022	7,815
Other expenses	*Note 17*	(35)	(320)
Other operating income	*Note 18*	68	558
Other operating expenses	*Note 18*	(127)	(875)
OPERATING PROFIT		37,070	42,510
– as percentage of revenue		*9.3%*	*9.5%*
Financial income		1,866	2,868
Financial expenses		(435)	(433)
Net financial profit (loss)	*Note 19*	1,431	2,435
PRETAX PROFIT		38,501	44,945
– as percentage of revenue		*9.6%*	*10.1%*
Income tax	*Notes 20/21*	(13,963)	(15,923)
PROFIT FOR THE PERIOD FROM ONGOING ACTIVITIES		24,538	29,022
– as percentage of revenue		*6.1%*	*6.5%*
PROFIT FOR THE PERIOD		**24,538**	**29,022**
Including:			
Profit attributable to parent company shareholders (Group share)		**21,358**	**25,199**
Profit attributable to minority equity investments (minority interests)		**3,180**	**3,823**

Undiluted earnings per share - Group share (in €)	0.89	1.04
Number of shares*	24,128,117	24,239,243
Diluted earnings per share - Group share (in €)	0.88	1.04
Number of shares*, stock options & exercisable bonus shares allocated	24,140,298	24,260,743

* Number of shares weighted over the period.

3.3. OTHER CONSOLIDATED FINANCIAL ITEMS

Statement of consolidated comprehensive income for the year ended December 31, 2016

(in € thousands)	2015	2016
Profit over the period	**24,538**	**29,022**
Translation adjustments – activities outside France	67	(378)
Other items in comprehensive income	67	(378)
Comprehensive income	**24,605**	**28,644**
Including:		
• share attributable to parent company shareholders (Group share)	21,405	24,922
• share attributable to minority equity investments	3,200	3,722

Consolidated statement of cash flows for the year ending December 31, 2016

(in € thousands)	2015	2016
Consolidated income before minority interests	**24,538**	**29,022**
Elimination of non-monetary items:		
• Net allocations to amortization, depreciation and provisions	5,923	6,881
• Expenses/(Income) related to stock options and similar items	674	996
• Effect of discounting receivables and debts maturing in more than one year	391	47
• Capital losses/(gains) from disposals, net of tax	77	48
• Capital losses/(gains) from disposals of consolidated securities, net of tax	-	141
Cash flows from operating activities after net financial income and tax	**31,603**	**37,135**
• Net financial profit	(1,431)	(2,435)
• Taxes due	13,963	15,923
Cash flows from operating activities before net financial income and tax	**44,135**	**50,623**
Cash variation in:		
• Working capital requirement for operations	294	(13,426)
• Taxes paid	(14,377)	(16,096)
CASH FLOW FROM OPERATIONAL ACTIVITIES	30,052	21,101
Acquisitions of intangible and tangible assets	(12,847)	(6,821)
Disposals of fixed assets, net of tax	19	141
Revenue from sales of financial assets	117	365
Acquisition of financial assets	(5,676)	(1,731)
Acquisition of companies, net of the acquired cash	(817)	(534)
Securities bought from minority shareholders of subsidiaries	(6,222)	(3,551)
Subscriptions to capital increases by minority interests of subsidiaries	511	697
Disposal of consolidated securities, net of tax	-	236
CASH FLOW FROM INVESTMENT ACTIVITIES	(24,915)	(11,198)
Capital increase/sums received from the exercise of stock options	320	47
Company buy-back and sale of its own securities	-	-
Dividends paid to parent company shareholders	(1,440)	(1,454)
Dividends paid to minorities of subsidiaries	(364)	(61)
Increase in financial liabilities	3,673	253
Decrease in financial liabilities	(668)	(1,302)
Net financial interest	1,431	2,435
CASH FLOW FROM FINANCING ACTIVITIES	2,952	(82)
NET CHANGE IN CASH AND CASH EQUIVALENTS	8,089	9,821
Effect of foreign exchange variations on the cash held	28	(26)
CASH AND CASH EQUIVALENTS AT OPENING	122,948	131,065
CASH AND CASH EQUIVALENTS AT CLOSING	131,065	140,860

Statement of changes in consolidated shareholders' equity for the year ended December 31, 2016

SHAREHOLDERS' EQUITY (in € thousands)	Capital	Additional paid-in capital	Consolidated reserves*	Share-based compensation reserve	Treasury shares	Profit for the year	Total shareholders' equity (Group share)**	Minority equity investments***	Total shareholders' equity
SHAREHOLDERS' EQUITY AT 12/31/2014	**9,593**	**31,161**	**118,737**	**682**	**(177)**	**20,505**	**180,501**	**16,374**	**196,875**
Movements for FY 2015									
• Consolidated profit for the year	-	-	-	-	-	21,358	21,358	3,180	24,538
Translation adjustments	-	-	47	-	-	-	47	*20*	*67*
• Total of other items in comprehensive income	-	-	47	-	-	-	47	20	67
Comprehensive income	-	-	*47*	-	-	*21,358*	*21,405*	*3,200*	*24,605*
• IFRS 21 restatements - taxes	-	-	426	-	-	-	426	-	426
• IFRS 2 restatements - stock options & bonus shares	-	-	-	478	-	-	478	7	485
• Capital transactions (stock options exercised)	18	302	-	-	-	-	320	-	320
• Bonus shares delivered	82	(82)	-	-	-	-	-	-	-
• Treasury share sales	-	-	-	-	(174)	-	(174)	(68)	(242)
• Allocation of 2014 profit	-	-	21,187	*(682)*	-	*(20,505)*	-	-	-
• Dividends paid by the parent company (€0.06 per share)	-	-	(1,440)	-	-	-	(1,440)	-	(1,440)
• Change in scope	-	-	*(3,094)*	-	-	-	*(3,094)*	*(1,823)*	*(4,917)*
Total transactions with shareholders recognized directly in shareholders' equity	*100*	*220*	*17,079*	*(204)*	*(174)*	*(20,505)*	*(3,484)*	*(1,884)*	*(5,368)*
Minorities' share in subsidiaries' dividend distributions	-	-	-	-	-	-	-	(364)	(364)
SHAREHOLDERS' EQUITY AT 12/31/2015	9,693	31,381	135,863	478	(351)	21,358	198,422	17,326	215,748
Movements for FY2016									
• Consolidated profit for the year	-	-	-	-	-	25,199	25,199	3,823	29,022
Translation adjustments	-	-	(277)	-	-	-	(277)	(101)	(378)
• Total of other items in comprehensive income	-	-	*(277)*	-	-	-	-	*(101)*	*(378)*
Comprehensive income	-	-	(277)	-	-	25,199	24,922	3,722	28,644
• IFRS 2 restatements - stock options & bonus shares	-	-	-	967	-	-	967	29	996
• Capital transactions (stock options exercised)	5	43	-	-	-	-	48	-	48
• Variations in treasury share	-	-	-	-	99	-	99	24	123
• Allocation of 2015 profit	-	-	21,836	(478)	-	(21,358)	-	-	-
• Dividends paid by the parent company (€0.06 per share)	-	-	(1,454)	-	-	-	(1,454)	-	(1,454)
• Buy-back commitment vis-à-vis minority shareholders	-	-	(3,460)	-	-	-	(3,460)	-	(3,460)
• Change in scope	-	-	(2,504)	-	-	-	(2,504)	375	(2,129)
Total transactions with shareholders recognized directly in shareholders' equity	*5*	*43*	*14,418*	*489*	*99*	*(21,358)*	*(6,304)*	*428*	*(5,876)*
Minorities' share in subsidiaries' dividend distributions	-	-	-	-	-	-	-	*(61)*	*(61)*
SHAREHOLDERS' EQUITY AT 12/31/2016	9,698	31,424	150,004	967	(252)	25,199	217,040	21,415	238,455

* Including currency translation reserve (€274,000 at December 31, 2016).
** share of shareholders' equity attributable to parent company shareholders.
*** Share of shareholders' equity attributable to minority equity investments corresponding to the shares held by subsidiaries' managers.

3.4. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. COMPANY IDENTIFICATION

NEURONES is a public limited company, whose head office is located at 205, Avenue Georges Clemenceau, 92000 Nanterre, France. It is a consulting and IT services company.

2. DISTRIBUTION OF CONSOLIDATED FINANCIAL STATEMENTS

In its meeting held March 7, 2017, the Board of Directors closed the 2016 consolidated financial statements presented in this document, to be presented for approval at the Shareholders Meeting of June 8, 2017.

NEURONES' consolidated financial statements for the year ended December 31, 2016 include the company and its subsidiaries (together referred to as the "Group") and the share in affiliates or companies under joint control.

3. DECLARATION OF COMPLIANCE

The consolidated financial statements were prepared in compliance with the IFRS as adopted in the European Union. They differ in some aspects from the IFRS published by IASB. Nevertheless, the Group has made sure that the financial information for the periods presented would not be substantially different if it had applied the IFRS as published by the IASB. This compliance covers the definitions, accounting methods, valuation and presentation recommended by IFRS plus all information required by the standards.

IFRS 9 and 15 (financial instruments and normal operating income earned on contracts concluded with clients): the Group is in the process of assessing the main impacts of these new standards.

4. ACCOUNTING PRINCIPLES

The accounting methods presented below have been applied consistently for all periods shown in the consolidated financial statements. They are identical to the accounting methods used in the financial statements at December 31, 2015.

The accounting methods were applied uniformly by Group entities.

4.1. Basis of preparing the consolidated financial statements

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

They were prepared based on historical cost except for short-term cash investments, share-based compensation and some non-current financial assets, valued at fair value.

4.2. 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 exercising the necessary judgment to determine the book values of assets and liabilities that cannot 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 did not foresee any changes in the key assumptions used or sources of uncertainty that would present a major risk of leading to a significant adjustment in the amounts of assets and/or liabilities during the following period.

The main items where estimates are made are asset impairments, pension liabilities, the valuation of share-based compensation and provisions. The assumptions used are specified in the corresponding notes to the financial statements.

4.3. Consolidation methods

Subsidiaries

A subsidiary is an entity the Group controls. The Group controls a subsidiary when it is exposed to or has the right to variable returns based on its ties with the entity and it has the ability to influence these returns due to the power it holds over the entity.

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

Minority equity investments

Minority equity investments are valued on a prorata basis with the net identifiable assets of the acquired company at the acquisition date.

The changes in the percentage held by the Group in a subsidiary not resulting in the loss of control are recognized as transactions affecting shareholders' equity.

Loss of control

When the Group loses control of a subsidiary, it de-recognizes the assets and liabilities as well as any other items related to this subsidiary. The potential profit or loss resulting from the loss of control is recognized in net income. Any interest kept in the former subsidiary is valued at its fair value at the date of loss of control.

Interests in equity affiliates

The Group's interests in equity affiliates includes those held in affiliated companies or in a joint venture.

Affiliated companies are entities where NEURONES has significant influence over its financial and operational policies without having control or joint control. The joint venture is a joint arrangement that gives the Group joint control, according to which it has rights to the net assets of the joint arrangement and not rights to the assets of the company itself and obligations to take on for its liabilities.

NEURONES' interests in affiliated companies and the joint venture are recognized according to the equity method. They are recognized initially at a cost including the transaction fees. After the initial recognition, the consolidated financial statements include the portion attributable to the Group of the net income and other items of comprehensive income of the equity affiliates, until the day when the significant influence or joint control ends.

Transactions eliminated in the financial statements

Balance sheet balances, transactions, income and expenses resulting from intra-group transactions are eliminated. Profits resulting from transactions with the equity affiliates are canceled by the cross-entry of equity method investments up to the Group's percentage interest in the company. Losses are eliminated in the same way as profits, but only insofar as they do not represent an impairment.

At December 31, 2016, all companies included in the scope of consolidation were subsidiaries. Their accounting principles have been modified, if necessary, to ensure homogeneity with NEURONE's accounting methods.

The list of consolidated companies is shown in chapter 5 hereafter, "Scope of Consolidation"

4.4. Intangible fixed assets

Business combinations and goodwill

For the acquisitions completed since January 1, 2010, goodwill is valued as:
- the fair value of the consideration transferred,
- plus the amount recognized for any non-controlling investment in the acquired company,
- plus, if the business combination is done in phases, the fair value of any prior investment held in the acquired company, and
- less the net amount recognized (generally at fair value) for identifiable acquired assets and assumed liabilities.

When the difference is negative, a bargain purchase profit is recognized immediately in income.

Since January 1, 2010, the method to determine the fair value of the consideration transferred is as follows:
- the consideration transferred excludes the amounts related to the payment of pre-existing relationships and compensation for employees or former owners for future services,
- the costs related to the acquisition, other than those related to a debt or share issue, are expensed when they are incurred, and
- any potential consideration payable is recognized at its fair value at the acquisition date. The potential consideration that was recorded in shareholders' equity is not restated and its payment is recognized in shareholders' equity. On the other hand, for potential consideration recorded as debt, subsequent variations in its fair value are recognized in profit or loss.

For the acquisitions completed between January 1, 2004 and January 1, 2010, the goodwill represents the difference between the acquisition cost and the Group's interest in the fair value of the assets, liabilities and identifiable potential liabilities acquired. When a company enters the scope of consolidation, its assets, liabilities and identifiable potential liabilities are entered on the consolidated balance sheet at their fair value and valued according to the Group's accounting principles.

For goodwill prior to January 1, 2004, the Group has chosen, according to the provisions of IFRS 3, not to restate goodwill from business combinations. Consequently, this goodwill is maintained at its assumed cost, which represents the amount recognized according to the previous accounting guidelines.

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, "Impairment of fixed asset items").

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 these contracts. They are amortized over the useful life of the corresponding contracts.

In the case of technical assistance contracts renewable periodically, the useful life is indefinite. Consequently, the period during which the contracts will generate net cash inflows to the Group's benefit is without a foreseeable limit. In this case the contracts are not depreciated and are subject to an annual impairment test or whenever there is a sign of impairment (see note 4.7 hereafter: "Impairment of fixed assets").

4.5. Other intangible assets

The Group has not identified significant development expenses that meet the IAS 38 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 and depreciation of intangible assets are recorded in operating profit on the line, "Allocations to amortization and depreciation".

4.6. 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.

Tangible assets are depreciated over their useful life, according to the following methods as soon as the asset is ready to be commissioned:

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

Case of business leases and long-term finance leases

Assets acquired in the form of a business 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 amortized 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 an amortization expense and a financial expense.

4.7. Impairment of fixed assets

The carrying amounts of these assets are examined at each closing to assess whether there is a sign that an asset has sustained impairment. If there is such a sign, the asset's recoverable value is estimated. For goodwill and intangible assets with an indefinite useful life or that are not yet ready to be commissioned, the recoverable value is estimated every year at December 31.

Goodwill and intangible assets with an indefinite useful life or intangible assets under construction

The tracking method used to test intangible assets for impairment is the DCF (discounted cash flow) method. This method is used each time there is a sign of impairment and at least once a year. To conduct these tests, goodwill is broken down into Cash Generating Units (CGU) corresponding to homogeneous groups that jointly generate identifiable cash flows. The division into CGUs is done by legal entity. Each subsidiary corresponds to a CGU (see Note 4.23 hereafter: "Operating segments").

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

In case of impairment, it is recorded on the "Asset impairment" line in operating profit. Goodwill impairment 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, which are reviewed at each annual closing.

To perform this test, the tangible assets are grouped into Cash Generating Units (CGU). The CGUs constitute homogeneous asset groups whose continuous use generates cash inflows that are substantially independent of cash inflows generated by other asset groups. The division into CGUs is done by legal entity, where 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 cash flow method. When the book value is less than the recoverable value, impairment is recorded in operating profit, on the "Impairment of assets" line.

Main criteria used to apply the DCF method of valuation

- the discount rate used is 5.5% after tax compared to 5% at December 31, 2015 based on the risk-free rate, the risk premium and the beta,
- the length of the explicit period is 5 years,
- the growth assumptions retained for revenues, operating profit, working capital requirements and capital expenditures are specific to each company, based on their size and business sector,
- the growth rate is based on planning budgets that take into account the organization's dynamism and market conditions; it is 5% on average,
- the residual value is determined based on a terminal growth rate of 2%.

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 prorata basis with the book value of each asset in 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 write back of impairment, should not exceed the book value that would have been determined, net of depreciations, if no impairment had been recorded.

4.8. 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, or at their acquisition cost if the fair value cannot be determined reliably.

In the case of recognition at fair value, any normal variation in fair value (positive or negative) is recognized directly in shareholders' equity.

In case of a recognition at acquisition cost and of an objective indication of impairment of the financial asset, impairment is recorded through profit/(loss). This impairment is written back only when the securities are sold.

Financial assets at fair value through the income statement

An asset is classified as a financial asset at fair value through the income statement if it is held for trading purposes or designated as such when it is initially recognized. Financial instruments are designated this way if the Group manages investments and makes purchase or sale decisions based on their fair value consistent with the risk management or investment strategy policy.

Other financial assets

The other financial assets that mature in more than one year and do not earn interest are initially recognized at fair value, plus the directly attributable transaction costs. After the initial recognition, they are valued at amortized cost calculated according to the effective interest rate less any impairment. The interest rate used was 5.5%.

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

4.9. Deferred income 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, except for the following items:
- goodwill,
- time differences related to investments provided they will not inverse in the foreseeable future.

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 it is likely there will be future taxable income that these tax losses can be charged against.

A deferred tax is recorded for assets and liabilities related to finance lease agreements.

Pursuant to IAS 12, deferred tax assets and deferred tax liabilities are not discounted.

Since the year ended December 31, 2010, the Company Value Added Contribution (CVAE) falls within the scope of IAS 12.

4.10. Inventory

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

Impairment is recognized on a case-by-case basis when the net realizable value is less than the carrying amount.

4.11. 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).

4.12. Cash and cash equivalents

Short-term investments are valued at their fair value (as counterparty through the income statement).

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 cash-in value of the cash asset or liability at the closing date.

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

4.13. Treasury shares

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

In case the shares are subsequently disposed of, the profit/(loss) and any corresponding tax effects are recorded as a variation in consolidated shareholders' equity.

4.14. Share-based compensation

The Black & Scholes valuation model was used for options. The fair value valuation of the service rendered at the allocation date is expensed on a prorata temporis basis over the entire rights acquisition period as an adjustment to shareholders' equity.

4.15. Employee 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 projected unit credit method, which takes into account seniority, life expectancy and the standard personnel turnover rate plus salary revision and discounting assumptions.

Actuarial gains and losses generated by changes in demographic or financial assumptions are recognized in other items of comprehensive income.

Furthermore, application of IAS 19 amended results in breaking down the change in the debt between the cost of services rendered, presented as operating profit, and the financial cost (corresponding to interest on the debt calculated based on the discount rate), presented as financial profit or loss. Given the amount of the debt related to pension liabilities, the financial cost impact is insignificant over the period.

4.16. Other personnel commitments

Rewards for long-service

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

4.17. 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 it is likely or certain that this obligation will cause an outflow of resources representing economic benefits whose amount may be estimated reliably.

Non-current provisions are discounted when the effect is significant.

4.18. Financial liabilities

The Group has no derivatives 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.

4.19. Other non-current liabilities

No non-current liabilities were identified at December 31, 2016.

4.20. Trade and other accounts payable

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

4.21. 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 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, an end of contract loss equal to the difference is recorded in contingency and loss provisions.

Annual or long-term contracts

Revenues from annual or long-term contracts are recorded based on the stage of completion, 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. Unused checks are recorded as prepaid income.

Long-term perennial outsourcing contracts

Long-term outsourcing contracts generally include two main types of services:
- initial engineering: this is an independent project prior to starting the current operating contract. Thus revenues are recorded based on the stage of completion,
- operational contract: the invoicing terms generally involve a fixed monthly fee. Revenues are recognized based on the stage of completion in phase with the services provided.

4.22. Method of calculating diluted earnings per share (EPS)

The number of shares taken into account in calculating diluted EPS is comprised of:
- number of shares at the beginning of the year,
- plus the weighted average number of bonus shares delivered during the year,
- plus the weighted average number of stock options exercised during the year,
- plus the weighted average number of other dilutive share subscription options (stock options and bonus shares) allocated and not exercised or not delivered during the year, calculated according to the provisions of IAS 33,
- less the weighted average number of treasury shares during the year.

Earnings per share was calculated in accordance with IAS 33.

4.23. Operating segments (IFRS 8)

According to IFRS 8, an operating segment is a distinct component of the Group, which is either involved in providing specific services (business segment) or in providing services in an environment (geographic segment) that is exposed to risks and generates different profitability than the profitability in other sectors. It is identified and managed separately by senior management, in that it requires a specific strategy, resources and technologies.

The information transmitted internally to the Chairman and Executive Vice-President is presented by legal entity, since line management's performance is assessed at this level. In this context, each of these entities would correspond to an operating segment.

NEURONES does not consider this highly detailed level of information necessary for the reader to have a better understanding of the Group's performance. All of the legal entities operate in the Consulting and IT Services for companies market and present marketing methods and cost structures that are often comparable. Consequently, no operating segments were identified to be presented in the context of IFRS 8.

4.24. Management of financial risk (IFRS 7)

Exposure to the following risks has been identified:
- credit risk,
- liquidity risk,
- market risk, and
- capital management risk.

The purpose of this note is to provide information about the exposure to each of these risks as well as the policies put in place to minimize them. Given the Group's current size and the daily involvement of two directors (Chairman and Executive Vice-President) combined with the geographic proximity of the largest Group companies and subsidiary managers' participation in the share capital, it has not been deemed necessary to form a centralized risk management committee. Moreover, NEURONES' general and/or financial management is directly responsible for some risks.

Credit risk

Credit risk represents the possibility of a financial loss in the case where a customer or counterparty to a financial instrument would fail to honor its contractual obligations. In the case of NEURONES and its subsidiaries, the risk is primarily limited to trade receivables and financial investments.

Concerning receivables, the credit risk exposure depends on the individual characteristics of the legal entities invoiced. The Group addresses a very broad spectrum of uniformly distributed customers in multiple business sectors, with the largest customer not accounting for more than 9.4% of the consolidated revenues. This client is a major group whose multiple decision centers order services independently from each other.

Regarding cash and cash equivalents, the credit risk exposure is limited by primarily investing excess cash in term deposits issued by banks.

Liquidity risk

The liquidity risk corresponds to difficulties the Group could encounter to honor its commitments and pay its debts.

This risk is theoretical in light of a significant surplus cash position.

Market risk

Market risk corresponds to changes in market prices, such as exchange rates, interest rates and prices of equity instruments.

NEURONES is not really exposed to a foreign exchange risk because virtually all transactions are carried out in euros.

Furthermore, the Group is not indebted and would not experience a significant impact in case interest rates vary.

Only the risk related to market price variations could affect the regularity of the financial profit or loss since the performance of some of the short-term investments is correlated to stock markets.

Capital management

By design, managers hold 73.6% of the capital, which constitutes a solid block that by nature gives third parties' confidence.

Even though NEURONES has substantial surplus cash (plus significant shareholders' equity), the Board of Directors makes sure that a balance is maintained between shareholders' remuneration and long-term resources. The dividend policy, initiated as of 2005, has never resulted in distributing more than 25% of net profit.

The Company wants to retain the possibility to buy-back its own shares at any time. As such, every year the Ordinary Shareholders' Meeting is asked to approve such an authorization.

4.25. New standards and interpretations

IFRS measures, mandatory from January 1, 2016, applied without impact on the Group's financial statements at December 31, 2016
- Amendments to IAS 1: disclosure initiative;
- Amendments to IAS 16 and IAS 38: clarification of acceptable methods of depreciation and amortization;
- Amendments to IAS 16 and IAS 41: agriculture: bearer plants;
- Amendments to IFRS 11: accounting for acquisitions of interests in joint operations;
- Amendments to IAS 19: employee contributions;
- Amendments to IAS 27: use the equity method in the individual financial statements;
- Amendments to IFRS 10, IFRS 12 and IAS 28: investment entities – application of the consolidation exception;
- Annual improvements 2010-2012;
- Annual improvements 2012-2014.

Mandatory implementation provisions after December 31, 2016, not applied in advance
- Amendments to IAS 7: disclosure initiative;
- Amendments to IAS 12: recognition of deferred tax credits for unrealized losses;
- Amendments to IFRS 15: normal operating income earned on contracts concluded with clients;
- IFRS 9: financial instruments.

5. SCOPE OF CONSOLIDATION

5.1. List of consolidated companies

Companies consolidated by full consolidation	Registered head office	12/31/2015			12/31/2016		
		% Stake	% Control	Consolidation Method	% Stake	% Control	Consolidation Method
Parent							
NEURONES	205, av. Georges Clemenceau - 92024 NANTERRE	-	-	-	-	-	-
Subsidiaries							
Advim	215, av. Georges Clemenceau - 92024 NANTERRE	-	-	-	83%	100%	FC
Arondor	22, rue de la Pépinière - 75008 PARIS	51%	51%	FC	50%	50%	FC
Arondor Capture	22, rue de la Pépinière - 75008 PARIS	36%	70%	FC	35%	70%	FC
AS Connect	120-122, rue Réaumur - 75002 PARIS	98%	100%	FC	98%	100%	FC
AS Delivery	120-122, rue Réaumur - 75002 PARIS	98%	100%	FC	98%	100%	FC
AS Devops	120-122, rue Réaumur - 75002 PARIS	-	-	-	98%	100%	FC
AS Infra	120-122, rue Réaumur - 75002 PARIS	98%	100%	FC	98%	100%	FC
AS International	120-122, rue Réaumur - 75002 PARIS	98%	100%	FC	98%	100%	FC
AS International Group	120-122, rue Réaumur - 75002 PARIS	98%	98%	FC	98%	98%	FC
AS Production	120-122, rue Réaumur - 75002 PARIS	98%	100%	FC	98%	100%	FC
AS Synergie	120-122, rue Réaumur - 75002 PARIS	98%	100%	FC	98%	100%	FC
AS Technologie	120-122, rue Réaumur - 75002 PARIS	98%	100%	FC	98%	100%	FC
AS Telecom & Réseaux	120-122, rue Réaumur - 75002 PARIS	98%	100%	FC	98%	100%	FC
Axones	205, av. Georges Clemenceau - 92024 NANTERRE	100%	100%	FC	100%	100%	FC
Brains	27, rue des Poissonniers - 92200 NEUILLY-SUR-SEINE	40%	53%	FC	39%	53%	FC
Cloud Temple Tunisia	Gp1 Km 12 - EZZAHRA	40%	50%	FC	42%	50%	FC
Codilog	205, av. Georges Clemenceau - 92024 NANTERRE	75%	75%	FC	74%	74%	FC
Colombus Consulting	138, avenue des Champs-Elysées - 75008 PARIS	71%	71%	FC	81%	81%	FC
Colombus Consulting Shift	138, avenue des Champs-Elysées - 75008 PARIS	-	-	-	57%	71%	FC
Colombus Consulting Tunisie	Complexe Rosalys, A2 1053 les Berges du Lac 2 - TUNIS	36%	50%	FC	40%	50%	FC
Deodis IMS	171, av. Georges Clemenceau - 92024 NANTERRE	90%	96%	FC	90%	96%	FC
Edugroupe	205, av. Georges Clemenceau - 92024 NANTERRE	98%	98%	FC	98%	98%	FC
Edugroupe MP	205, av. Georges Clemenceau - 92024 NANTERRE	98%	100%	FC	98%	100%	FC
Everience	Office No. 236 Robert-Bosch Str. 20 - 64293 DARMSTADT	94%	100%	FC	94%	100%	FC
Finaxys	27, rue des Poissonniers - 92200 NEUILLY-SUR-SEINE	76%	76%	FC	75%	75%	FC
Helpline	171, av. Georges Clemenceau - 92024 NANTERRE	94%	94%	FC	94%	94%	FC
Helpline Romania	10/D rue Coriolan Brediceanu - 300011 TIMISOARA	94%	100%	FC	94%	100%	FC
Helpline Tunisia	21, rue de Jérusalem - 1002 Belvédère - TUNIS	94%	100%	FC	94%	100%	FC
Iliade	1, rue de la Pépinière - 75008 PARIS	-	-	-	52%	70%	FC
Iliade Tunisie	Rue du Lac Windermere - 1053, les Berges du Lac – TUNIS	-	-	-	52%	100%	FC
Iliade Belgium	4, rue de la Presse - BE-1000 BRUSSELS 1	-	-	-	52%	100%	FC
Intrinsec	215, av. Georges Clemenceau - 92024 NANTERRE	79%	79%	FC	83%	83%	FC
Intrinsec Sécurité	215, av. Georges Clemenceau - 92024 NANTERRE	79%	100%	FC	81%	97%	FC
Lib Consulting SD	16, rue Matel - 75010 PARIS	-	-	-	52%	70%	FC
Lib Consulting SD Suisse	Rue des Vollandes - 71, c/o M. Brito - 1207 GENEVA	-	-	-	45%	86%	FC
MobiApps	6, rue Rose Dieng-Kuntz - 44300 NANTES	-	-	-	69%	70%	FC
Netixia	3 bis, rue de la Tuilerie - 37550 SAINT-AVERTIN	40%	51%	FC	83%	100%	FC
Neurones Consulting	205, av. Georges Clemenceau - 92024 NANTERRE	100%	100%	FC	100%	100%	FC
Neurones-IT	205, av. Georges Clemenceau - 92024 NANTERRE	99%	99%	FC	99%	99%	FC
Neurones IT Asia Pte Ltd	Tampines Central 1, 02-05 Tampines Plaza 529541 SINGAPORE	99%	100%	FC	99%	100%	FC
Neurones IT India	Vatika Business Center - 11, O Shaughnessy Road Langford Town - 560025 BANGALORE	-	-	-	99%	100%	FC
NG Cloud	121-123, Rue Edouard Vaillant 92300 LEVALLOIS-PERRET	75%	100%	FC	100%	100%	FC
Novactor	22, av. J-J Rousseau - 78800 HOUILLES	76%	100%	FC	-	-	-
Pragmateam	205, av. Georges Clemenceau - 92024 NANTERRE	85%	56%	FC	85%	56%	FC
RS2i	121-123, rue Edouard Vaillant - 92300 LEVALLOIS-PERRET	100%	100%	FC	100%	100%	FC
Saegus	138, avenue des Champs-Elysées - 75008 PARIS	36%	50%	FC	40%	50%	FC
Scaled Risk	71, bd de Sébastopol - 75002 PARIS	65%	85%	FC	35%	47%	FC
Viaaduc	205, av. Georges Clemenceau - 92024 NANTERRE	97%	100%	FC	97%	100%	FC

FC = Consolidation by full consolidation

5.2. Significant events

Impact of variations in the scope of shareholders' equity

(in € thousands)	stake at 12/31/2015 (%)	stake at 12/31/2016 (%)	Variation (%)	Impact on shareholders' equity attributable to parent company shareholders	Impact on minority equity investments
Colombus Consulting	71.3	80.5	9.2	(1,682)	(761)
Netixia	40.3	83.1	42.8	(746)	(708)
Intrinsec	79.1	83.1	4	(494)	(527)
Scaled Risk	64.8	34.9	(30)	154	228
Neurones S.A.	100	100	-	210	-
Novactor	76.3	0	(76.3)	(176)	(55)
Finaxys	76.3	74.9	(1.4)	107	130
Codilog-Knowledge	75.3	74.5	(0.8)	63	125
Iliade and its subsidiaries	0	52.2	52.2	-	1,313
Colombus Shift	0	57	57	-	266
Lib Consulting and its subsidiaries	0	52.1	52.1	-	152
MobiApps	0	69	69	-	113
Others < +/- €100 million)	-	-	-	60	99
TOTAL	-	-	-	(2,504)	375

Changes in stake percentages

During FY 2016 various transactions were carried out with certain minority partners of subsidiaries. They resulted in slight changes in percentage stakes.

New companies acquired

The Group's scope has grown after the following five external growth operations:

Company	Entered on	2016 revenue contribution (in € millions)	Fair value of shareholders' equity at the acquisition date (in € millions)
Iliade Consulting	January 1, 2016	7.8	4.5
MobiApps	January 1, 2016	2.2	0.4
Advim	October 1, 2016	0.3	0.7
Lib Consulting SD	November 1, 2016	0.5	0.5
Colombus Shift	December 1, 2016	0.1	0.9

Provisional items concerning the contribution of acquisitions to the Group's consolidated financial statements

For each acquisition, the price was paid in cash with, potentially, future earn out payments.

The residual goodwill primarily represents human capital and expected revenue and market share synergies. At the date of entering the scope, the acquired companies' main totals were:

ASSETS *(in € thousands)*	Iliade Consulting	MobiApps	Advim	Lib Consulting SD	Colombus Shift
NON-CURRENT ASSETS					
Intangible fixed assets	38	86	-	-	-
Tangible assets	230	16	29	11	7
Financial assets	127	2	-	69	-
Deferred tax credits	58	-	-	-	-
NON-CURRENT ASSETS					
Inventory	-	-	-	-	-
Deferred tax credits due	-	-	-	-	-
Trade accounts and notes receivable	3,697	423	1,010	616	920
Cash and cash equivalents	3,075	337		259	454
TOTAL ASSETS	7,225	864	1,039	955	1,381

SHAREHOLDERS' EQUITY AND LIABILITIES *(in € thousands)*	Iliade Consulting	MobiApps	Advim	Lib Consulting SD	Colombus Shift
SHAREHOLDERS' EQUITY RESTATED AT FAIR VALUE	1,765	146	268	198	354
Minority interests	2,783	230	423	312	558
NON-CURRENT LIABILITIES					
Non-current provisions	-	-	-	-	-
Non-current financial liabilities	-	-	-	-	-
CURRENT LIABILITIES					
Current provisions	-	-	-	-	-
Taxes due	-	-	-	-	-
Trade and other accounts payable	2,676	429	344	445	469
Other financial liabilities	1	59	4	-	-
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	7,225	864	1,039	955	1,381

6. NOTES TO THE BALANCE SHEET

Note 1 – Intangible assets

(in € thousands)	12/31/14	↗	↘	12/31/15	Change in Scope	↗	↘	12/31/16
Goodwill (details in Note 2)	36,460	1,243	-	37,703		5,410	141	42,972
Patents and licenses	3,974	2,934	912	5,996	192	928	463	6,653
Contracts and contractual relationships	341	-	-	341	-	-	-	341
GROSS TOTAL	40,775	4,177	912	44,040	192	6,338	604	49,966
Amortization and depreciation	(3,290)	(835)	(910)	(3,215)	(69)	(1,515)	(289)	(4,510)
Impairment	(909)	-	-	(909)	-	-	-	(909)
NET TOTAL	36,576	3,342	2	39,916	123	4,823	315	44,547

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). They amount to €341,000 and are fully depreciated. No intangible assets have been pledged as security.

Note 2 – Goodwill

(in € thousands)	12/31/14	↗	↘	12/31/15	↗	↘	12/31/16
Companies concerned							
Colombus Consulting	10,386	-	-	10,386	-	-	10,386
AS International Group	8,874	-	-	8,874	-	-	8,874
Helpline	5,179	-	-	5,179	-	-	5,179
RS2I	3,460	-	-	3,460	-	-	3,460
Axones	3,237	-	-	3,237	-	-	3,237
Iliade	-	-	-	-	2,959	-	2,959
Codilog	2,587	-	-	2,587	-	-	2,587
Arondor	1,480	-	-	1,480	-	-	1,480
Lib Consulting	-	-	-	-	1,239	-	1,239
Netixia	-	1,126	-	1,126	-	-	1,126
Others (< €1 million)	1,256	117	-	1,373	1,212	141	2,444
GROSS TOTAL	36,460	1,243	-	37,703	5,410	141	42,972
Impairment	(568)	-	-	(568)	-	-	(568)
NET TOTAL	35,892	1,243	-	37,135	5,410	141	42,404

The variations for the period correspond primarily to the acquisitions of Lib Consulting and Iliade.

Method and key assumptions used for impairment tests

Impairment tests are performed once a year at closing on December 31.

The sensitivity analysis did not reveal a likely scenario by which the recoverable value of the CGUs would fall below the net carrying amount.

Note 3 – Tangible assets

(in € thousands)	12/31/14	↗	Reclass.	↘	12/31/15	↗	Reclass.	↘	12/31/16
Fixtures and installations	6,762	1,659	115	309	8,227	1,224	116	315	9,252
Transportation equipment	2,273	382	-	93	2,562	688	-	382	2,868
IT and office equipment	18,526	8,807	(1)	871	26,461	3,912	206	2,144	28,435
Fixed assets under construction	113	116	(114)	-	115	254	110	-	479
GROSS TOTAL	27,674	10,964	-	1,273	37,365	6,078	432	2,841	41,034
Amortization and depreciation	(19,392)	(4,568)	-	(1,189)	(22,771)	(6,497)	-	(2,729)	(26,539)
NET TOTAL	8,282	6,396	-	84	14,594	(419)	432	112	14,495

The investments correspond to:
- equipment used for the cloud computing activity,
- computer hardware used in our service centers or at customer sites, as part of outsourcing contracts or for internal uses,
- fixtures used to furnish premises,
- company cars.

The decreases correspond primarily to scrapping.

Note 4 – Financial assets

(in € thousands)	12/31/14	↗	Reclass.	↘	12/31/15	Change in scope	↗	Reclass.	↘	12/31/16
Non-consolidated securities	144	7	6,694	12	6,833	-	495	(6,482)	126	720
Loans	2,154	-	211	14	2,351	1	634	-	37	2,949
Other financial assets	1,413	20	417	100	1,750	59	806	-	325	2,290
GROSS TOTAL	3,711	27	7,322	126	10,934	60	1,935	(6,482)	488	5,959
Impairment	(10)	(4)	(58)	-	(72)	-	(88)	-	(66)	(94)
NET TOTAL	3,701	23	7,264	126	10,862	60	1,847	(6,482)	422	5,865

The reclassification of non-consolidated shares corresponding primarily to the consolidation of Iliade Consulting. The company, acquired on December 15, 2015, was not consolidated at December 31, 2015 (due to the lack of financial information).

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 has been calculated based on the reimbursement date provided for in the contract (20-year timeframe).

In accordance with IFRS 7.8, it is noted that all of the financial assets mentioned above correspond to investments held to maturity.

Note 5 – Deferred tax credits

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

(in € thousands)	12/31/15	12/31/16
Employee statutory profit sharing	683	790
Present value of receivables maturing in more than one year	786	802
Other temporary differences	(37)	64
Provision for retirement benefits	306	365
Tax losses deferrable indefinitely	73	73
DEFERRED TAXES CALCULATED	1,811	2,094
Compensation by tax entity	-	-
TOTAL DEFERRED TAXES	1,811	2,094

Note 6 – Inventory

(in € thousands)	12/31/15	12/31/16
Goods	414	250
GROSS TOTAL	414	250
Impairment	(5)	(5)
NET TOTAL	409	245

No inventory has been pledged as security.

Note 7 – Trade accounts and notes receivable

(in € thousands)	12/31/15	12/31/16
Trade receivables	101,568	119,801
Invoices to be issued	23,552	25,910
Suppliers: credit notes receivable	114	302
VAT and other taxes	16,550	18,645
Other receivables	171	524
Prepaid expenses	4,359	5,200
GROSS TOTAL	146,314	170,382
Impairment	(558)	(518)
NET TOTAL	145,756	169,864

The due date for these items is less than one year, except for some trade receivables. These items concern primarily financial arrangements granted to a few customers as part of outsourcing contracts. In this case, since the amount recognized as a receivable on the balance sheet bears interest, the receivable was not discounted for present value.

Breakdown of trade receivables is as follows:

(in € thousands)	Due				Not due	Total
	> 1 year	< 1 year	< 6 months	< 3 months		
Trade receivables	1,139	1,834	2,656	31,860	82,312	119,801
Impairment	(339)	(105)	(55)	(7)	0	(506)
Net value	800	1,729	2,601	31,853	82,312	119,295
TOTAL	0.7%	1.4%	2.2%	26.7%	69.0%	100.0%

Note 8 – Cash and cash equivalents

(in € thousands)	12/31/15	12/31/16
Term deposits	67,982	63,109
Monetary funds	9,278	11,293
Available funds	53,052	65,566
Accrued interest	1,061	1,437
GROSS TOTAL	131,373	141,405
Bank overdrafts	(307)	(546)
Medium-term loan: portion less than 1 year	(1,274)	(1,279)
NET TOTAL	129,792	139,580

Given the type of funds and supports selected to invest excess cash, no adjustment in the fair value or the future yield is anticipated.

The term deposits can be mobilized anytime. They are comprised of several lines in 14 European banks with rates ranging from 1.1% to 2.8%. The maturities less than one year represent €21.9 million, those from one to two years €22.8 million and those from two to three years €18.4 million.

The monetary funds are primarily comprised of financial products indexed to the major French and European indexes. Their valuations are substantially market driven.

The available funds correspond to the uninvested cash and cash equivalents, without cost or remuneration for the Group.

Note 9 – Shareholders' equity

Note 9.1 – Capital

At December 31, 2016, the share capital amounted to €9,697,544.80; comprised of 24,243,862 fully paid-up shares of the same class with a face value of €0.40.

During FY 2016, 12,484 stock options were exercised, which resulted in the creation of 12,484 new shares:
- 12,484 options were exercised at a price of €3.80, including a face value of €0.40 and €3.40 of additional paid-in capital (Plan No. 3).

These new shares increased the share capital by €4,993.60 and the additional paid-in capital by €42,445.60.

The variation in the number of shares in circulation during FY 2016 breaks down as follows:

Number of shares in circulation at 01/01/2016	Increase	Decrease	Number of shares in circulation at 12/31/2016
24,231,378	12,484	-	24,243,862

Note 9.2 – Share-based compensation

Stock option plans

All authorizations given by Shareholders' Meetings to the Board of Directors for stock option plans were wound up during prior years.

Rules of the stock option plans

	Stock option plan No. 3
Shareholders' Meeting	11/29/99 & 06/09/11
Board of Directors meeting:	07/11/01 & 03/31/11
Maturity date of the plans	07/11/06
Expiry date of the plans	07/11/16
Number of beneficiaries	238
- of which managers	-
Number of shares granted	320,210
Number of expired options at 12/31/2015	(143,412)
Number of shares already subscribed at 12/31/2015	(163,314)
Number of options that expired during the period	(1,000)
Number of shares subscribed during the period	(12,484)
Number of options in circulation at 12/31/2016	-
Number of exercisable options at 12/31/2016	-
Subscription price (in €)	3.8
Potential dilution (excluding canceled options): % of capital at 12/31/2016	-
TOTAL POTENTIAL DILUTION	-

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

Bonus share allocation plan

The Shareholders' meeting of June 4, 2015 authorized the Board of Directors to allocate a bonus share plan for up to 239,000 common shares. During FY 2015 and FY 2016, the Board of Directors did not use this authorization, valid for a period of twenty-four months.

The Shareholders' meeting of June 9, 2016 authorized the Board of Directors to allocate a bonus share plan for up to 242,000 common shares. During FY 2016, the Board of Directors used part of this authorization, valid for a period of twenty-four months, by allocating 43,000 bonus shares (Plan F).

The different bonus share plans approved by the Board of Directors, still in their acquisition and/or retention period in 2016, have the following characteristics:

	Bonus share plan E	Bonus share plan F
Shareholders' Meeting	06/09/11	06/09/16
Board of Directors meeting:	06/07/12	06/09/16
End of acquisition period	06/08/15	06/10/18
End of retention period	06/08/17	06/10/20
Number of beneficiaries	61	14
- of which managers	-	-
Number of free shares allocated	221,000	43,000
Number of canceled shares at 12/31/2015	(17,000)	-
Number of shares in the acquisition period at 01/01/2016	-	-
Number of shares canceled during the acquisition period throughout the year	-	-
Number of shares in the acquisition period at 12/31/2016	-	43,000
Number of shares in the retention period at 01/01/2016	204,000	-
Number of shares in the retention period at 12/31/2016	204,000	-
Potential dilution (excluding canceled options) -% of capital at 12/31/2016	-	0.18%
TOTAL POTENTIAL DILUTION	-	0.18%

No performance conditions have been established for the plans allocated and described above.

The main criteria retained for the fair value valuation of the options and bonus shares for the plans attributed after November 7, 2002 (date when a new accounting standard applicable to stock options and other share-based payments took effect) are as follows:

	Bonus share plan E	Bonus share plan F
Life	3 years	2 years
Volatility	25%	19%
Risk-free rate	4.21%	0%
Dividend payout rate	1%	1%

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

Based on the Black & Scholes model, the options' unit fair values are as follows:

Plan and date of the Board of Directors meeting *(in €)*	Date of definitive allocation	Exercise price	Fair value	Price at the allocation date
June 7, 2012 (plan E) – Bonus shares	06/08/15	-	10.21	15.39
June 9, 2016 (plan F) – Bonus shares	06/10/18	-	20.89	-

The expenses related to the stock option plans are presented in Note 14 hereafter.

Note 9.3 – Earnings per share

	2015	2016
Number of shares at the beginning of the year	23,981,759	24,231,378
Average number of shares issued	146,358	7,865
Average number of treasury shares	-	-
Average number of shares in circulation during the year	24,128,117	24,239,243
Average number of dilutive instruments	12,181	21,500
Average number of shares in circulation after dilution	24,140,298	24,260,743
Net profit – Group share (in €)	21,358,253	25,199,371
Earnings per share - Group share – undiluted (in €)	0.89	1.04
Earnings per share - Group share – diluted (in €)	0.88	1.04

Note 10 – Non-current provisions

(in € thousands)	12/31/14	Allocation for the year	Write-backs for the year (provision used)	12/31/15	Change in scope	Allocation for the year	Write-backs for the year (provision used)	Write-backs for the year (provision not used)	12/31/16
Provision for retirement benefits	722	296	121	897	-	192	20	-	1,069
TOTAL	722	296	121	897	-	192	20	-	1,069
Impact (net of expenses incurred)	-	-	-	-	-	-	-	-	-
Operating profit	-	280	121	-	-	192	20	-	-
Net cost of financial debt	-	-	-	-	-	-	-	-	-

Note 11 – Current provisions

(in € thousands)	12/31/14	Change in scope	Allocation for the year	Write-backs for the year (provision used)	Write-backs for the year (provision not used)	12/31/15	Change in scope	Allocation for the year	Write-backs for the year (provision used)	Write-backs for the year (provision not used)	12/31/16
Provisions	2,834	24	1,109	647	30	3,290	-	1,331	1,312	1,070	2,239
TOTAL	2,834	24	1,109	647	30	3,290	-	1,331	1,312	1,070	2,239
Impact (net of expenses incurred)	-	-	-	-	-	-	-	-	-	-	-
Operating profit	-	-	1,109	647	30	-	-	1,331	1,312	1,070	-
Net cost of financial debt	-	-	-	-	-	-	-	-	-	-	-

The current provisions, as well as the allocations and write-backs, correspond primarily to employer social security contribution risks and losses on contracts, where the expected date when resources will be expended is less than 12 months.

Note 12 – Trade and other accounts payable

(in € thousands)	12/31/15	12/31/16
Trade and related accounts payable	29,769	26,202
Employee statutory profit sharing and optional profit sharing	2,123	2,439
Taxes and employer social security contributions	79,199	87,866
Other debts	6,432	11,765
Prepaid income(1)	8,843	10,321
TOTAL	126,366	138,593

(1) See above "Accounting principles" - 4.21.

All operating debts are due in less than one year.

Note 13 – Other financial liabilities

(in € thousands)	12/31/2015	Maturities			12/31/2016
		> 2 years	< 2 years	< 1 year	
Non-current loan	1,893	161	701	-	862
Current loan	1,274	-	-	1,280	1,280
LOAN SUBTOTAL	3,167	161	701	1,280	2,142
Bank overdrafts	307	-	-	545	545
Security deposits received	82	-	-	112	112
OTHER CURRENT FINANCIAL LIABILITIES	389	-	-	657	657
TOTAL	3,556	161	701	1,937	2,799

7. OPERATING SEGMENTS

The Group has not identified any operating segments (see paragraph 4.23 above "Operating segments").

8. NOTES TO THE INCOME STATEMENT

Note 14 – Salaries and related expenses

(in € thousands)	2015	2016
Salaries	164,758	184,904
Employer social security contributions	75,340	82,483
Employee statutory profit sharing	2,247	2,538
Stock options & bonus shares	711	1,185
Provision for retirement benefits	213	118
TOTAL	243,269	271,228

Note 15 – External expenses

(in € thousands)	2015	2016
Subcontracting purchases	68,707	86,009
Purchases of materials and supplies not stored	709	482
Outside personnel	872	934
Other outside services	28,883	29,786
TOTAL	99,171	117,211

Note 16 – Allocations to depreciation, provisions and impairment of assets

(in € thousands)	2015	2016
Amortization of intangible assets	807	1,516
Depreciation of tangible assets	4,468	6,219
ALLOCATIONS TO AMORTIZATION AND DEPRECIATION	**5,275**	**7,735**
Net contingency provisions	377	(996)
Net provisions for current assets	149	(36)
NET ALLOCATIONS TO PROVISIONS	**526**	**(1,032)**
Impairment of "Contracts and contractual customer relationships"	58	(16)
IMPAIRMENT OF ASSETS	**58**	**(16)**

Note 17 – Other income and expenses

(in € thousands)	2015	2016
Operating subsidies	5,596	6,984
Miscellaneous income	426	831
OTHER INCOME	**6,022**	**7,815**
Miscellaneous expenses	(35)	(320)
OTHER EXPENSES	**(35)**	**(320)**
NET OTHER INCOME/OTHER EXPENSES	5,987	7,495

The details of the operating grants are as follows:

(in € thousands)	2015	2016
Competitiveness and Employment Tax Credit (CICE)	4,581	5,019
Research Tax Credit (CIR)	878	1,239
Other grants	137	726
TOTAL	5,596	6,984

The tax credits were recorded as other income because they are considered as a grant offsetting related costs incurred by the companies concerned.

Note 18 – Other operating income and expenses

(in € thousands)	2015	2016
Capital gain/(loss) on disposal of assets	(53)	(222)
Impairment of goodwill	-	-
Other	(6)	(95)
TOTAL	(59)	(317)

Note 19 – Analysis of the net cost of financial debt

(in € thousands)	2015	2016
Dividends received (non-consolidated equity investments)	-	6
Other interest and similar income	1,805	2,560
Capital gains on disposal of cash equivalents	61	123
Capital gain on disposal of financial assets	-	-
Write-backs of provisions	-	179
TOTAL FINANCIAL INCOME	**1,866**	**2,868**
Interest and similar expenses	307	344
Allocations to provisions	128	89
TOTAL FINANCIAL EXPENSES	**435**	**433**
FINANCIAL PROFIT (LOSS)	1,431	2,435

Financial interest due to expenses deducted directly by the bank as part of cash centralization systems established between NEURONES and some of its subsidiaries as well as interests for outstanding loans.

Note 20 – Income tax

(in € thousands)	2015	2016
Corporate tax	9,692	11,554
Company Value Added Contribution (CVAE)	4,210	4,596
Taxes due	**13,902**	**16,150**
Deferred income taxes	**61**	**(227)**
TOTAL	13,963	15,923

Note 21 – Proof of tax

	2015			2016		
(in € thousands)	Base	Rate	Tax	Base	Rate	Tax
Pre-tax income, capital gain on sale of consolidated shares	38,501	34.43%	13,257	44,946	34.43%	15,476
Non-deductible calculated expenses	526	34.43%	181	996	34.43%	343
Impact of definitively non-deductible expenses	749	34.43%	258	805	34.43%	277
Impairment of goodwill	-	34.43%	-	-	34.43%	-
Generation/(Use) of tax losses not activated	1,040	34.43%	358	540	34.43%	186
Tax credits	-	-	(1,937)	-	-	(2,119)
CVAE impact on tax	-	-	2,760	-	-	3,013
Rate difference between parent company and subsidiaries	-	-	(914)	-	-	(1,253)
EFFECTIVE TAX EXPENSE	-	-	13,963	-	-	15,923
Average tax rate	-	-	36.3%	-	-	35.4%

Note 22 – Information about related parties

Legal entities

NEURONES has no sister company. There are no economic transactions with Host Développement, a 46% shareholder in NEURONES, other than the annual payment of dividends.

Directors

The total and overall remuneration of directors amounted to 400,000 for FY 2016 (fixed and variable). It is the same as in FY 2015. The directors do not collect any other remuneration.

9. MISCELLANEOUS INFORMATION

9.1. Security given

No guarantees were given at December 31, 2016.

9.2. Off balance sheet commitments

There were no off balance sheet commitments at December 31, 2016.

9.3. Auditors' fees

	BM&A				KPMG				Other			
	Amount		%		Amount		%		Amount		%	
(in € thousands)	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016
Audit												
Statutory auditors' examination of separate and consolidated financial statements												
- parent company	24	24	18%	17%	24	24	18%	16%	-	-	-	-
- subsidiaries	110	117	82%	83%	106	124	82%	84%	8	17	100%	100%
Accessory assignments (due diligence, etc.)	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal	**134**	**141**	100%	100%	**130**	**148**	100%	100%	**8**	**17**	100%	100%
Other services	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL	134	141	100%	100%	130	148	100%	100%	8	17	100%	100%

9.4. Average number of employees

	2015	2016
Managers	2,202	2,607
Non-managers	2,157	2,244
TOTAL	4,359	4,851

9.5. Subsequent events after the closing at December 31, 2016

No known events at March 7, 2017 had a significant impact on the Group's financial structure.

9.6. Dividend distribution

In its meeting on March 7, 2017, the Board of Directors decided to propose to the Ordinary Shareholders' meeting called to approve the financial statements for the year ended December 31, 2016, to pay a dividend of €0.06 per share.

3.5. AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

To the shareholders:

In accordance with the terms of our appointment at your Ordinary Shareholders' Meeting, we hereby submit our report for the year ended December 31, 2016, regarding:
- the audit of the accompanying consolidated financial statements of NEURONES S.A.;
- the basis of our assessments, and
- specific procedures and disclosures required by law.

Your Board of Directors has approved the consolidated financial statements. Our responsibility is to express an opinion on these financial statements based on our audit.

1. Opinion on the consolidated financial statements

We conducted our work in accordance with the professional standards applicable in France. These standards require that we plan and perform our audit to obtain reasonable assurance that the consolidated financial statements are free from material misstatement. An audit includes examining, on a test basis or by other selection methods, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used, the significant estimates made and the overall financial statement presentation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets, liabilities and financial position of the group at December 31, 2016 and of the results of its operations for the year then ended in accordance with IFRS as adopted for use in the European Union.

2. Basis of our assessments

Pursuant to the provisions of Article L.823-9 of the French Commercial Code regarding the basis of our assessments, we bring to your attention the following matters:

- Note 4 "Accounting Principles" of the notes to the consolidated financial statements discloses the accounting methods used to recognize revenues and value the accounts receivable plus those related to cash and cash equivalents (respectively paragraphs 4.21, 4.11 and 4.12).

As part of our assessment of the accounting rules and principles applied by your group, we verified the appropriateness of the accounting methods specified above and the disclosures provided in the notes to the financial statements and verified that they were applied correctly.

- Note 4.7. "Impairment of fixed assets" in the notes to the consolidated financial statements specifies that the Group performs an impairment test on:
  - goodwill and intangible assets with an indefinite life every time there is a sign of impairment and at least once a year;
  - tangible and intangible assets with a defined life as soon as there is a sign of impairment.

We have examined how these impairment tests are performed as well as the cash flow forecasts and assumptions used and we have verified that the notes to the financial statements disclose appropriate information.

As part of our assessments, we have ensured that these estimates are reasonable.

The assessments on these matters were made in the context of our audit of the consolidated financial statements taken as a whole and therefore helped us form our opinion expressed in the first part of this report.

3. Specific procedures and disclosures

In accordance with professional standards applicable in France, we have also performed the specific procedures required by law regarding the Group information given in the management report.

We have no matters to report regarding its fair presentation and consistency with the consolidated financial statements.

The Auditors

Paris La Défense, April 24, 2017
KPMG Audit
Department of KPMG S.A.
Philippe Saint-Pierre
Partner

Paris, Monday, April 24, 2017
BM&A
Jean-Luc Loir
Partner

4 PARENT COMPANY FINANCIAL ITEMS

4.1. PARENT COMPANY BALANCE SHEET AND INCOME STATEMENT

Parent Company Balance Sheet

ASSETS	12/31/2015	12/31/2016		
(in €)	Net	Gross	Amortization, depreciation and provisions	Net
Franchises, patents and licenses	38,083	118,247	87,269	30,978
Intangible assets under construction	-	-	-	-
INTANGIBLE ASSETS	**38,083**	**118,247**	**87,269**	**30,978**
Fixtures and installations	7,951	18,655	14,250	4,405
IT and office equipment	8,234	28,635	19,122	9,513
TANGIBLE ASSETS	**16,185**	**47,290**	**33,372**	**13,918**
Financial interests	77,835,222	79,100,453	269,560	78,830,893
Loans	39,734	39,734	-	39,734
Other financial assets	2,764	2,459	-	2,459
FINANCIAL ASSETS	**77,877,720**	**79,142,646**	**269,560**	**78,873,086**
TOTAL FIXED ASSETS	**77,931,988**	**79,308,183**	**390,201**	**78,917,982**
Trade and related accounts receivable	24,171,471	32,739,036	-	32,739,036
Other receivables	15,146,816	19,886,220	-	19,886,220
Marketable securities	49,710,527	47,837,508	-	47,837,508
Available funds	19,078,466	22,043,659	-	22,043,659
TOTAL CURRENT ASSETS	**108,107,280**	**122,506,423**		**122,506,423**
Prepaid expenses	-	-	-	-
TOTAL ASSETS	186,039,268	201,814,606	390,201	201,424,405

LIABILITIES *(in €)*	12/31/2015	12/31/2016
Share capital	9,692,551	9,697,545
Additional paid-in capital	30,592,176	30,634,621
Legal reserve	959,270	969,255
Retained earnings	54,147,128	59,047,457
PROFIT FOR THE YEAR	6,364,499	3,194,842
TOTAL SHAREHOLDERS' EQUITY	**101,755,624**	**103,543,720**
Contingency provisions	352,000	320,000
TOTAL CONTINGENCY AND LOSS PROVISIONS	**352,000**	**320,000**
Loans and debts with lending institutions	-	-
Trade and related accounts payable	31,701,284	45,365,557
Taxes and employer social security contributions	5,702,289	7,392,003
Debts on fixed assets and related accounts	-	-
Other debts	46,528,071	44,803,125
TOTAL DEBTS	**83,931,644**	**97,560,685**
Prepaid income	-	-
TOTAL LIABILITIES	186,039,268	201,424,405

Parent Company Income statement

INCOME STATEMENT *(in €)*	2015	2016
Sales of goods	21,264	49,427
Services provided	93,834,219	111,298,950
Incidental income	4,379,046	4,026,797
Sales of services	98,213,265	115,276,320
NET REVENUES	**98,234,529**	**115,325,747**
Operating subsidies	-	-
Write-backs on provisions, amortization and depreciation, expense transfers	58	33,319
Other income	13	632
OPERATING INCOME	98,234,600	115,359,698
Goods purchased	21,264	49,427
Variation in inventory	-	-
Other purchases and external expenses	95,472,815	113,355,078
Taxes, duties and similar payments	224,942	239,602
Salaries and wages	1,658,371	1,505,986
Employer social security contributions	696,103	649,553
Allocations to amortization and depreciation on fixed assets	25,938	26,641
Provisions for current assets	-	-
Contingency and loss provisions	-	-
Other expenses	1,946	340
OPERATING EXPENSES	98,101,379	115,826,627
OPERATING PROFIT/(LOSS)	133,221	(466,929)
Financial income from equity investments	6,212,703	3,013,710
Other interest and similar income	1,027,588	1,104,016
Write-backs on provisions for financial contingencies and expense transfers	-	127,992
Positive foreign exchange variations	3,005	-
FINANCIAL INCOME	7,243,296	4,245,718
Net financial allocations to amortization, depreciation and provisions	127,992	-
Interest and similar expenses	708,902	585,588
Negative foreign exchange variations	8,669	28,638
FINANCIAL EXPENSES	845,563	614,226
FINANCIAL PROFIT (LOSS)	6,397,733	3,631,492
PRETAX INCOME FROM ORDINARY BUSINESS	6,530,954	3,164,563
Non-recurring income from management operations	-	-
Non-recurring income from capital operations	-	489,075
Write-backs on provisions and expense transfers	-	-
NON-RECURRING INCOME	-	489,075
Non-recurring expenses on management operations	-	-
Non-recurring expenses on capital operations	-	25,884
NON-RECURRING EXPENSES	-	25,884
NON-RECURRING PROFIT/(LOSS)	-	463,191
Statutory employee profit sharing	-	-
Corporate income tax	166,455	432,912
TOTAL INCOME	**105,477,896**	**120,094,491**
TOTAL EXPENSES	**99,113,397**	**116,899,649**
PROFIT/(LOSS)	6,364,499	3,194,842

4.2. INFORMATION ON EQUITY INVESTMENTS

COMPANY (in € thousands)	Capital	Other share-holders' equity*	Share of capital held	Book value of securities held		Loans & advances granted	Security and guarantees given	Revenues	Net profit	Dividends received by the parent company
				Gross	Net					
I - SUBSIDIARIES (More than 50% owned)	-	-	-	-	-	-	-	-	-	-
Arondor	203	2,901	50.37%	2,048	2,048	-	-	10,450	538	35
AS International Group	555	9,105	98.44%	12,006	12,006	-	-	6,607	5,073	984
Axones	3,499	658	100.00%	6,121	6,121	-	-	13,396	346	1,995
Codilog	5,981	9,151	74.46%	4,357	4,357	-	-	26,145	1,355	-
Edugroupe	4,186	3,295	97.73%	4,972	4,972	-	-	6,103	459	-
Finaxys	448	6,760	74.87%	2,785	2,785	-	-	28,715	2,158	-
Helpline	1,084	52,965	94.01%	4,901	4,901	-	-	134,535	6,224	-
Intrinsec	1,036	14,357	83.08%	2,224	2,224	-	-	30,137	2,235	-
Neurones Consulting	40	3,821	100.00%	40	40	-	-	-	(36)	-
Neurones-IT	32,563	29,028	98.51%	29,873	29,873	-	-	74,685	2,585	-
Pragmateam	55	606	55.71%	849	579	-	-	-	(16)	-
RS2i	682	9,436	99.73%	8,924	8,924	-	-	12,946	1,288	-
II - EQUITY INVESTMENTS (10 to 50% held)	-	-	-	-	-	-	-	-	-	-
III - OTHER SECURITIES	-	-	-	-	-	-	-	-	-	-
TOTAL	-	-	-	79,100	78,831	-	-	-	-	3,014

* Before distribution but after allocation of 2016 earnings.

5 COMBINED SHAREHOLDERS' MEETING ON JUNE 8, 2017

5.1. MANAGEMENT REPORT PRESENTED BY THE BOARD OF DIRECTORS TO THE COMBINED SHAREHOLDERS' MEETING ON JUNE 8, 2017

Dear shareholders,

We convened this Combined Shareholders' Meeting pursuant to the legal and statutory provisions to inform you of the Group's business during the past year, to submit for your approval the annual and consolidated financial statements for the year ending December 31, 2016 and to inform you of future prospects.

1. CONSOLIDATED FINANCIAL STATEMENTS

Comments on the Group's business during FY 2016.

The consolidated financial statements are presented according to IFRS, pursuant to the provisions adopted by the European Union.

In 2016, NEURONES continued profitable growth.

Revenues amounted to €446.8 million compared to €399.4 million the previous year (growth of 11.9%, of which 8%, entirely organic).

Operating profit increased €37.1 million to €42.5 million, an increase of 14.6% from 2015. As a percentage, it represented 9.5% of revenues.

Financial profit amounted to €2.4 million. It corresponds to the interest on short-term investments in term deposits and capital gains on predominantly share-based mutual funds.

The corporate income tax expense (including the Company Value Added Contribution of €4.6 million) amounted to €15.9 million compared to €14 million the previous year. The average corporate income tax rate was 35.4%.

The net income was €29 million (€24.5 million in 2015).

The net income attributable to the parent company owners was €25.2 million in 2016 (€21.4 million in 2015).

Comments on the consolidated financial situation

Assets

Intangible assets were €44.5 million, compared to €39.9 million the previous year.

Net tangible assets decreased €0.1 million to €14.5 million. The increase in depreciation, due to the investment peak in 2015, is equivalent to the new assets for the year.

Financial assets (€5.9 million) are comprised primarily of non-consolidated securities and of 1% housing loans.

The deferred tax credit is €2.1 million. It is comprised primarily of temporary tax differences.

At €169.9 million, trade and other accounts receivable increased 16.5%. Overall, trade receivables (accounts receivable and unbilled revenue) represent 90 days of revenue (including 16 days of unbilled invoices).

Liabilities

Long-term provisions correspond to provisions for payments due on retirement while short-term provisions correspond primarily to social risks.

Trade and other accounts payable increased 9.7%, primarily under the mechanical effect of the growth in business activity and investments.

Cash flow

Cash flows from operating activities, after net financial income and taxes, amounted to €37.1 million in 2016, up 18% from the €31.6 million of the previous year.

The increase in trade receivables and the decrease in trade payables explains the increase in the operating working capital requirements (up €13.4 million).

Industrial investments consumed €6.8 million, compared to €12.8 million in 2015. They primarily concerned the "cloud computing" activities as well as the service centers in general (computer hardware and software, office improvements, etc.).

Free cash flow – comprising net income, depreciation and provisions, plus the change in working capital requirements and less net capital expenditures – amounted to €16.8 million, in comparison to the €18.7 million of the previous year.

After the long-term financing transactions (acquisitions, earn out payments, dividend payments, share buybacks from minority partners in subsidiaries, capital increases, etc.) the Group generated €9.8 million of additional cash in 2016 compared to €8.1 million in 2015.

At December 31, 2016, cash and cash equivalents (net of borrowing) amounted to €138.6 million (€127.8 million in 2015).

Note on the debt situation of the Company and the Group

The Group has a positive cash position of €141.4 million and borrowing of €2.8 million. The borrowing situation, in light of the business volume, clearly does not pose a risk for the Company.

Note on the use of the Competitiveness and Employment Tax Credit (CICE)

The CICE was primarily used to make investments in the Group's private clouds, which should generate growth in tomorrow's personnel.

It should be noted that the CICE restored competitiveness to services like the service desk, supervision or Third Party Application Management carried out in the Group's service centers in France. Without making up the cost price difference with certain production performed outside of metropolitan France, it nonetheless influenced the decision of some customers that were hesitating between an offshore service and one performed in metropolitan France.

Future outlook

Historically, NEURONES has always grown faster than its reference market. 2016 was no exception (+11.9% compared to the Consulting and IT Services market which was up 2.5%). The Group's potential is real since its French market share is only of the order of 1.2%. The sector's modest projected growth (+2.6%) for 2017 should not prevent your company from growing faster than the market in 2017 thanks to its "multi-specialist" model.

Equity participation, movements of securities and capital operations

During FY 2016, NEURONES carried out the following operations:

- sale in November of 1.41% of the capital of Finaxys to four managers of this company;
- sale in December of 0.27% of the capital of RS2i to two managers of this company;
- During FY 2016, NEURONES' subsidiaries and sub-subsidiaries carried out the following operations:
- Intrinsec acquired 49% of Netixia 's capital from an executive of this company, thereby becoming its sole shareholder;
- Intrinsec acquired 100% of the capital of Advim;
- Intrinsec liquidated Intrinsec Afrique;
- Intrinsec Sécurité carried out a share capital increase for cash underwritten by an executive and two managers of the company;
- RS2i acquired 25% of the capital of NG Cloud from a legal entity, thereby becoming its sole shareholder;
- RS2i participated in the creation of Digitalists.io, in which it holds 66% of the capital;
- Codilog Eliance acquired 70% of the capital of Lib Consulting SD from two partners;
- Codilog Eliance carried out two share capital increases for cash underwritten by two executives and four managers of the company and two legal entities associated with Lib Consulting SD;
- Scaled Risk carried out a share capital increase for cash underwritten by an executive and four managers of the company;
- Arondor carried out a share capital increase for cash underwritten by five managers of the company;
- Neurones Consulting acquired 9% of the capital of Colombus Consulting from an executive and two managers of the company;
- Colombus Consulting acquired 71% of the capital of Colombus Consulting Shift.
- Some of these operations resulted in a change in stake percentages.

Main business activity of operational entities

The contributions* to the Group's main consolidated aggregates are summarized hereafter:

(in € thousands)	Company	Contribution to 2016 revenues*	Contribution to 2016 operating profit*	Contribution to 2016 net earnings*
Parent company	NEURONES	-	- 415	369
Subsidiaries	Arondor	11,579	1,223	877
	AS International Group	47,492	6,088	3,916
	Axones	12,934	649	378
	Brains	4,439	880	585
	Codilog	36,930	4,018	2,538
	Colombus Consulting	22,498	3,090	1,802
	Deodis	12,218	1,515	987
	Edugroupe	8,176	1,232	826
	Finaxys	28,964	2,838	1,798
	Helpline	132,178	11,212	8,384
	Intrinsec	40,841	4,446	3,006
	Neurones-IT	75,344	3,399	2,138
	RS2i	13,167	2,335	1,418
TOTAL		446,760	42,510	29,022

*After elimination of inter-company flows and including the sub-subsidiaries.

2. NEURONES S.A. STATUTORY FINANCIAL STATEMENTS

Comments of the business activity during FY 2016

Revenues amounted to €115.3 million compared to €98.2 million for the previous year. They were comprised of a minor amount of fees for services to subsidiaries and primarily cross-charges for sales made by Group companies to corporate accounts that referenced the parent company (thereby fulfilling the role of unique point of billing).

The operating loss amounted to €467,000. After including the dividends from subsidiaries, the net financial income was €3.6 million. Consequently, the Company's net income was €3.2 million.

Future outlook

Since January 1, 2000, NEURONES S.A. is a holding company that combines the following functions: Group management, finance, legal, marketing and communications, cross-corporate outsourcing and overall relations with a few major accounts. The Company aims to merely balance its current operating expenditures by charging back its services to its different subsidiaries.

Allocation of profit

In light of positive retained earnings of €59,047,456.65 and profit for the year of €3,194,842.48 plus €499.36 posted to the legal reserve, the distributable income stands at €62,241,799.77.

The Shareholders' Meeting will be asked to allocate the profit for the year as follows:

• to the legal reserve the sum of	€499.36
• €0.06 per share to dividends, namely*	€1,454,631.72
• the balance to retained earnings, which therefore becomes:	€60,787,168.05

* Calculation made based on the number of shares in circulation at December 31, 2016 (i.e. 24,243,862), which will be adjusted if necessary.

The dividend payment date will be Friday, June 16, 2017.

The sum distributed this way between shareholders is fully eligible for the 40% tax allowance provided for in article 158-3.2° of the French General Tax Code.

The following dividends were distributed during the past three fiscal years:

2013: €0.06 per share,

2014: €0.06 per share,

2015: €0.06 per share,

3. OTHER FINANCIAL INFORMATION

Subsequent events

No known events at March 7, 2017 had a significant impact on the Group's financial structure.

Related-party agreements

NEURONES S.A. carries some pooled expenses for its subsidiaries: financial, legal and marketing plus general management. These costs are covered by back charging on a flat rate basis the companies concerned by this agreement.

This flat-rate back-charging is consistent with the parent company's 2017 budget and the costs are distributed based on the 2017 projected revenues of the companies concerned by this agreement.

The sums back-charged by NEURONES S.A. under this agreement are indicated in the auditors' special report on related-party agreements.

The other billings between companies in the Group are based on voluntary, unregulated agreements as defined in the legal and regulatory provisions. The said agreements cover current operations concluded under normal conditions. Moreover, due to their purpose and their financial implications, these voluntary agreements are not significant for any of the parties.

Terms of payment

At December 31, 2016, the outstanding trade payables of NEURONES S.A. (parent company) were as follows:

Outstanding trade payables at 12/31/16 by maturity date *(in € thousands)*	Due				Not due	Total
	> 90 d	> 60 d	> 30 d	0 to 30 d		
Intra-Group	4,084	2,837	8,695	13,999	14,162	43,777
Third parties	16	-1	38	51	1,349	1,453
TOTAL	4,100	2,836	8,733	14,050	15,511	45,230

For comparison, the outstanding trade payable at December 31, 2015 were as follows:

Outstanding trade payables at 12/31/15 by maturity date *(in € thousands)*	Due				Not due	Total
	> 90 d	> 60 d	> 30 d	0 to 30 d		
Intra-Group	3,144	1,479	4,723	8,516	11,492	29,354
Third parties	13	374	33	683	1,006	2,109
TOTAL	3,157	1,853	4,756	9,199	12,498	31,463

Research and development activity

Research and development investments are made in each Group company. The costs, primarily corresponding to the time spent, are expensed in the year they are incurred and are not capitalized. Significant development expenses that meet the IAS 38.57 definition have not been identified.

Environmental risks

The operations of NEURONES and its subsidiaries as providers of IT services and consulting do not represent any particular risk for the environment.

Financial risk under IFRS 7

Financial risk management (IFRS 7) is described in the appendix to the consolidated financial statements. It covers:
- credit risk,
- liquidity risk,
- market risk, and
- capital management risk.

Other risks

Other risks are reviewed in chapter 1 ("Group businesses") of this annual report.

The Company has reviewed the risks that could have a significant negative impact on its business activity, its financial situation or its income and believes that there are no other significant risks other than those presented in the aforementioned chapter.

4. SOCIAL AND ENVIRONMENTAL CONSEQUENCES OF THE BUSINESS ACTIVITY AND COMMITMENTS TO SOCIETY REGARDING SUSTAINABLE DEVELOPMENT

These aspects are reviewed in chapter 2 ("Corporate Social and Environmental Responsibility Report") of this registration document.

5. STOCK OPTIONS AND BONUS SHARES

Attribution of stock-options

All authorizations approved by the different Shareholders' Meetings were closed out during previous years.

Allocations of bonus shares

The authorizations in effect during the year and their use by the Board of Directors as well as the situation of the plans in the vesting and/or retention period are specified in Note 9.2 of the notes to the consolidated financial statements of this annual report.

Shares subscribed under stock option plans

During FY 2016, 12,484 stock options were exercised according to the terms set out in Note 9.1 of the Notes to the consolidated financial statements of this annual report.

The last stock option plan still in force at January 1, 2016 expired during FY 2016.

Stock options exercised by the 10 employees who exercised the most options

The 10 employees (of NEURONES and any company included in the scope of allocation of options) who exercised the most options in 2016, exercised a total of 11,380 options (plan No. 3) at a price of €3.80 per share.

Expired stock options and bonus shares

During the year, 1,000 stock-options expired. No bonus share attributed expired in 2016.

Concerning dilutive instruments, at December 31, 2016 there were 43,000 bonus shares attributed in the vesting period.

6. TREASURY STOCK - HELD BY THE COMPANY

The Company does not hold any of its own shares.

7. EMPLOYEE STATUTORY PROFIT SHARING

Pursuant to the law of July 25, 1994, we inform you that the employees do not hold any Company shares through a Company Savings Plan, a Company Mutual Fund or covered by the period of unavailability provided for in articles L.225-194 and L.225-197 of the French Commercial Code and article L.3324-10 of the French Labor Code.

8. AUTHORIZATION FOR THE COMPANY TO ACQUIRE ITS OWN SHARES

The Company would like to retain the opportunity to purchase its own shares for the following potential purposes:
- their subsequent cancellation,
- to cover:
  - stock option plans and other forms of allocating shares to employees and/or Group officers, especially for Company profit sharing, a Company Savings Plan (CSP) or the allocation of bonus shares,
  - financial securities conferring the right to receive Company shares,
- support the share price through an Investment Service Provider via a liquidity agreement pursuant to the code of professional conduct of the Association Française des Marchés Financiers (French Association of Financial Markets),
- hold purchased shares for subsequent use as exchange or payment as part of an acquisition.
- Consequently, a motion will be put to the Shareholders' Meeting on June 8, 2017 to renew the authorization given to the Board of Directors to buy back the Company's own shares. The main terms and conditions would be as follows:
- this authorization is valid for a period of 18 months from the date of this Meeting,
- the shares may be purchased by intervening on the market or by purchasing blocks, without any specific limitation for such block acquisitions,
- the maximum purchase price is set at €27 per share,
- the maximum number of shares that can be purchased by the Company is limited to 10% of the total number of shares comprising the authorized share capital (for information, 2,424,386 shares, based on share capital at December 31, 2016) representing a maximum purchase amount of €65,458,422, it being noted that the maximum number of shares acquired with the view of subsequently being exchanged or used as payment as part of acquisitions cannot exceed 5% of the capital,
- this number of shares and the purchase limit will be, if needed, adjusted during the Company's potential financial operations or decisions affecting the authorized share capital.

The Board of Directors will give shareholders, as applicable, in its report to the annual Shareholders' Meeting, all information related to share purchases and sales actually carried out.

9. STATUS OF THE CUMULATIVE DILUTION FOR THE DIFFERENT CAPITAL OPERATIONS

	Situation at 12/31/2016	Treasury shares	Dilutive instruments Stock options	Dilutive instruments Bonus shares	Total
Number of shares	24,243,862	-	-	43,000	24,286,862
% dilution	-	-	-	*0.18%*	*0.18%*

10. STATEMENT OF VALID DELEGATIONS OF AUTHORITY AND POWERS GRANTED BY THE SHAREHOLDERS' MEETING TO THE BOARD OF DIRECTORS AND THE USE MADE OF THESE DELEGATIONS

Valid delegations of authority granted by the SM to the Board of Directors	Length of validity/ End date of validity	Conditions and ceilings	Use
Shareholders' Meeting of 06/04/2015 (extraordinary resolution): Capital increase by issuing common shares and/or financial securities giving access to the share capital reserved for shareholders, and/or by capitalizing reserves, additional paid-in capital and profits	26 months/August 2017 Replaces the authorization granted by the Shareholders' Meeting of 06/06/2013 (extraordinary resolution)	Maximum total face value of the shares issued €11 million. Maximum total face value of debt securities: €90 million.	Not used
Shareholders' Meeting of 06/04/2015 (extraordinary resolution): Capital increase through a public offering, by issuing common shares and/or financial securities, with the lifting of the preemptive subscription rights, giving access to the share capital (articles L.225-129-2 and L.225-136-1° of the French Commercial Code)	26 months/August 2017 Replaces the authorization granted by the Shareholders' Meeting of 06/06/2013 (extraordinary resolution)	Maximum total face value of the shares issued: €11 million. Maximum total face value of debt securities: €90 million.	Not used
Shareholders' Meeting of 06/04/2015 (extraordinary resolution): Increase the amount of issues in the case of excess demands for the issues decided (article L.225-135-1 of the French Commercial Code)	26 months/August 2017 Replaces the authorization granted by the Shareholders' Meeting of 06/06/2013 (extraordinary resolution)	-	Not used
Shareholders' Meeting of 06/04/2015 (extraordinary resolution): Capital increase, with the view of compensating contributions in kind of equity securities or marketable securities giving access to the share capital (article L.225-147 of the French Commercial Code)	26 months/August 2017 Replaces the authorization granted by the Shareholders' Meeting of 06/06/2013 (extraordinary resolution)	Maximum total face value of the shares issued: 10% of capital	Not used
Shareholders' Meeting of 06/04/2015 (extraordinary resolution): Bonus share allocations (articles L.225-197-1 et seq of the French Commercial Code)	24 months/June 2017 Replaced by the authorization granted by the Shareholders' Meeting of 06/09/2016 (extraordinary resolution)	Maximum: 239,000 shares	Not used
Shareholders' Meeting of 06/04/2015 (ordinary resolution): Company acquisition of its own shares (article L.22-209 of French Commercial Code)	18 months/December 2016 Replaced by the authorization granted by the Shareholders' Meeting of 06/09/2016 (ordinary resolution)	10% of the total number of shares. Maximum purchase price: 21. Proportion of shares given as payment as part of acquisitions limited to 5% of the share capital	Meeting of Board of Directors on 06/04/2015: implementation of a share buy-back program (from June 5, 2015 to December 4, 2015) with a view to canceling the shares. Maximum number of shares available for purchase: 500,000. No share bought by the company as part of this program.
Shareholders' Meeting of 06/09/2016 (ordinary resolution): Company acquisition of its own shares (article L.22-209 of French Commercial Code)	18 months/December 2017 Replaces the authorization granted by the Shareholders' Meeting of 06/04/2015 (ordinary resolution)	10% of the total number of shares. Maximum purchase price: 25. Proportion of shares given as payment as part of acquisitions limited to 5% of the share capital	Board of Directors meeting of 06/09/2016: implementation of a share buy-back program (from June 10, 2016 to December 9, 2017) with a view to canceling the shares. Maximum number of shares available for purchase: 1,500,000. No share bought by the company as part of this program in 2016.
Shareholders' Meeting of 06/09/2016 (extraordinary resolution): Bonus share allocations (articles L.225-197-1 et seq of the French Commercial Code)	24 months/June 2018 Replaces the authorization granted by the Shareholders' Meeting of 06/04/2015 (extraordinary resolution)	Maximum: 242,000 shares	Board of Directors meeting of 06/09/2016: attribution of 43,000 bonus shares.

Valid delegations of authority granted by the SM to the Board of Directors	Length of validity/ End date of validity	Conditions and ceilings	Use
Shareholders' Meeting of 06/05/2014 (extraordinary resolution): Capital reduction by cancellation of treasury shares (articles L.225-204 and L.225-209 of the French Commercial Code)	5 years/June 2019 Replaces the authorization granted by the Shareholders' Meeting of 06/11/2009 (extraordinary resolution)	10% of the capital per 24-month period	Not used
Shareholders' Meeting of 11/29/1999 (extraordinary resolution): Capital increase following stock options exercised	-	-	Board of Directors meeting of 09/07/2016: approval to create 12,484 new shares (plan No. 3 expired 07/10/2016) resulting in an increase in authorized share capital of €4,993.60

All of the resolutions are available on the company website (www.neurones.net – Investors – Regulated information – Documents regarding Shareholders' Meetings).

11. COMPOSITION OF THE BOARD OF DIRECTORS

There are six directors on the Board of Directors.

The directors' term of office expires at the end of the Shareholders' Meeting called to approve the financial statements for the year ended December 31, 2016. Accordingly, this Meeting will be asked to approve the renewal of their term of office for one year, pursuant to the bylaws.

The Shareholders' Meeting of June 9, 2016 nominated, as new director, Host Développement, represented by Daphné de Chammard. This nomination improves the representation of the company shareholders on the Board of Directors and also secures the stability of the share capital and the group if its Chairman and CEO were to die.

Pursuant to article L.225-18-1 of the French Commercial Code, the difference between the number of directors of each gender is not greater than two.

12. LIST OF OFFICES HELD BY THE DIRECTORS

Chairman of the Board of Directors
Luc de Chammard, born on September 16, 1954
- Other offices held in the Group:
  - Manager: Pragmateam SARL – 205, avenue Georges Clemenceau – 92024 Nanterre Cedex – Nanterre Register of Commerce No. 411 264 641.
- Other offices held outside the Group:
  - CEO: Host Développement SAS – 122, avenue Charles-de-Gaulle 92200 Neuilly-sur-Seine – Nanterre Register of Commerce No. 339 788 713.

Executive Vice-President
Bertrand Ducurtil, born on April 11, 1960
- Other offices held in the Group:
  - CEO: Axones SAS – 205, Avenue Georges Clemenceau – 92000 Nanterre – Nanterre Register of Commerce No. 443 739 693.
  - CEO: Neurones Consulting SAS – 205, Avenue Georges Clemenceau – 92000 Nanterre – Nanterre Register of Commerce No. 509 152 468.
- Other offices held outside the Group:
  - Member of the Supervisory Board: Host Développement SAS.

Director
Marie-Françoise Jaubert, born on September 27, 1941, Honorary Magistrate.
- Other offices held outside the Group: none

Director
Jean-Louis Pacquement, born on April 21, 1955, retired (former Managing Director at HSBC until 2016).
- Other offices held outside the Group: none

Director
Hervé Pichard, born on May 20, 1955, Lawyer admitted to the Hauts-de-Seine and New York bars
- Other offices held outside the Group:
  - CEO: Pichard et associés SAS – 122, avenue Charles-de-Gaulle – 92200 Neuilly-sur-Seine – Nanterre Register of Commerce No. 391 504 628.
  - Director: Pichard et Cie SA – 122, Avenue Charles-de-Gaulle – 92200 Neuilly-sur-Seine – Nanterre Register of Commerce No. 552 139 057.
  - Director: SECO Ressources et Finances SA – 122, avenue Charles-de-Gaulle – 92200 Neuilly-sur-Seine – Nanterre Register of Commerce No. 429 837 172.
  - Director: UPM-Kymmene Groupe SA – 122, Avenue Charles-de-Gaulle 92200 – Neuilly-sur-Seine – Nanterre Register of Commerce No. 407 655 893.
  - Member of the Supervisory Board: Host Développement SAS.

Director
Host Développement SAS, represented by Daphné de Chammard, born on March 17, 1949.
- Other offices held outside the Group:
– Managing Director: Host Développement SAS.

13. OFFICERS' REMUNERATION

Application of MiddleNext recommendations

It should be noted that during its meeting of December 19, 2008, the Board of Directors decided that NEURONES would expressly refer to the Afep-Medef Code concerning the remunerations of executive officers of listed companies. The Board of Directors decided at its meeting of September 7, 2016 to refer completely to the Code published by MiddleNext, including for the aspects related to the remuneration of "directors".

All of the information to provide on the remuneration of Group officers, executives or not, based on the terms of the MiddleNext Code and the recommendations No. 2009-16 and No. 2012-02 of the Autorité des Marchés Financiers (French Financial Markets Regulator) is presented in this chapter. The items concerning the company's compliance with the recommendations No. 13, 15, 16, 17 and 18 of the MiddleNext Code related to remuneration are reproduced in chapter 6.4 – Corporate governance.

Moreover, the shareholders will be asked, during the Shareholders' Meeting on Thursday, June 8, 2017, to approve a resolution ("say on pay") covering the CEO's remuneration details and a resolution covering the Executive Vice-President's remuneration details.

The remuneration details, on a gross pre-tax basis, and options and shares allocated to each executive officer for FY 2014 and FY 2015 are as follows:

	Luc de Chammard (Chairman and CEO)			Bertrand Ducurtil (Executive Vice-President)		
(in € thousands)	2014	2015	2016	2014	2015	2016
Fixed remuneration	174,000	174,000	174,000	135,000	135,000	135,000
Variable remuneration(1)	26,000	26,000	26,000	65,000	65,000	65,000
Exceptional remuneration	-	-	-	-		-
Directors fees	-	-	-	-		-
Benefits in kind(2)	-	-	-	-		-
Options(3)	-	-	-	-		-
Shares(4)	-	-	-	-		-
TOTAL	200,000	200,000	200,000	200,000	200,000	200,000

(1) The variable remuneration due for the year is paid during the first quarter of the next year.
(2) Valuation of options allocated during the year. (3) Valuation of performance shares allocated during the year.

The variable remuneration of the two executive officers is determined based on qualitative criteria and not in terms of performance criteria (as recommended by the MiddleNext Code) pre-established by the Board of Directors. Nevertheless, these variable remunerations are very reasonable in view of the Company's earnings and in comparison with the remuneration practices of companies in the same sector. They are related to short-term performance and NEURONES' growth over the medium-term.

Moreover, the remunerations of the executive officers and the balance between their components (immediate and longer-term) are consistent with the market and with the remuneration of the other executives in Group companies. Consequently, and consistent with the MiddleNext recommendations, the total remunerations of the executives are balanced, coherent and measured, taking into account both their performance, the Company's general salary policy, its general interest and market practices.

Since the Company's creation, directors' fees have not been paid to the non-executive officers nor any other form of remuneration.

During the year, no corporate officer, director or not, benefited from the allocation of bonus shares or stock options, or exercised any stock options. No corporate officer of Neurones has benefited from the allocation of bonus shares since 2007.

The following summary table presents the other benefits or compensation in favor of executive officers:

	Luc de Chammard	Bertrand Ducurtil
Date of first appointment	12/05/1984	06/30/1999
Start date of current appointment	06/09/2016	06/09/2016
End date of current appointment	06/08/2017	06/08/2017
Employment contract	No	No
Supplementary pension plan	No	No
Compensation or benefits owed or likely to be owed due the cessation or change of duties	No	No
Compensation related to a non-competition clause	No	No

The details of the remuneration, benefits in kind and stock options or bonus shares concerning the Group officers are also shown in the notes to the consolidated financial statements.

Application of the provisions of article L.225-2 of the French Commercial Code

Article L.225-37-2 of the French Commercial Code, created by the so-called "Sapin 2" law of December 9, 2016, provides that the Shareholders' Meeting must rule on the remuneration policy for corporate officers. Consequently, on June 8, 2017 the shareholders will be asked to rule on a resolution concerning the principles and criteria of the remuneration policy for the CEO and a resolution, with the same subject, concerning the Executive Vice-President. The remuneration policy that the shareholders' will be asked to rule on is presented below.

As of FY 2017, the Board has decided, with the agreement of the parties concerned, that the remuneration of the CEO and the Executive Vice-President would no longer include a variable part. It should be noted that exceptional items have never been paid to the two officers and that they do not receive benefits in kind. Consequently, the two officers' remuneration will only be comprised of a fixed part.

The fixed remuneration of the executive officers, which should be comparable to the total remuneration of executive officers of companies in the same sector of a similar size and/or performance, will be adjusted subsequently, if necessary.

14. IDENTITY OF SHAREHOLDERS

We inform you that Luc de Chammard holds directly and indirectly approximately 2/3 of the share capital and 3/4 of the Company's voting rights. Bertrand Ducurtil and the executives of the NEURONES subsidiaries hold approximately 8% of the share capital and of the voting rights. Corporate officers Luc de Chammard and Bertrand Ducurtil hold in total slightly more than 69% of share capital and slightly less than 80% of voting rights.

15. CONCLUSION

In conclusion, we ask you to approve the financial statements for the year ended December 31, 2016, the management report prepared by your Board of Directors and, consequently, to give the Board faithful discharge of duty for its management during the said year and to adopt the resolutions that will be submitted to your vote.

Board of Directors

APPENDIX TO THE MANAGEMENT REPORT: TABLE OF THE LAST FIVE YEARS

(in € thousands)	2012	2013	2014	2015	2016
Capital at year-end					
• Share capital	9,503,866	9,584,513	9,592,704	9,692,551	9,697,545
• Number of common shares outstanding	23,759,664	23,961,283	23,981,759	24,231,378	24,243,862
• Number of preferred shares (without voting rights) outstanding	-	-	-	-	-
• Maximum number of future shares to create					
- by bond conversions	-	-	-	-	-
- by exercising voting rights	-	-	-	-	-
Operations and income for the year					
• Revenues (ex. VAT)	82,906,918	96,846,834	95,957,486	98,234,529	115,325,747
• Pre-tax income, employee profit sharing and allocations to depreciation and provisions	4,709,406	3,665,678	4,333,776	6,684,884	3,494,403
• Corporate income tax	29,032	394,542	(68,450)	(166,455)	(432,912)
• Employee statutory profit sharing due for the year	-	-	-	-	-
• After tax income, employee profit sharing and allocations to depreciation and provisions	4,560,052	3,483,483	3,768,010	6,364,499	3,194,842
• Income distributed	1,418,026	1,437,677	1,438,906	1,453,883	1,454,632
Earnings per share					
• After tax income, employee profit sharing, but before allocations to depreciation and provisions	0.20	0.14	0.18	0.27	0.13
• After tax income, employee profit sharing and allocations to depreciation and provisions	0.19	0.15	0.16	0.26	0.13
• Dividend attributed to each share	0.06	0.06	0.06	0.06	0.06*
Personnel					
• Average salaried personnel employed during the year	19	19	21	19	18
• Payroll for the year	1,703,070	1,834,044	1,690,940	1,658,371	1,505,986
• Sums paid for fringe benefits for the financial year (Social Security, social services, etc.)	944,428	750,708	711,090	696,103	649,553

* Subject to approval by the Shareholders' Meeting (third resolution) of June 8, 2017.

5.2. CEO'S SPECIAL REPORT TO THE SHAREHOLDERS' MEETING ON THE CONDITIONS OF PREPARING AND ORGANIZING THE BOARD OF DIRECTORS' WORK AND ON INTERNAL CONTROL (ARTICLE L.225-37 OF THE FRENCH COMMERCIAL CODE)

We inform you, pursuant to article L.225-37 of the French Commercial Code, of the conditions of preparing and organizing the Board of Directors' work and we present our report on internal control.

1. CONDITIONS OF PREPARING AND ORGANIZING THE BOARD OF DIRECTORS' WORK

As a medium-sized group, with a majority shareholder among the managers, NEURONES has chosen to refer to MiddleNext's Corporate Governance Code published in December 2009.

Composition of the Board of Directors

There are six directors on the Board of Directors:
- two members (CEO and the Executive Vice-President) who have a full-time operational role in the Company,
- four external directors, without an operational role in the Group, including two considered as independent.

The obligations regarding equal representation of men and women within the Board of Directors are respected.

Powers of the Chairman and CEO and the Executive Vice-President of the parent company

The powers of the Chairman and CEO and the Executive Vice-President are those provided for by law. The bylaws provide that the Board of Directors can limit these powers as an internal measure, which cannot be enforced against third parties. This option has not been used.

Frequency of Board meetings and its operation

NEURONES' Board of Directors met four times in 2016:

Date	Agenda
January	Close the capital following the exercise of stock options during the previous year.
March	Year-end closing of the corporate statutory and consolidated financial statements for the 2015 financial year. Approve the regulated agreements. Determine officers' fixed remuneration for the current year and approval of their variable remuneration for the previous year. Approve the Chairman's report on internal control and corporate governance. Call Shareholders' Meeting, establish the agenda and finalize draft resolutions.
June (at the end of the share-holders' Meeting)	Appointment of the Chairman of the Board of Directors. Renewal of the Executive Vice-President's term of office. Establishment of the remuneration of the CEO and the Executive Vice-President. Attribution of bonus shares (Plan F). Deliberations on external growth opportunities and strategy. Launch of a buy-back scheme for the company's own share following authorization given by the Shareholders' Meeting on June 9, 2016.
September	Close the half-year consolidated financial statements. Close the capital following the exercise of stock options between January 1 and July 10, 2016. Revision of the Board's rules of procedure. Professional gender and salary equality policy. Review the risk map.

The auditors are invited to present to both Boards the final financial statements (half-year and annual).

Given its size, the geographic proximity of its main subsidiaries, executives' participation in the share capital, the operational role of two of the six members of the Board of Directors and their high level of share capital held, NEURONES believes, for now, that implementing committees reporting to the Board of Directors (audit committee, remunerations committee, etc.) would generate more disadvantages than advantages.

Beyond the two annual sessions closing the annual and half-yearly financial statements, the Board meets whenever the situation requires (e.g., opinion on potential acquisitions, decision to allocate bonus shares, calling an Extraordinary Shareholders' Meeting, contribution of assets, merger, etc.) and at least four times per year.

Board's work (closing financial statements)

The financial statements (balance sheet, income statement and notes) are generally terminated at the end of January (for the annual financial statements) and the end of August (for the half-yearly financial statements). The finance department prepares them and they are initially approved by the two directors who have an operational role in the Group.

These financial statements are then sent to:
- to the external directors, at the same time as the notice calling the Board meeting to close the financial statements, to which they are most often attached. They then have several days to ask the two other directors or the finance department any questions they deem necessary, and
- to the auditors, which finish their control work.

Once the auditors have finished their audit, a review meeting is organized with at least one director (most often the Executive Vice-President), the Group's Financial Director and the auditors. The auditors share their observations and, if necessary, any requested adjustments. These points are discussed and, with the auditors' agreement, the financial statements are presented to the Board of Directors.

During this meeting, the Board hears the presentations concerning the:
- accounting principles and methods used,
- main accounting options adopted,
- impacts of any changes of method,
- changes in the scope of consolidation,
- main facts and figures (income items, presentation of the balance sheet and financial situation).

It also hears the auditors' report on the extent and conclusions of their audits as well as their comments, without formally assessing the internal control.

Then the Board of Directors approves the financial statements (annual, half-yearly and consolidated depending on the case) and subsequently the annual and consolidated financial statements are presented to the Shareholders' Meeting for approval.

Officers' remuneration policy

NEURONES refers to the recommendations regarding corporate officers' remuneration as formulated in the MiddleNext Code.

All items concerning officers' remuneration, benefits in kind and stock options or bonus shares are in the management report and in the notes to the consolidated financial statements. The items required by article L.225-37-2 of the French Commercial Code are also presented in the management report.

2. REPORT ON INTERNAL CONTROL

Internal control objectives

Taking calculated risks is a voluntary and necessary action that characterizes companies. In order to grow with reasonable assurance of operational, legal, financial and accounting security, NEURONES has implemented risk management based on procedures, methods and tools. This document was prepared consistent with the general internal control procedures set out in the general framework presented in the Afep-Medef report on Mid-cap and Small-cap companies of July 22, 2010.

One of the objectives of the internal control system is to prevent and control risks resulting from the company's business activity and those activities that could cause errors or fraud, especially in the accounting and financial areas. Like any control system, it cannot however provide an absolute guarantee that all risk is completely eliminated.

The objective of risk management procedures, or internal control, are particularly to:
- identify potential risks and assess them (probability of occurring and impact), whether they are accounting and financial risks or operational risks,
- define and implement actions to manage and control these risks.

In the accounting and financial area

The most important control procedures (likely to have an impact on the financial statements) aim to manage the following processes:
- recognition of revenues and margin (projects' stage of completion, overruns, estimated loss at completion and completeness of expenses),
- off balance sheet commitments (lease contracts in particular), and
- cash.

At operational level

The main potential risks identified (regarding sales process and provision of services) are as follows:
- cost overruns on applications development and outsourcing turnkey projects (and thus risk of financial loss),
- failure to follow the "go/no go" procedure and offer insufficiently reviewed (need for a unique technical manager for the offer, review of sales conditions, etc.),
- customer dissatisfaction detected too late on a project or operating contract, significant disputes not reported (customers, employees, suppliers),
- recruitment and payroll management processes not fully adhered to, employees' potential insufficiently formalized and monitored, and
- assessment processes for acquisition projects not respected.

The operational risks related to the business goodwill are limited due to its distribution: the biggest customer represents, on a consolidated basis, 9.4% of revenues, with multiple decision centers that order services independently of each other and from different Group business units. The largest turnkey project accounts for less than 1% of revenues.

Legal organization and powers

NEURONES is, at December 31, 2016, a group comprised of a holding company (NEURONES S.A.) and 48 subsidiaries and "sub-subsidiaries" (control, direct or indirect, potentially assumed, as defined in article L.233-3 of the French Commercial Code). The subsidiaries are all French and the head offices are grouped in the Paris region: Nanterre, Neuilly-sur-Seine, Levallois-Perret and Paris. The head offices of the "sub-subsidiaries" are located in the Paris region, in Nantes and abroad (Tunisia, Romania, England, India, Germany, Switzerland, Belgium and Singapore). Five companies whose head offices are in Nanterre or Paris run nine secondary sites in French regions (2 in Lyon, 2 in Angers, 1 in Lille, Tours, Nantes, Bordeaux and Orléans).

NEURONES is a limited company with a Board of Directors. It has not seemed necessary to establish an audit committee, nor a disclosure committee in charge of controlling the risk-related financial information.

The legal forms of the subsidiaries and "sub-subsidiaries" are for the most part Simplified Joint Stock Companies (33 of them, all French), without a Board of Directors or a Supervisory Board, Limited Liability Companies or equivalent legal forms for companies under foreign law (14 of them including 10 abroad), and two Limited Companies with a Board of Directors (Tunisia). The managers of subsidiaries are in most cases holders of a minority stake (from 1% to 49%) of the share capital of the company they manage. Although they have the most extensive powers vis-a-vis third parties, this delegation is governed by the bylaws as an internal measure and the different officers must first request authorization from the Partners' Meeting for any decision exceeding day-to-day management.

The managers of subsidiaries manage their investments, based on the annual forecast in their budget. Annual capital expenditures represent on average 2 to 3% of revenues. Given the position of the subsidiaries' managers as partners, the risks taken by the Group in these areas are considered as controlled.

An annual budget process was implemented 20 years ago. The Group's Finance department monitors actuals and analyzes variances every month.

Organization of the accounting system and information system

The group's administrative and finance department handles the legal function (with the help of various outside consultants, depending on the area) and accounting function (accounting, reporting, consolidation, taxation, finance and cash) and organizes the management control.

The current organization can be mapped into 15 distinct "administrative" sub-units that are part of or report functionally to the Group's administrative and finance department:

Sub-unit No. 1

Two legal entities located in Nanterre and Paris-La Défense, accounting for 32% of the revenues and 49% of the personnel.

This unit has a management team, assisted by an outside CPA. The information system is built around standard software packages (Sage X3 and ADP-Zadig in particular) whose main processes are interfaced (business, sales and payroll management).

Sub-unit No. 2

A legal entity located in Nanterre, accounting for 17% of the revenues and 16% of the personnel.

This unit has an autonomous management team. The information system is built around standard software packages (Sage X3 and ADP-Zadig in particular) whose main processes are interfaced (business, sales and payroll management).

Sub-unit No. 3

A holding company and eight legal entities located in Paris, accounting for 11% of the revenues and 8% of the personnel.

The management team is assisted by an outside CPA. The information system is built around standard software packages (Sage Coala and ADP-Zadig in particular) whose main processes are interfaced (business, sales and payroll management).

Sub-units No. 4 to 15

Eleven legal structures located in the Greater Paris region and one in another French region.

These sub-units have an autonomous management team, sometimes assisted by an outside CPA. Payroll is generally managed in the ADP-Zadig system just like the sub-units 1, 2 and 3. The information systems are the product of internal developments or are built around standard software packages, whose main processes are interfaced (business, sales and payroll management).

Back-up and access to the accounting information system

The Group's accounting information is backed up daily, just like all of the electronic and digital data. The back-up storage system meets the requirements that an IT professional should follow.

Upgrading of information systems

The objective of upgrading the accounting and finance information systems is to satisfy the requirements of reliability, availability and relevance of the information. This continuous upgrading is done based on the Group's needs. The priority has been given to hardware and harmonizing front-office applications (business management) and the interfacing with payroll and accounting.

Role of the Group's administrative and finance department

This department's central staff role is to ensure that the accounting standards are adhered to and to act as the guarantor vis-a-vis senior management and the Board of Directors. It coordinates and organizes the budget and reporting processes. It reports to the Group's senior management and produces the consolidation.

Each company's monthly reports are established based on the French standards, consistent with the accounting principles manual. The Group consolidation and the related restatements are established at the parent company level on a monthly basis according to the IFRS guidelines.

Role of persons performing internal control activities

The Group Administrative and Finance Director is responsible for internal control in collaboration with the finance managers and directors and seconded by the management controllers of the Group companies.

Procedures manual – risk management audit

The "Group management rules" document distributed to the different managers of subsidiaries, contains the recommended behavior procedures and rules.

Risk mapping identified five risks for the operational units:
- the development strategy, the putting together of offers and technological developments,
- the HR processes, recruitment, salary policy and management of key personnel,
- the accounting and management processes and especially the fight against errors and fraud,
- the protection, back-up and storage processes for data and IT environments, and
- commitments of any kind, whether they are related to current operations or to acquisitions.

For each risk, the probability of the risk occurring was assessed and the impact of the risk was estimated. Each risk was measured accordingly. Action plans and control measures were defined and implemented. These documents continued to be updated in 2016.

The Group's finance department and the finance managers or directors of entities are responsible for verifying that the employees concerned effectively apply the risk management principles and methods. To date, no formalized risk audit has been carried out, either internally or externally. Nevertheless, the risk mapping exercise carried out in each of the main companies was able to identify, with the operational managers, action plans to reduce the risks.

Finally, and by construction, the Group's Board of Directors is informed of the broad lines of the risk management since two of five directors are the Chairman and CEO and the Executive Vice-President of the Group.

Internal control – procedures related to the preparation and treatment of accounting and financial information

Financial communication

In order to comply with the regulations that apply to all listed companies, a schedule of the periodic obligations is formalized, both concerning the publication aspects and the other regulatory procedures (legal, fiscal, etc.). The finance department monitors changes in regulations.

The finance department and senior management prepare the financial information that is published.

Budget procedures/monthly reporting

The general control procedures are centralized and based around two main processes:
- the annual "forecasting / budget" process. Each operating unit establishes an annual month-by-month budget at the end of each year for the following financial year for each operating unit. A budget revision is organized when necessary.
- the monthly "reporting" process. It involves preparing every month a balance sheet and complete income statement (up to the corporate income tax line). The Group voluntarily opted for streamlined reports in terms of the quantity of information provided, but relevant in terms of the essential character of the data produced. The analysis of the different significant indicators, over a short time interval (one month), lets the finance department analyze the variances between actuals and initial forecasts and to detect, if necessary, any significant errors in the financial statements by cross-checking key indicators (revenues, margins, income, cash, etc.). A complete monthly consolidation is carried out based on the monthly accounts submitted by the different subsidiaries.

To do this, the Group companies rely on the "accounting and financial procedures manual" and the reporting tools.

These procedures, applied by all subsidiaries, are monitored and controlled directly by the Group's finance department.

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

Preparation of the consolidated financial statements

The statutory consolidated financial statements are prepared half-yearly and annually, according to a procedure and within a timeframe similar to the process used to prepare the monthly reports, but with a greater level of detail. In addition to the information the subsidiaries submit monthly, all information used to produce the consolidated financial statements and in particular to establish the IFRS restatements is also submitted. Consequently, the restatements are made centrally by the finance department.

Recognition of revenue

The main subsidiaries concerned by the recognition of revenue on a degree of completion basis (turnkey) are equipped with analytical management tools by project, which can be used to monitor margins by project as well as the accounting degree of completion at each monthly closing. The risk of billing error or fraud is considered as limited by the complete monthly reporting system (income statement/balance sheet), which would provide an alert rather quickly (of the order of 2 to 3 months), if the trade receivables in a subsidiary increased abnormally and without cause.

Off balance sheet commitments

Earn out payments and commitments to buy out minority interests are documented at the time of acquisitions. There are no other off balance sheet commitments apart from the commitments to repurchase used hardware (few in number and insignificant), which do not exceed 1% of their new value for hardware 36 months old and 25% for brand name hardware 2 years old (Group management rules).

Cash flow cycle

For this process, generally considered as sensitive, an organization with separation of tasks has been implemented:

- for the disbursement cycle, different participants perform the following tasks: delivering payment authorizations/issuing payment instruments/signing payment instruments (check, transfer)/accounting operations/bank reconciliation/bank reconciliation control,
- likewise, for the collection cycle, distinct participants perform the following tasks: client reminders/receiving clients' payment instruments/remittance for collection/accounting operations/bank reconciliation/bank reconciliation control.

Internal control – business operating procedures

Pre-sales service and customer contracts

Each entity has a "go/no go" procedure adapted to its business and an offer review procedure concerning in particular the sales conditions. It decides to sell or to carry out a project based on the risks incurred.

After validation by senior management, the sales conditions for the referenced services concern the Group companies involved in the services.

Complex contracts, with performance guarantees, are developed by a cross-functional team. Most often they concern several businesses and interest different entities. In this case the legal aspects are also reviewed centrally.

Service performance

The risk of cost overruns on a turnkey project and the means used to control it are described in chapter 1 above ("Group businesses"), in sub-chapter 1.6 ("Risk factors").

The reasons for customer dissatisfaction must be reported in time so corrective action plans can be implemented, at the risk of suffering cost overruns, penalties, causing discontent and even losing the customer.

Projects: the control system is based on degree of completion input systems and initial budget revision systems for each project. They anticipate and re-estimate at the end of each month the best forecast of the outstanding production.

Recurrent contracts for straightforward technical assistance: the Branch Technical Managers have on-site visit quotas and formally report complaints in the quality system. They are handled during the monthly quality review meeting.

Recurrent contracts with NEURONES as the prime contractor: the Operational Account Managers organize monthly meetings with formalized reports. For the service desk contracts, the system also includes audits by a mobile quality team (one-on-one behavior coaching, documentation of knowledge bases and compliance with the Quality Assurance Plan).

The risk of unpaid bills is covered by credit insurance in the Group entities where this coverage is deemed useful.

Human resources, payroll management and management of key persons and high potentials

The key recruitment process is decentralized at the level of each operating unit. Technical applicants have at least two interviews (personality and technical aspects) and a questionnaire in their specialty. For applicants applying for sales or supervisory positions, the recruitment processes are also defined.

The prospects of changes in the payroll are discussed with each subsidiary, during the annual budget presentation. It is essential to control this item in service businesses. This control is based on using a single database (for the majority of the sub-subsidiaries), which provides a real-time view of all data concerning remunerations and which can be used to run simulations on demand.

For a Consulting and IT Services company to grow, an essential condition is to build personnel loyalty in general and even more so managers' loyalty. For key staff, the risk of leaving the company is attenuated by the Group's very decentralized management and involvement in capital-sharing and bonus share schemes. Another key stake is the detection and then the management of high potential staff.

Acquisitions

This process is primarily handled by the Group's senior management and remains under its control. To obviate the risk of "losing a rational point of view" on any operation, the procedures provide that the evaluation of each project shall be formalized and discussed in a meeting involving at least three people.

Earn out payments are limited and specific audits are performed in order to limit the probability of fraud by a manager.

Trend in internal control

The internal control system is based on continuous improvement.

The financial control system (budget/reporting) has been operational since 1999. It is based on powerful tools adapted to the size of the Group but should evolve in case of strong growth and geographic expansion.

The managerial staff and the finance department ensure that the rules are applied. Depending on how its size grows, the Group will strengthen this function pragmatically: strengthen management control, improve the organization structure, optimize information systems, document key processes, etc.

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

5.3. AUDITORS' SPECIAL REPORT ON THE CHAIRMAN'S REPORT ON INTERNAL CONTROL (YEAR ENDED DECEMBER 31, 2016)

Auditors' report, established pursuant to article L. 225-235 of the French Commercial Code, on the report of the Chairman of the Board of Directors of NEURONES S.A.

To the shareholders:

In our capacity as statutory auditors of NEURONES S.A. and pursuant to article L. L.225-235 of the French Commercial Code, we hereby submit to you our opinion on the report prepared by your company Chairman in accordance with the provisions of article L.225-37 of the French Commercial Code for the year ended December 31, 2016.

It is the Chairman's responsibility to prepare, and submit to the Board of Directors for approval, a report on the Company's internal control and risk management procedures, along with the other disclosures required by Article L.225-37 of the French Commercial Code, especially with regard to corporate governance.

It is our responsibility:
- to report to you our observations on the information contained in the Chairman's report concerning the internal control and risk management procedures related to the preparation and treatment of accounting and financial information, and
- to certify that this report contains the other disclosures required by Article L.225-37 of the French Commercial Code, it being specified that it is not our responsibility to verify the accuracy of these disclosures.

We conducted our work in accordance with the professional standards applicable in France.

The professional standards require that we perform the necessary procedures to assess the fairness of the information provided in the Chairman's report regarding the internal control and risk management procedures related to the preparation and treatment of the accounting and financial information. Those procedures consisted primarily in:
- obtaining an understanding of the internal control and risk management procedures related to the preparation and treatment of the accounting and financial information underlying the information presented in the Chairman's report, as well as the existing documentation;
- obtaining an understanding of the work involved in the preparation of this information and the existing documentation;
- determining whether any material weaknesses in the internal controls related to the preparation and treatment of the accounting and financial information that we might have found in the course of our work are properly disclosed in the Chairman's report.

On the basis of these examinations, we have no comment to make on the information concerning the company's internal control and risk management procedures related to the preparation and treatment of the accounting and financial information contained in the report prepared by the Chairman of the Board of Directors in accordance with article L.225-37 of the French Commercial Code.

We hereby certify that the Chairman's report includes the other disclosures required by article L.225-37 of the French Commercial Code.

The Auditors

Paris La Défense, April 24, 2017

KPMG Audit

Department of KPMG S.A.

Philippe Saint-Pierre
Partner

Paris, Monday, April 24, 2017

BM&A

Jean-Luc Loir
Partner

5.4. DRAFT RESOLUTIONS SUBMITTED TO THE COMBINED SHAREHOLDERS' MEETING ON JUNE 8, 2017

The resolutions presented hereafter were approved by the Board of Directors and will be submitted to the Shareholders' Meeting. They may be completed by shareholders with the required authority, within the time-frames and procedures set out in the laws and bylaws.

COMPETENCE OF THE ORDINARY SHAREHOLDERS' MEETING

First resolution

The Shareholders' Meeting, after having reviewed:
- the Board of Directors' management report,
- the Chairman's report provided for in article L.225-37 of the French Commercial Code,
- the auditors' report on the consolidated financial statements,
- the auditors' special report on the report prepared by the Chairman of the Board of Directors,

1) approve the consolidated financial statements for the year, which show net income attributable to the Group of €25,199,371
2) approve, in addition, all of the operations and measures reflected in these financial statements or summarized in the Board of Directors' management report.

Second resolution

The Shareholders' Meeting, after having reviewed:
- the Board of Directors' management report,
- the Chairman's report provided for in article L.225-37 of the French Commercial Code,
- the auditors' report on the consolidated financial statements,
- the auditors' special report on the report prepared by the Chairman of the Board of Directors,

1) approve the financial statements for the fiscal year, which show net book income of €3,194,842.48,
2) approve, in addition, all of the operations and measures reflected in these financial statements or summarized in the Board of Directors' management report.

Third resolution

In light of positive retained earnings of €59,047,456.65 and profit for the year of €3,194,842.48 plus €499.36 posted to the legal reserve, the Shareholders' Meeting notes that the distributable income stands at €62,241,799.77.

The Shareholders' Meeting decides to allocate the profit for the year as follows:

• to the legal reserve the sum of	€499.36
• €0.06 per share to dividends, namely*	€1,454,631.72
• the balance to retained earnings, which therefore becomes:	€60,787,168.05

* Calculation made based on the number of shares in circulation at December 31, 2016 (i.e. 24,243,862), which will be adjusted if necessary.

The dividend will be paid on June 16, 2017.

The sum distributed this way between shareholders is fully eligible for the 40% tax allowance provided for in article 158-3.2° of the French General Tax Code.

Pursuant to the legal provisions, the following dividends were distributed during the past three fiscal years:

2013: €0.06 per share,
2014: €0.06 per share,
2015: €0.06 per share,

Fourth resolution

The Shareholders' Meeting approves and ratifies as needed the agreements the auditors reported on it their special report established pursuant to the provisions of article L.225-38 of the French Commercial Code.

Fifth resolution

The Shareholders' Meeting gives the Board of Directors complete and definitive discharge without reservation of its duties and management at December 31, 2016.

Sixth resolution

The Shareholders' Meeting decides to renew the Directorship of Mr. Luc de Chammard, for one year, namely until the day the Shareholders' Meeting is called to approve the financial statements for the year ending December 31, 2017, who has declared that he accepts the renewal of his duties.

Seventh resolution

The Shareholders' Meeting decides to renew the Directorship of Mr. Bertrand Ducurtil, for one year, namely until the day the Shareholders' Meeting is called to approve the financial statements for the year ending December 31, 2017, who has declared that he accepts the renewal of his duties.

Eighth resolution

The Shareholders' Meeting decides to renew the Directorship of Mrs. Marie-Françoise Jaubert, for one year, namely until the day the Shareholders' Meeting is called to approve the financial statements for the year ending December 31, 2017, who has declared that she accepts the renewal of her duties.

Ninth resolution

The Shareholders' Meeting decides to renew the Directorship of Mr. Jean-Louis Pacquement, for one year, namely until the day the Shareholders' Meeting is called to approve the financial statements for the year ending December 31, 2017, who has declared that he accepts the renewal of his duties.

Tenth resolution

The Shareholders' Meeting decides to renew the Directorship of Mr. Hervé Pichard, for one year, namely until the day the Shareholders' Meeting is called to approve the financial statements for the year ending December 31, 2017, who has declared that he accepts the renewal of his duties.

Eleventh resolution

The Shareholders' Meeting decides to renew the Directorship of Host Développement SAS, represented by Mrs. Daphné de Chammard, for one year, namely until the day the Shareholders' Meeting is called to approve the financial statements for the year ending December 31, 2017, who has declared that she accepts the renewal of her duties.

Twelfth resolution

The appointment of KPMG S.A., statutory auditor, whose term expires at the end of this Shareholders' Meeting, which decides to renew the appointment for a six-year term, namely until the Shareholders' Meeting called to approve the financial statements for the year ending December 31, 2022.

Thirteenth resolution

The Shareholders' Meeting decides to appoint as alternate auditor for KPMG S.A., for a six-year term, Salustro Reydel S.A (2, avenue Gambetta – Tour Eqho – 92066 Paris La Défense cedex), Nanterre Register of Commerce No. 652 044 371. Its appointment will expire at the end of the Shareholders' Meeting called to approve the financial statements for the year ending December 31, 2022.

Fourteenth resolution

Remuneration policy items attributable to the CEO

The Shareholders' Meeting, having reviewed the Board of Directors' management report, approves the remuneration policy applicable to the CEO, as shown in the second part of paragraph 13, established pursuant to article L.225-37-2 French Commercial Code, of the said report.

Fifteenth resolution

Remuneration policy items attributable to the Executive Vice-President

The Shareholders' Meeting, having reviewed the Board of Directors' management report, approves the remuneration policy applicable to the Executive Vice-President, as shown in the second part of paragraph 13, established pursuant to article L.225-37-2 French Commercial Code, of the said report.

Sixteenth resolution

"Say on pay"

The Shareholders' Meeting, having reviewed the Board of Directors' management report, issues a favorable opinion on the remuneration components due or attributed for FY 2016 to Mr. Luc de Chammard, Chairman and CEO, as shown in paragraph 13 of the said report.

Seventeenth resolution

"Say on pay"

The Shareholders' Meeting, having reviewed the Board of Directors' management report, issues a favorable opinion on the remuneration components due or attributed for FY 2016 to Mr. Bertrand Ducurtil, Executive Vice-President, as shown in paragraph 13 of the said report.

Eighteenth resolution

Authorization for the Company to buy-back its own shares (valid 18 months)

The Shareholders' Meeting, ruling pursuant to the provisions of article L.225-209 of the French Commercial Code, after having reviewed the Board of Directors' management report, authorizes, for a period not exceeding 18 months from this Meeting, the Board of Directors to purchase the Company's own shares in order to:

1) subsequently cancel them,
2) cover:
   a. stock option plans and other forms of allocating shares to employees and/or to Group officers, especially for Company profit sharing, a Company Savings Plan (CSP) or the allocation of bonus shares,
   b. financial securities conferring the right to receive Company shares,
3) support the share price through an Investment Service Provider via a liquidity agreement pursuant to the code of professional conduct of the Association Française des Marchés Financiers (French Association of Financial Markets),
4) hold purchased shares for subsequent use as exchange or payment as part of an acquisition.

The shares may be purchased by intervening on the market or by purchasing blocks, without any specific limitation for such block acquisitions,

The maximum price at which the shares may be acquired is set at €27 per share.

The number of shares that can be purchased by the Company cannot exceed 10% of the company's share capital, it being noted that the number of shares acquired with the view of subsequently being exchanged or used as payment as part of acquisitions cannot exceed 5% of the share capital.

For information, based on share capital at December 31, 2016 (comprising a total of 24,243,862 shares), the maximum number of shares that can be purchased by the company is 2,424,386, equivalent to a maximum purchase amount of €65,458,422.

This number of shares and the purchase price limit will be adjusted, if needed, during the Company's potential financial operations or decisions affecting the authorized share capital.

The Shareholders' Meeting grants all powers to the Board of Directors, which may delegate, for purposes of placing stock market orders, conclude agreements, make all declarations and perform all formalities with all organizations and, in general, do anything that is necessary.

The Shareholders' Meeting notes that this authorization supersedes any previous authorization for the same purpose.

The Board of Directors will give shareholders, as applicable, in its report to the annual Shareholders' Meeting, all information related to share purchases and sales actually carried out.

COMPETENCE OF THE EXTRAORDINARY SHAREHOLDERS' MEETING

Nineteenth resolution

Delegation of authority to grant to the Board of Directors for purposes of increasing the capital by issuing shares and/or financial securities that confer entitlement to the share capital reserved for shareholders and/or by capitalizing reserves, additional paid-in capital and profits (valid 26 months)

The Shareholders' Meeting, having reviewed the Board of Directors' report and the auditors' special report:

- delegates to the Board of Directors its competence to increase the share capital, in one or more times, in the proportions and at the times it will determine:
  - by issuing, both in France and abroad, shares and/or financial securities providing immediate or future entitlement, at any time or at a fixed date, to the Company's common shares, be it by subscription, conversion, exchange, reimbursement, presentation of a coupon or any other manner; and/or
  - by capitalizing additional paid-in capital, reserves, profits or other in the form of bonus share allocations or by raising the face value of existing shares;
- fixes at 26 months the length of this delegation, counted from the date of this Meeting;
- decides to fix, as follows, the limits of the amounts of authorized issues in the event the Board of Directors uses this delegation of authority:
  - the total nominal amount of the shares likely to be issued pursuant to this delegation cannot exceed €11 million;
  - this ceiling includes the total nominal value of the additional shares that may be issued to protect, pursuant to the Law, the rights of holders of marketable securities that confer entitlement to the share capital;
  - moreover, the total nominal amount of the shares issued, directly or not, will be charged against this ceiling, by virtue of the next resolution;
  - the total nominal amount of the financial securities representing claims on the Company that can be issued cannot exceed €90 million;

- in the event the Board of Directors uses this delegation of authority on the occasion of the issues described above:
  - decides that the shareholders may exercise, under the conditions provided for by Law, their preemptive subscription right in proportion to the amount of entitling shares held. In addition, the Board of Directors may grant shareholders the right to subscribe to excess shares or other financial securities beyond the number of shares they could subscribe in proportion to the number of entitling shares held, in proportion to their preemptive subscription rights and, in any case, subject to the limit of their request;
  - decides that, if the subscriptions in proportion to the number of entitling shares held and, where applicable, for excess amounts, do not absorb the entire issue of shares or other financial securities carried out pursuant to this delegation, the Board of Directors may use, in the order it deems appropriate, one or more of the following options:
    (i) limit the issue to the number of subscriptions received, provided that this amount reaches at least three quarters of the issue initially decided;
    (ii) to freely divide all or part of the unsubscribed financial securities between the people of its choosing;
    (iii) to offer to the public all or part of the unsubscribed securities issued;
  - decides that, with regard to any capitalization of additional paid-in capital, reserves, profits or other, where necessary, the rights to fractional shares will not be negotiable and that the corresponding shares will be sold, the proceeds from the sale being allocated to the holders of the rights within the time period set by the legal provisions;
  - notes, as required, that this decision entails, to the benefit of the holders of the financial securities issued pursuant to this delegation, waiver by the shareholders of their preemptive subscription right to the shares that these financial securities confer rights;
  - decides that the Board of Directors will have, within the limits fixed above, the necessary powers, especially to set the conditions of the issue(s), record the completion of the resulting capital increases, make any related changes to the bylaws, charge, at its sole initiative, the costs of the capital increases to the related additional paid-in capital and, more generally, take all necessary measures;
- notes that this authorization supersedes any previous authorization for the same purpose.

Twentieth resolution

Delegation of authority to grant to the Board of Directors for purposes of increasing the capital through a public offering by issuing shares and/or financial securities that confer entitlement to the Company's share capital, with the suppression of the preemptive subscription right (valid 26 months).

The Shareholders' Meeting, having reviewed the Board of Directors' report and the auditors' special report and pursuant to the provisions of the French Commercial Code and in particular its articles L.225-129-2 and L.225-136-1°:

- delegates to the Board of Directors its competence for purposes of carrying out capital increases, one or more times, in the proportions and at the times it determines, both in France and abroad, by public offering, by issuing shares and/or financial securities that confer immediate or future entitlement, at any time or at a fixed date, to the Company's share capital, be it by subscription, conversion, exchange, reimbursement, presentation of a coupon or by any other means. it being made clear that these securities may be issued for purposes of compensating securities that would be contributed to the Company as part of a take-over bid by way of an exchange of securities that satisfies the conditions set out by article L.225-148 of the French Commercial Code;
- fixes at 26 months the length of validity of this delegation, counted from the date of this Meeting;
- decides to fix, as follows, the limits of the amounts of authorized issues in the event the Board of Directors uses this delegation:
  - the total nominal amount of the common shares likely to be issued pursuant to this delegation cannot exceed €11 million;
  - moreover, the total nominal amount of the shares issued will be charged against this ceiling, by virtue of the previous resolution;
  - the nominal amount of the financial securities representing claims on the Company that can be issued like this cannot exceed €90 million;
- decides to eliminate shareholders' preemptive subscription right to the securities covered by this resolution, nevertheless leaving the Board of Directors the option of giving the shareholders a preferential right pursuant to the Law;
- decides that the sum payable, or that should be payable, to the Company for each of the common shares issued under this delegation, after taking into account, in case stand-alone share purchase warrants are issued, the issue price of the said warrants will at least equal the minimum required by the applicable legal and regulatory provisions at the time when the Board of Directors will implement this delegation;
- decides, in the case financial securities are issued to compensate securities contributed as part of a take-over bid by way of an exchange of securities, that the Board of Directors will have, within the limits set out above, the necessary powers to decide the list of securities contributed to the exchange, to fix the issue conditions, the exchange parity and, where applicable, the amount of the balancing cash adjustment to pay, and to determine the issue terms;
- notes, as required, that this decision entails, to the benefit of the holders of the financial securities issued pursuant to this delegation, waiver by the shareholders of their preemptive subscription right to the shares that these financial securities confer rights;
- decides that the Board of Directors will have, within the limits fixed above, the necessary powers, especially to set the conditions of the issue(s), record the completion of the resulting capital increases, make any related changes to the bylaws, charge, at its sole initiative, the costs of the capital increases to the related additional paid-in capital and deduct from this amount the necessary sums to bring the legal reserve to one tenth of the new share capital after each increase, more generally, take all necessary measures;
- notes that this authorization supersedes any previous authorization for the same purpose.

Twenty first resolution

Authorization to increase the amount of issues in the event of oversubscriptions (valid 26 months)

For each of the issues decided pursuant to resolutions 19 and 20, the number of securities to issue may be increased under the conditions provided for by article L.225-135-1 of the French Commercial Code and within the limits established by the Shareholders' Meeting, when the Board of Directors records an oversubscription.

Twenty second resolution

Delegation of authority to grant to the Board of Directors to carry out a capital increase in order to compensate the contributions in kind of equity securities or financial securities that confer entitlement to the share capital (valid 26 months).

The Shareholders' Meeting, having reviewed the Board of Directors' report and the auditors' special report and pursuant to article L.225-147 of the French Commercial Code:

- authorizes the Board of Directors to increase the capital to compensate contributions in kind granted to the Company comprised of equity securities or financial securities that confer entitlement to the share capital when the provisions of article L.225-148 of the French Commercial Code are not applicable;
- fixes at 26 months the length of validity of this delegation, counted from the date of this Meeting;
- decides that the total nominal amount of the common shares likely to be issued pursuant to this delegation cannot exceed 10% of the share capital. This ceiling is independent of all of the ceilings that apply to the other

authorizations to increase share capital given to the Board of Directors as part of adopting the preceding resolutions 19 and 20;
- delegates all powers to the Board of Directors, with the option of subdelegation under the conditions set by Law, in order to carry out capital increases, to record their completion, to charge against the contribution premium, where applicable, all of the costs and fees generated by the capital increase, to deduct from the contribution premium the necessary sums to bring the legal reserve to one tenth of the new share capital after each increase, and to modify the bylaws accordingly;
- notes that this authorization supersedes any previous authorization for the same purpose.

Twenty third resolution

Authorization for the Board of Directors to increase the share capital reserved for employees (valid 18 months)

The Shareholders' Meeting, having reviewed the reports of the Board of Directors and the auditors, authorizes the Board of Directors, pursuant to articles L.225-129 et seq of the French Commercial Code and according to the conditions provided for in articles L.3332-18 et seq of the French Labor Code, to increase the share capital, in one or more times and at its discretion, a maximum nominal amount of €300,000 per issue subscribed in cash and reserved, if necessary by distinct blocks, for employees and former employees, retired or pre-retired, of the Company or related companies within the meaning of article L.3344-1 of the French Labor Code, who are members of a company savings plan.

This delegation entails the shareholders' express waiver of their preemptive subscription right to this authorized share capital increase.

This authorization is valid for a period of 18 months from the date of this Meeting.

The Shareholders' Meeting delegates all powers to the Board of Directors for purposes of carrying out this authorized share capital increase, and especially to:
- determine, where applicable, the companies whose employees and retired or pre-retired employees could subscribe to the shares issued pursuant to this authorization,
- settle all of the terms and conditions of the operation(s) to carry out and, in particular:
  - fix where necessary the length of service conditions that beneficiaries of the new shares must fulfill and the time given to the subscriptions to pay up these shares,
  - decide the amount of the issue, the subscription price, the length of the subscription period, the entitlement date, even retroactive, of the new shares and more generally all of the terms of each issue,
  - at its sole discretion, after each capital increase, to charge the transaction costs to the amount of the related additional paid-in capital,
  - perform all actions and formalities required to record the completion of each capital increase up to the number of shares that will actually be subscribed, make any related changes to the bylaws, make all publications and, more generally, do everything that will be useful and necessary, with the option of substitution.

The whole in compliance with the legal and regulatory provisions in effect.

JOINT AUTHORITY

Twenty fourth resolution

The Shareholders' Meeting gives all powers to the holder of a copy or extract of the minutes of this Meeting to fulfill all legal filing and publication formalities.

6 GENERAL INFORMATION CONCERNING THE COMPANY, ITS CAPITAL AND ITS ADMINISTRATION

6.1. DATA SHEET

Company name

NEURONES.

Trading name

NEURONES.

Registered head office

Immeuble "Le Clemenceau 1" - 205, Avenue Georges Clemenceau - 92000 Nanterre Cedex (France).

Legal form

The company was set up as a French société anonyme (limited liability company) with a Board of Directors governed by the French Commercial Code and the decree of March 23, 1967 on commercial companies.

Nationality

French.

Date of incorporation and duration of the company

The company was set up on December 5, 1984 for a term of 99 years, as of its registration in the French Registre du Commerce et des Sociétés (Company Trade Register) on January 15, 1985.

It will end on January 15, 2084, unless an extraordinary shareholders' meeting decides to extend the term or disband the company early.

Corporate charter (Article 3 of the by-laws)

The purpose of the company, in France, the French overseas departments and abroad, is to carry out directly or indirectly all transactions concerning: consulting, design, production, development, deployment, installation, support, operation and distribution of any IT and electronic systems, both for services and software, applications and hardware, and generally any operation related to information, communication and training processes.

To achieve its purpose, the company may:
- do business, subcontract, represent and commission,
- import and export,
- own, acquire, lease, fit out, equip or convert any building, work site, store or warehouse,
- take out interests or holdings, by any means or methods, in any similar company or company likely to promote the development of its business,
- generally, carry out any commercial, industrial and financial operations pertaining directly or indirectly to its purpose.

Company Trade Register

R.C.S. Nanterre 331 408 336.

Fiscal year

The fiscal year starts on January 1 and ends on December 31 of each year.

Place where documents and information concerning the company may be consulted

The company by-laws, financial statements and reports, and the minutes of Shareholders' Meetings, can be consulted at its head office.

Shareholders' Meetings

Shareholders' Meetings are convened and deliberate in the conditions laid down by law.

Meetings take place at the head office or any other place specified in advance in the notice of meeting.

Attendance at the meeting is open to any shareholder who can furnish evidence of shares registered in his name, or in the name of the intermediary duly registered on his behalf, two working days before the meeting at midnight, either in the registered share accounts or the bearer share accounts held by his authorized intermediary.

Shareholders may also vote by correspondence or by proxy in the conditions laid down by law. To be counted in the ballot, the form for postal or proxy votes, accompanied by share-holding certificates for bearer shareholders, must have been received by the company or by the establishment holding the registered share accounts at least three days prior to the date of the meeting.

The meetings are chaired by the Chairman of the Board of Directors or, in his absence, by a Director specially appointed for the purpose by the Board. Failing that, the meeting elects its Chairman.

Minutes of the meeting are taken; copies are certified and issued as required by law.

Disposal and transmission of shares

There are no statutory provisions restricting share transfers.

Double voting right

Shareholders have as many voting rights as they have shares, or as the shares they represent, with no restrictions other than those laid down by law.

However, a double voting right is granted to all fully paid shares provided the shares have been registered in the same shareholder's name for at least four years. This right is granted from the time of issue to nominative shares freely attributed to a shareholder holding old shares entitled to this right. Every share that changes ownership loses this double voting right. Nevertheless, the transfer of ownership due to inheritance, the settling of communal estate between spouses or the donation inter vivos on behalf of a spouse or relation entitled to inherit does not cause the acquired right to be lost and does not interrupt the four-year period, if it is underway. The merger of the company has no effect on the double voting right, which may be exercised in the absorbing company, if the by-laws so provide.

Thresholds and crossing of thresholds

Under Article L.233-7 of the French Commercial Code, every natural person or legal entity, acting alone or in concert, has the obligation to inform the company if they end up holding or no longer holding more than one twentieth (5%), one tenth (10%), three twentieths (15%), one fifth (20%), one quarter (25%), three tenths (30%), one third (33.3%), one half (50%), two thirds (66.6%), nine tenths (90%) or nineteen twentieths (95%) of the capital or voting rights.

The information should be sent to the company and to the Autorité des Marchés Financiers (French financial markets authority) no later than before the close of trade on the fourth trading day following the day the threshold was crossed upwards or downward. The procedure for notifying the Autorité des Marchés Financiers that certain thresholds have been crossed is set out in its general regulations. The Autorité des Marchés Financiers makes the information public within three trading days following receipt of the full declaration.

When the thresholds of one tenth, three twentieths, one fifth and one quarter of the capital or voting rights are crossed, the person required to report the fact must also declare to the company and to the AMF the objectives it intends to pursue over the six months to come, within the deadline of five stock exchange trading days.

In addition, pursuant to Article 16 of the by-laws, every shareholder, acting alone or in concert, has an additional obligation to inform the company when he ends up directly or indirectly holding shares representing 2% of the capital or voting rights. This additional duty of disclosure applies to every 2% fraction of the capital or voting rights.

Company buy-back of its own shares

Implementation a share buy-back scheme for the Company to buy-back its own shares falls within the scope of Article L.225-209 of the French Commercial Code.

The Shareholders' Meeting held on June 4, 2015 authorized the Company to buy-back its own shares subject to the main terms below:
- authorization validity period: 18 months with effect from the date of the meeting (i.e. up until December 3, 2016),
- maximum share of the capital to be acquired: 10%,
- maximum purchase price: €21 per share,
- maximum share acquired with a view to the subsequent delivery of shares in exchange or as payment: 5% of the capital.

On the basis of this authorization, the Board of Directors decided on June 4, 2015 to implement a program to buy back its shares for cancellation, a description of which was published on this same date after the stock exchange closed. The company did not buy back or have anyone else buy back any of its own shares during this program.

The Shareholders' Meeting held on June 9, 2016 authorized the Company to buy-back its own shares subject to the main terms below:
- authorization validity period: 18 months with effect from the date of the meeting (i.e. up until December 8, 2017),
- maximum share of the capital to be acquired: 10%,
- maximum purchase price: €25 per share,
- maximum share acquired with a view to the subsequent delivery of shares in exchange or as payment: 5% of the capital.

On the basis of this authorization, rendering invalid the previous authorization given by the Shareholders' Meeting on June 4, 2015, the Board of Directors decided on June 9, 2016 to implement a program to buy back its shares for cancellation, a description of which was published on this same date after the stock exchange closed. The company did not buy back or have anyone else buy back any of its own shares during this program between June 10 and December 31, 2016.

Throughout the 2016 financial year, the company did not buy back or have anyone else buy back any of its own shares. At December 31, 2016, the Company didn't, directly or indirectly, hold any treasury shares.

A motion will be put to the Combined Shareholders' Meeting on June 8, 2017 to renew the authorization given to the company to buy back its own shares. The main terms and conditions would be as follows:
- authorization validity period: 18 months with effect from the date of the meeting (i.e. up until December 7, 2018),
- maximum share of the capital to be acquired: 10%,
- maximum purchase price: €27 per share,
- maximum share acquired with a view to the subsequent delivery of shares in exchange or as payment: 5% of the capital.

This authorization would render invalid any previous authorization on the same subject and would thus replace the unused portion, where applicable, of the authorization given by the Shareholders' Meeting of June 9, 2016.

The creation of a share buy-back program will be subject to a decision of the Board of Directors.

If necessary, and following a decision taken by the Board of Directors, the company will publish a description of the program in compliance with article 241-2 of the Autorité des Marchés Financiers (French financial markets authority), following which the program will be rolled out.

Statutory distribution of profits (article 19 of the by-laws)

The profit or loss for the financial year consists of the difference between the income and expense for the financial year, after deducting amortization and provisions, as calculated from the income statement.

Any earlier losses are deducted from the year's profit, then at least 5% is deducted and allocated to a reserve fund known as "legal reserves".

This deduction ceases to be mandatory when the legal reserves amount to one tenth of the share capital.

If there is an outstanding balance available, the Shareholders' Meeting decides to either distribute it, carry it over again, or enter it under one or more reserve items, which it decides how to allocate and use.

Once it has noted the existence of reserves at its disposal, the Shareholders' Meeting can decide to distribute sums deducted from these reserves. If so, the decision must clearly state from which reserves the sums are to be deducted.

For all or part of the dividend or interim dividend to be distributed, the Shareholders' Meeting is entitled to give shareholders the choice of whether the dividend, or interim dividend, is to be paid in cash or shares.

Identifiable bearer shares (Article 7 of the by-laws)

The company is entitled, at any time and at its own expense, to ask the institution in charge of paying compensation for the shares to identify the shareholders giving proxy votes for its shareholder meetings, either immediately or in the future, as well as the number of shares held by each of them and, if applicable, the restrictions on the shares.

6.2. CAPITAL AND SHARES

Share capital

At December 31, 2016, the Company's share capital amounted to €9,697,544.80 divided into 24,243,862 fully paid-up shares with a face value of €0.40.

Other securities providing access to the capital

All of the stock option and bonus share allocation plans are set out in Note 9.2 below (Sub-chapter 6 "Notes to the balance sheet" in Chapter 3 "Consolidated financial statements").

The last stock option plan (plan No. 3) still in force at January 1, 2016 expired on July 10, 2016.

The Shareholders Meeting of June 9, 2016 authorized the Board of Directors to allocate under a bonus share plan up to 242,000 common shares (valid 24 months); this authorization rendering invalid the authorization with the same subject given by the Shareholders' Meeting on June 4, 2015. The Board of Directors did not use this authorization.

The Board of Directors used the authorization given by the Shareholders' Meeting of June 9, 2016 by attributing free of charge 43,000 common shares (plan F).

Accordingly, at December 31, 2016 there were 43,000 bonus shares attributed subject to a vesting period.

	Other potential securities (at 12/31/2016)	% of capital
Stock options that can be exercised (less Plan No. 3, expired and already exercised)	-	-
Bonus shares during the vesting period	43,000	0.18%
TOTAL	**43,000**	**0.18%**

Authorized capital

The Combined Shareholders' Meeting of June 4, 2015, authorized the Board of Directors to issue in France or on international markets during the subsequent 26 months (or until August 4, 2017), shares or securities giving access, immediately or at term, to company capital (sixteenth, seventeenth, eighteenth and nineteenth resolutions).

These issues can be realized with or without the maintenance of pre-emptive subscription rights and cannot give rise to an increase in share capital greater than €11 million (other than adjustments related in particular to the incorporation of earnings, reserves or additional paid-in capital or the maintenance of rights of the holders of securities). Furthermore, the gross proceeds from issues of securities representing claims giving access to the capital cannot exceed €90 million.

Furthermore, independently of these limits which apply to the sixteenth and seventeenth resolutions, the nominal amount of the common shares likely to be issues following authorization to increase share capital in view of compensating the contributions in kind of equity securities or financial securities that confer entitlement to the share capital cannot exceed 10% of the share capital.

The Board of Directors did not use these authorizations. A motion will be put to the Shareholders' Meeting on June 8, 2017 to renew these authorizations under the same conditions.

Change in share capital since the company's founding

Date	Type of operation	Capital increase	Additional paid-in capital and contribution	Number of shares issued	Cumulative amount of share capital	
					Number of shares	Capital
December 1984	Company formed	-	-	-	8,000	F800,000
08/15/1985	Capital increase	F210,000	-	2,100	10,100	F1,010,000
06/30/1993	Company buy-back of its own securities and capital reduction	-	-	(4,954)	5,146	F514,600
06/30/1993	Capital increase by incorporating reserves and raising the share face value from F100 to F200	F514,600	-	-	5,146	F1,029,200
12/30/1997	Capital increase by incorporating reserves and raising the share face value from F200 to F4,000	F19,554,800	-	-	5,146	F20,584,000
11/29/1999	Capital increase by incorporating reserves, converting capital into euros and raising the share face value to E1,500	F30,049,320.83	-	-	5,146	€7,719,000
11/29/1999	Share face value divided from E1,500 to E2	-	-	-	3,859,500	€7,719,000
04/05/2000	Share face value divided from E2 to E0.40	-	-	-	19,297,500	€7,719,000
05/23/2000	Capital increase during the listing on the stock exchange (Nouveau Marché / New Market)	€1,389,420	€29,872,530	3,473,550	22,771,050	€9,108,420
12/31/2004	Capital increase following the exercise of BSPCE (company creator stock options)	€30,488	€213,416	76,220	22,847,270	€9,138,908
12/31/2005	Capital increase following the exercise of BSPCE (company creator stock options)/stock options	€166,260	€1,163,820	415,650	23,262,920	€9,305,168
12/31/2005	Decrease in capital following the cancellation of a repurchased block of shares	-	-	(98,000)	23,164,920	€9,265,968
12/31/2006	Capital increase following the exercise of stock options	€33,353.60	€276,359.60	83,384	23,248,304	€9,299,321.60
12/31/2007	Capital increase following the exercise of stock options	€53,809.20	€402,778.20	134,523	23,382,827	€9,353,130.80
12/31/2008	Capital increase following the exercise of stock options	€10,916.40	€89,871.40	27,291	23,410,118	€9,364,047.20
12/31/2009	Capital increase following the exercise of stock options	€25,708	€238,298	64,270	23,474,388	€9,389,755.20
12/31/2010	Capital increase following the exercise of stock options	€34,682	€329,517	86,705	23,561,093	€9,424,437.20
12/31/2011	Capital increase following the exercise of stock options	€24,666.40	€253,087.50	61,666	23,622,759	€9,449,103.60
12/31/2012	Capital increase following the exercise of stock options and the delivery of shares to the beneficiaries of the Plan C bonus share allocation	€54,762	€85,775.50	136,905	23,759,664	€9,503,865.60
12/31/2013	Capital increase following the exercise of stock options and the delivery of shares to the beneficiaries of the Plan D bonus share allocation	€80,647.60	€(11,911.10)*	201,619	23,961,283	€9,584,513.20
12/31/2014	Capital increase following the exercise of stock options	€8,190.40	€101,915.40	20,476	23,981,759	€9,592,703.60
12/31/2015	Capital increase following the exercise of stock options and the delivery of shares to the beneficiaries of the Plan E bonus share allocation	€99,847.60	€301,384.10	249,619	24,231,378	€9,692,551.20
12/31/2016	Capital increase following the exercise of stock options	€4,993.60	€42,445.60	12,484	24,243,862	€9,697,544.80

* €64,088.90 of additional paid-in capital (in relation to the capital increase following the exercise of stock options), less €76,000 deducted from the "additional paid-in capital" item for the capital increase arising from the issue of new shares (in connection with the delivery of bonus shares).

Changes in the distribution of capital and voting rights during the past three years

	Situation at December 31, 2014				Situation at December 31, 2015				Situation at December 31, 2016			
	Number of shares	% of capital	Number of voting rights	% of voting rights	Number of shares	% of capital	Number of voting rights	% of voting rights	Number of shares	% of capital	Number of voting rights	% of voting rights
Directors												
Host Développement	10,968,683	45.7%	21,759,127	53%	10,968,683	45.3%	21,759,127	52.3%	11,158,683	46%	22,127,366	52.8%
Luc de Chammard and children	5,083,490	21.2%	10,159,493	24.7%	4,993,103	20.6%	9,986,006	24%	4,803,103	19.8%	9,596,206	22.9%
SUBTOTAL	16,052,173	66.9%	31,918,620	77.7%	15,961,786	65.9%	31,745,133	76.3%	15,961,786	65.8%	31,723,572	75.7%
Bertrand Ducurtil	809,167	3.4%	1,480,333	3.6%	839,167	3.5%	1,568,334	3.8%	839,167	3.5%	1,608,334	3.8%
Other officers (managers) with registered shares	1,063,950	4.4%	1,373,958	3.3%	1,084,599	4.4%	1,631,274	3.9%	1,049,589	4.3%	1,805,266	4.3%
SUBTOTAL OFFICERS (MANAGERS)	17,925,290	74.7%	34,772,911	84.6%	17,885,552	73.8%	34,944,941	84%	17,850,542	73.6%	35,137,172	83.8%
Employees with registered shares	297,390	1.3%	312,140	0.8%	386,571	1.6%	429,321	1%	341,239	1.4%	414,639	1%
Treasury shares	-	-	-	-	-	-	-	-	-	-	-	-
Public*	5,759,079	24%	6,004,419	14.6%	5,959,255	24.6%	6,262,238	15%	6,052,081	25%	6,370,614	15.2%
TOTAL	23,981,759	100%	41,089,470	100%	24,231,378	100%	41,636,300	100%	24,243,862	100%	41,922,425	100%

* Registered shares (other than Group officers and employees) and bearer shares.

Threshold crossings

During FY 2016, the following statutory threshold crossings were declared to the company:

- downward crossing of the 2% statutory threshold for voting rights by Sycomore Asset Management on September 28;
- upward crossing of the 2% statutory threshold for capital by Financière de l'Echiquier on December 27.

Securities transactions carried out by officers (Article L.621-18-2 of the French Monetary and Financial Code)

On May 13, 2016, Luc de Chammard transferred to Host Développement (personal holding company) 190,000 shares for €3,699,300.

Share lock-up undertakings/Shareholder agreements/ Actions in concert

Lock-up undertakings concluded during the year

No share lock-up undertaking was concluded in FY 2016.

Shareholder agreements

None.

Actions in concert

Luc de Chammard, his children and Host Développement (held 100% by Luc de Chammard, his wife and their children) act in concert.

Pledged Neurones shares registered directly with the company

Luc de Chammard has pledged with a banking institution 380,000 shares representing 1.57% of the capital. This pledge was granted in April 2016 for a period of 5 years.

6.3. THE MARKET FOR COMPANY SHARES

NEURONES' shares are listed in compartment "B" of the only list (Eurolist) on Euronext Paris (ISIN code: FR0004050250 – Bloomberg code: NEUR FP – Reuters code: NEUR.LN). The shares have been quoted continuously since the Group was listed (on May 23, 2000). NEURONES is included in the CAC All Shares, CAC Technology and CAC Soft & C.S. indexes.

The trends in the share price and the volumes traded in 2016 "on the market" and only on the Euronext platform were as follows:

Month	Highest price *(in €)*	Lowest price *(in €)*	Average closing price *(in €)*	Number of shares traded *(in € thousands)*	Number of trading sessions
January 2016	18.00	16.25	17.06	57	20
February 2016	17.96	16.50	17.52	49	21
March 2016	18.01	17.60	17.82	73	21
April 2016	18.48	17.60	18.02	110	21
May 2016	19.80	17.95	18.94	55	22
June 2016	19.74	17	19.23	77	22
July 2016	20.89	19.10	19.74	110	21
August 2016	22.39	20.51	21.43	121	23
September 2016	24.70	21.31	22.27	68	22
October 2016	23.14	21	22.37	96	21
November 2016	22.51	20.4	21.33	83	22
December 2016	23.20	21.20	22.28	145	21
Highest, lowest and average for 2016	**24.70**	**16.25**	**19.87**	**87**	**21**

Source : Euronext.

One the Euronext, the average volume traded daily during 2016 was approximately 4,100 shares. This does not take into account certain exchanges of sometimes significant blocks of shares conducted "off the market" nor transactions carried out on alternative platforms.

6.4. CORPORATE GOVERNANCE

Board of Directors

Board composition and officer independence

The Board of Directors is comprised of four directors, whose other offices (Group and non-Group), age and main position occupied are specified in the management report:

Director	Independent director	Date of first appointment	Expiry of current term of office
Luc de Chammard Chairman and CEO	No	December 5, 1984*	Shareholders' Meeting of June 8, 2017
Bertrand Ducurtil Executive Vice-President	No	June 30, 1999	Shareholders' Meeting of June 8, 2017
Jean-Louis Pacquement	Yes	December 5, 1984*	Shareholders' Meeting of June 8, 2017
Hervé Pichard	No	October 15, 2004	Shareholders' Meeting of June 8, 2017
Marie-Françoise Jaubert	Yes	June 9, 2011	Shareholders' Meeting of June 8, 2017
Host Développement SAS	No	June 9, 2016	Shareholders' Meeting of June 8, 2017

* NEURONES' founding date.

Marie-Françoise Jaubert and Jean-Louis Pacquement are considered as independent directors based on the MiddleNext Code. They have never been employees or managing officers of the company or a group company. They have never been clients, suppliers or auditors of the company or a group company and have no family links to an officer or majority shareholder. Lastly, they are not themselves majority shareholders of the Company. No financial, contractual or family connection is thus likely to affect their ability to make independent judgments.

Directors' experience (excluding executives)

Marie-Françoise Jaubert has proven experience in law and more specifically in private law. Daphné de Chammard (representing Host Développement SAS and spouse of Luc de Chammard) has 15 years of experience in HR and sales supervision. Jean-Louis Pacquement has significant experience in finance and mergers-acquisitions. Furthermore, he has the benefit of hindsight and the perspective of the "historic" director. Hervé Pichard provides his corporate legal and administration skills and for the past 20 years has tried the main corporate cases.

None of the directors above was employed by or maintained business relations with NEURONES, except for Hervé Pichard, who is one of its lawyers.

Operation

Number of meetings of the Board of Directors in 2016: 4. Attendance rate of members of the Board of Directors in 2016: 82%.

No specific rule has been established (ordinary law applies) concerning restrictions or bans on Directors participating in operations involving NEURONES' shares if they have inside information.

Nearly two thirds of the capital is represented on the Board by 1/3 (2 of 6) of the directors. This composition does not directly call in question the broad historical distribution of powers within the Board of Directors.

Logically, therefore, no specific provision has been established to ensure that control of the Group is not misused.

The company is especially concerned about protecting the interests of minority shareholders since they include some of the managers of the parent company and its subsidiaries.

Accordingly:
- all major decisions are taken in collegial discussions among managers and then with the Board of Directors,
- arrangements are made for the Chairman's succession. In the event the CEO is unable to fulfill his duties, the long-standing plan has been that the Executive Vice-President, who has been in the Company since 1991, will succeed the CEO.
- supervisory authority is exercised as described in this paragraph,
- the rules of procedure of June 10, 2010 were revised during the session of September 7, 2016. The Directors are reminded in particular of their legal and ethical obligations. They clearly establish the role and missions of the Board and its operating procedures in accordance with the principles of good governance.

Two points mentioned in the MiddleNext Code, call for the following explanations:
- to date there is no formal self-assessment of the Board's work. Nevertheless, it is envisaged to implement this mechanism soon,
- there are no specialized committees (audit, compensation, strategy, etc.).

There are no plans to establish specialized committees. The Board of Directors believes that, given its size and needs, the collegiality that presides each time a decision is taken, the size of the Group and its very decentralized operation, these committees would present little interest. Additionally, as pointed out in Chapter 1 of the Chairman's Special Report, the auditors are present at both of the board meetings held to approve the financial statements. These meetings fulfill, in part, the role expected of an audit committee meeting, the main duties and functions of which are also covered by the Board, more specifically by the review of internal control work. Updating of the risk map continued in 2016. It is described in Chapter 2 of the Chairman's Special Report, in the section containing the procedural guide to auditing risk management.

Without prejudice to the reasons mentioned above, the Board of Directors does not exclude creating an ad hoc specialized committee, if the Company's current events justify it.

Renewal of directors' terms of office

The directors' term of office expires annually and its renewal for a one year term of office will be submitted to the Shareholders' Meeting of June 8, 2017 called to approve the financial statements for the year ended December 31, 2016.

Remuneration of directors

No directors' fees have been paid since the company began.

Managers' interests

The total gross amounts of remuneration and fringe benefits attributed to members of NEURONES' Board of Directors for FY2015 and FY2016 are set out in the management report, in a presentation in compliance with the recommendations of the MiddleNext Code in the matter.

No NEURONES managers or members of their families hold, directly or indirectly, assets used by the Group, especially real estate.

They have no holdings in the capital of NEURONES subsidiaries, nor in the Group's clients or suppliers.

No loans or collateral have been granted or formed in favor of members of administrative and management bodies.

Compliance with the recommendations of the MiddleNext Code on corporate governance.

As a medium-sized group, with a majority shareholder among the managers, NEURONES had chosen to refer to the MiddleNext Code (published in December 2009) for corporate governance.

For the remuneration aspects of executives, NEURONES decided in 2008 to refer to the Afep-Medef Code. In its session of September 2016, the Board of Directors decided to refer to all of the recommendations of the MiddleNext Code (revised in September 2016), including those concerning the remuneration of corporate officers (Management Report - paragraph 13).

The following table presents NEURONES' situation regarding all of this Code's 19 recommendations:

MiddleNext Code recommendation	Compliance	Application procedures or reasons for non application
R1: Director ethics	Y	NEURONES is compliant. The minimum number of shares (one) that should be held by each director has been added to the Board's rules of procedure on the occasion of its revision in September 2016. This rule also stipulates that the director exercising an "executive" office should not hold more than two other directorships in listed companies, including foreign companies, outside the Group.
R2: Conflicts of interest	Y	No known conflicts of interest. The rules of procedure stipulate the obligation for the director to inform immediately the CEO of any conflict of interest situation, even potential, and to then refrain from participating in any vote concerning directly or indirectly this conflict. As of FY 2017, at least once a year, the directors will be asked during a meeting of the Board of Directors to confirm that they are not in a potential conflict of interest situation. On this occasion, the Board of Directors will also review the known potential conflicts of interest and assess the measures taken, and to take, in order to better manage these situations.
R3: Composition of the Board – Presence of independent members	Y	NEURONES' Board of Directors has in its ranks two members presumed independent based on the criteria retained by the Code (see the paragraph "Composition of the Board, seniority and independence of directors" of this chapter).
R4: Board member information	Y	Before holding a Board meeting, NEURONES gives the directors, with sufficient lead-time so they can review and ask any question they deem useful, all of the information needed to review the meeting agenda. In general, NEURONES provides the directors with the information they should know, if the current situation warrants it. The principles and methods of delivering the information are mentioned in the Board's rules of procedure.
R5: Organization of Board meetings and committees	Y	The frequency and duration of meetings allows for in-depth examination of the agenda. They take place with the directors physically present except in the very exceptional case where a videoconference may be used (except for the Board approving the annual financial statements). The Board meetings are subject to minutes and information about the number of meetings and the participation rate of directors is published in the CEO's report, which also describes the composition of the Board. There have been at least four meetings (minimum indicated in the rules of procedure revised in 2016) of the Board per year for many years.
R6: Creation of committees	Y	NEURONES has decided, considering in particular its size and its needs, to organize without ad hoc specialized committees (see paragraph "Operation" of this chapter).
R7: Introduction of Board rules of procedure	Y	The new version of the rules of procedure adopted in September 2016 comply overall with the recommendation.
R8: Choice of each director	Y	The information concerning a person whose appointment as director is proposed and the information concerning the directors whose renewal of term of office is on the agenda are sent to the shareholders and posted on the Company's website before the Shareholders' Meeting.
R9: Directors' term of office	Y	In practice and from experience, the statutory duration of terms of office (one year, renewable) is conducive to the Board's efficient operation. Due to this duration, the renewal of directors cannot be staggered.
R10: Director remuneration	N	There are no director's fees, since the directors have not expressed the desire to be remunerated.
R11: Introduction of Board evaluation	N	To date there is no formal self-assessment of the Board's work. Nevertheless, it is envisaged to implement this self-assessment soon.
R12: Relationship with shareholders	Y	In addition to the SFAF (French financial analysts society) meetings that enable managers to ask the questions they want, the CEO and the Executive Vice-President regularly receive shareholders to provide any information they deem useful, provided that it doesn't constitute inside information.
R13: Definition and transparency of the compensation of corporate officers	Y	Executives' remuneration levels and methods are founded on the principles of completeness, balance, compliance with the market, consistency with other remunerations in the Company and measure. The annual disclosure of these remunerations to shareholders is transparent. No performance criteria are established to determine the variable part of the two executives' remuneration, but these variable parts are reasonable with respect to the Company's performances and comparable to those of the market (see paragraph 13 of the Management Report).
R14: Preparation for the succession of corporate officers	N	Succession has not yet been entered on the Board's agenda, but it will be in 2017 and regularly thereafter. Nevertheless, and going back a long time, in case the CEO is unable to fulfill his duties, the directors know that the current Executive Vice-President will succeed him.
R15: Corporate officers and employment contracts	Y	No employment contracts given to serving officers.
R16: Golden handshakes	Y	No provision for golden handshakes.
R17: Supplementary retirement schemes	Y	No supplementary retirement schemes
R18: Stock-options and attribution of bonus shares	Y	NEURONES' corporate officers have not benefited from the attribution of bonus shares since 2007 and no stock-options have been attributed since 1999.
R19: Review of crucial points to monitor	N	The directors have not formally confirmed that they read and understood the MiddleNext Code's crucial points to monitor. This will be done during the next Board meeting and the directors will also be asked on this occasion to review them regularly.

6.5. EMPLOYEE PROFIT SHARING

Stock options and bonus shares

The stock option and bonus share allocation plans are described in the notes to the consolidated financial statements (Note 9).

For all of these plans, there were still 43,000 bonus share allocations in circulation at December 31, 2016 as indicated in detail in this same note.

At January 1, 2016, there remained one unexpired stock option plan. The details of this plan, for NEURONES' corporate officers and the 10 Group employees who received the most options, are as follows:

	Plan stock options n°3
Shareholders' Meeting	11/29/99 & 06/09/11
Board of Directors meeting	07/11/01 & 03/31/11
Maturity date of the plans	07/11/06
Expiry date of the plans	07/11/16
Number of salaried beneficiaries	*10*
Number of officer beneficiaries	-
Number of shares granted	81,000
Number of expired options at 12/31/2015	*(16,000)*
Number of shares already subscribed at 12/31/2015	(65,000)
Number of options that expired during the period	-
Number of shares subscribed during the period	-
Subscription price (in €)	3.8
Number of options in circulation at 12/31/2016	-
Number of exercisable options at 12/31/2016	-

For the NEURONES officers and 10 Group employees who received the most bonus shares, the history of the bonus share allocation plans that had not expired at January 1, 2016 is shown below:

	Bonus share plan E	Bonus share plan F
Shareholders' Meeting	06/09/11	06/09/2016
Board of Directors meeting:	06/07/12	06/09/2016
End of acquisition period	06/08/15	06/10/2018
End of retention period	06/08/17	06/10/2020
Number of salaried beneficiaries	*10*	*10*
Number of officer beneficiaries	-	-
Number of free shares allocated	75,000	39,000
Number of expired shares at 12/31/2015	(9,000)	-
Number of shares in the acquisition period at 12/31/2015	-	-
Number of shares canceled during the acquisition period throughout the year	-	-
Number of shares in the acquisition period at 12/31/2016	-	39,000
Number of shares in the retention period at 01/01/2016	66,000	-
Number of shares in the retention period at 12/31/2016	66,000	-

Statutory profit sharing and optional profit sharing

In addition to potential bonus share attribution plans, employees are entitled to statutory profit sharing when their business entity satisfies the required conditions. During the past five years, the total amounts allocated to statutory profit sharing and optional profit sharing for employees were as follows:

(in € thousands)	2012	2013	2014	2015	2016
Statutory profit sharing	3,206	2,334	2,724	2,127	2,344
Optional profit sharing	80	97	0	120	193
TOTAL (statutory + optional profit sharing)	3,286	2,431	2,724	2,247	2,537

6.6. PERSONS IN CHARGE OF AUDITING THE FINANCIAL STATEMENTS

Statutory Auditors

KPMG S.A.
Tour Eqho – 2, avenue Gambetta – 92066 Paris La Défense cedex
Represented by Mr. Philippe Saint-Pierre.
Date of first appointment: appointed during the Combined Shareholders' Meeting of June 25, 2004.
Date of current appointment: renewed during the Combined Shareholders' Meeting of June 9, 2011.
End of appointment: appointment expires at the Ordinary Shareholders' Meeting called to rule on the financial statements for the year ended December 31, 2016.

BM&A
11, Rue Laborde – 75008 Paris
Represented by Mr. Jean-Luc Loir.
Date of first appointment: appointed during the Ordinary Shareholders' Meeting of June 30, 1997.
Date of current appointment: renewed during the Combined Shareholders' Meeting of June 4, 2015.
End of appointment: appointment expires at the Ordinary Shareholders' Meeting called to rule on the financial statements for the year ended December 31, 2020.

Alternate Auditors

KPMG Audit IS
Tour Eqho – 2, avenue Gambetta – 92066 Paris La Défense cedex
Represented by Mr. Jay Nirsimloo.
Date of first appointment (ongoing): appointed during the Combined Shareholders' Meeting of June 9, 2011.
End of appointment: appointment expires at the Ordinary Shareholders' Meeting called to rule on the financial statements for the year ended December 31, 2016.

Mr Éric Blache
11, Rue Laborde – 75008 Paris
Date of first appointment: appointed during the Combined Shareholders' Meeting of June 24, 2005.
Date of current appointment: renewed during the Combined Shareholders' Meeting of June 4, 2015.
End of appointment: appointment expires at the Ordinary Shareholders' Meeting called to rule on the financial statements for the year ended December 31, 2020.

Person in charge of information

Luc de Chammard – NEURONES – Immeuble "Le Clemenceau 1"
205, Avenue Georges Clemenceau – 92000 Nanterre (France)
Tel.: +33 (0)1 41 37 41 37

Affidavit of the person responsible for the registration document

"I hereby certify, after having taken all reasonable measures for this purpose and to the best of my knowledge, that the information contained in this registration document truly and fairly reflects the existing situation and contains no omissions that could

I certify, to the best of my knowledge, that the financial statements have been prepared in accordance with the applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and earnings of the company and all of its consolidated subsidiaries, and further that the management report, included in this document, presents a true and fair view of the ongoing development and performance of the business, earnings and financial position of the company and all of its consolidated subsidiaries as well as a description of the main risks and uncertainties to which they are exposed.

I have obtained from the statutory auditors a certificate of completion of audit affirming that they have verified the information related to the financial position and financial statements presented in this registration document. They also affirm that they have read this document in its entirety. The auditors' certificate of completion of audit does not contain any observations."

6.7. RELATED INFORMATION

Information included for reference purposes

The following information is included in this registration document for reference purposes:
- the consolidated financial statements for FY 2013 established in accordance with the French accounting standards, plus the related statutory auditors' report, shown on pages 52 to 72 of the 2013 annual report filed with the AMF on April 17, 2014 under number D.14-0379.
- the consolidated financial statements for FY 2014 established in accordance with the French accounting standards, plus the related statutory auditors' report, shown on pages 59 to 79 of the 2014 annual report filed with the AMF on April 16, 2015 under number D.15-0362.
- the consolidated financial statements for FY 2015 established in accordance with the French accounting standards, plus the related statutory auditors' report, shown on pages 58 to 78 of the 2015 annual report filed with the AMF on April 27, 2016 under number D.16-0413.

Publicly available documents

The following documents in particular are available on the company website (www.neurones.net):
- this Registration Document 2016,
- the 2013, 2014 and 2015 Registration Documents.

The company by-laws can be consulted at NEURONES' head offices: 205, Avenue Georges Clemenceau – 92000 Nanterre (France).

The Registration Documents 2013, 2014 and 2015, and this Registration Document 2016, are also available on the AMF website (www.amf-france.org).

AUTORITÉ DES MARCHÉS FINANCIERS
AMF

2016 REGISTRATION DOCUMENT

This registration document was filed with the Autorité des Marchés Financiers on April 27, 2017 in accordance with Article 212-13 of its general regulations. It may be used as support for a financial transaction if it is accompanied by an offering memorandum certified by the AMF. This document was drawn up by the issuer and incurs its signatories' liability.

This reference document is available at www.neurones.net – Investors – Regulated information.

TABLE OF CONCORDANCE

This table identifies the information to be included in the annual report filed as a registration document.

GLOSSARY

The terms defined below essentially relate to NEURONES' various businesses. This glossary is intended to facilitate the understanding of technical terms and acronyms used in this annual report.

ACD (Automatic Call Distribution): function of a telephone switchboards (PABX/Private automatic branch exchange) used by a service desk or call center. It is used to assign incoming calls to support technicians' queues and manage them.

Agile (agile methods): software development technologies defined by the Agile manifesto (2001), as opposed to "classic" methodologies (v-model). Agile methods aim to be more pragmatic than traditional methods. Their iterative nature means that they favor regular deliveries and promote the acceptance of functional changes during the project. Such projects heavily involve the client or users meaning that their requests are met with greater reactivity. The methodology is based on four values which are translated into twelve shared principles. Agile methods include: RAD (rapid application development, started in 1991), the Scrum methodology (1995) and XP Extreme Programming (1999).

AJAX (Asynchronous JavaScript And XML): application development environment that provides a very rapid response to Internet user requests: retrieves only data and executes the JavaScript code via the user's browser (instead of sending whole XHTML pages).

Assistance to contracting authorities (French AMO: Assistance à Maîtrise d'Ouvrage): company that assists contracting authorities in defining their requirements (establishing specifications and managing calls for tender), and in supervising their relationship with the prime contractor for the duration of the project, the project acceptance phase and the warranty period.

Analytics: data analysis. See Big data.

API (Application Programming Interface): interface that allows software programs to communicate with each other.

BAM (Business Activity Monitoring): BAM aims to monitor business processes (applications and processes involving human intervention): performance, availability, accessibility, etc. A BAM project requires the implementation of tools to gather data concerning processes and a tool for compiling and presenting the results. Essentially, it is an additional layer to BPM tools (see below). Publishers are either "pure play" BAM providers (such as Systar), or BPM players (such as Tibco), or decision-process specialists (such as Informatica and Cognos).

Big Data: data sets (Web, mobile telephone systems, cameras, sensors, transactions, etc.) that are so large and so varied (relational, semi-structured, unstructured, etc.) and which are generated at such high speed that they become difficult to store in traditional or conventional databases and also difficult to analyze ("Big Analytics"). Researchers therefore need to develop new tools to store (NoSQL, Google MapReduce, massively parallel databases such as Hadoop, etc.), to analyze and to make the most of this data with a low information density (analytics, search, algorithms, inferential statistics, etc.). Big Data has applications in large scientific programs, public programs (e.g.: tax data comparison, etc.), digital marketing (definition of client profiles by analyzing transactions, Facebook photos, websites consulted) or financial markets (information processing for trading robots). Big Data is considered a major IT challenge for the next decade (2015-2025).

BPM (Business Process Management): set of methods and application tools that automate and optimize company workflows, whether they be internal to the company or involve third parties. Business processes are integrated into BPM. A typical business process is customer management: their orders, online payments, file validation, management of their possible claims, etc. While independent of operational data and business applications, BPM applications draw on the latter, often using Enterprise Application Integration (see EAI below). Leading BPM publishers are: Tibco Software, IBM Websphere Process Server, Webmethods from Software AG and Oracle Weblogic.

BPO (Business Process Outsourcing): outsourcing of a function or process, not just IT: accounting, payroll, subscriber management, etc.

Business Intelligence (BI): term referring to all disciplines related to decision-making, from "data warehouse" input to the publication of information (on the Internet or other media), including the creation of multidimensional OLAP cubes. This also includes datamining and analytical processing applications, previously known as information centers, EIS (Executive Information System) or IDSS (Information and Decision Support Systems).

BYOD (Bring Your Own Device): the use of your own personal equipment (smartphone, laptop, tablet) in a professional context. This growing new trend poses technical, legal and social questions (employment contract, internal regulations, IT charter) and raises security and data protection issues. BYOD may be limited to certain applications and certain types of users (temporary subcontractors or PhD students, for example). See also CYOD.

Trojan Horse: a small program that is installed on a computer without the user knowing and which carries out malicious operations on their workstation. This category includes "spyware", a software program that transmits data from infected hard drives to other entities. Cryptolocker is a malicious software like a Trojan Horse, discovered in 2013, which infects Windows computers. The program mainly spreads through infected emails. Once activated, it encrypts the user's personal data (Office, Autocad files, etc.) and demands a ransom for unlocking them. The alert message sets out a 72 or 100 hour deadline with the threat of deleting the data if the ransom is not paid. In 2015, Trojan Horses appeared to be the most frequent and did the most damage in organizations.

Encryption/data encryption: encoding information in order to make it incomprehensible to anyone other than the intended recipient. Since the French inter-ministerial committee decision of January 19, 1999, France has liberalized encryption and adopted the rules applied by other major G7 countries.

Thin client: term that refers to applications whose main operations are carried out on the server, and not on the user's workstation. The term became widespread to describe Citrix and MetaFrame thin client solutions. In the context of "Web" applications, the web browser is a thin client. With the arrival of Ajax, the term "thin client" is also used for applications that leave virtually all processing to the server, and the term "rich client" is used for applications that perform most of the processing on the user's workstation, in Javascript.

Cloud computing: provision of Infrastructure as a Service (IaaS), Platforms as a Service (PaaS) and Software as a Service (SaaS) on demand over private or public networks. As regards infrastructures, we distinguish between the public cloud (e.g.: Google, Microsoft Azure, Amazon, etc.) and the private cloud. There are many forms of private cloud: "dedicated private cloud" (with dedicated infrastructures), standard private cloud (with infrastructures shared among several companies). A private cloud architecture is deemed "complete" if the client can order services on a self-service basis (provisioning), if the resources are automatically allocated to the client, and, lastly, if the services are invoiced according to use. In this way, many companies make significant gains thanks to virtualization and quick access to powerful shared infrastructures. Basically, in a private cloud, users will pay their consumption "on demand" based on a number of servers instances (CPU and memory), terabytes of storage and bandwidth. The provider will have a secure infrastructure consisting of virtual servers, storage capacity, networks and shared and redundant backups (including backup sites). Sometimes companies use several private and/or public clouds at the same time. This is called "hybrid cloud". Through cloud computing solutions, companies free themselves from managing all or part of their IT infrastructure (IaaS, PaaS) or from installing applications (SaaS).

CMDB (Configuration Management Data Base): a database describing the components of an information system and their inter-relations. It tracks all the changes made to their configuration. CMDB is a fundamental component of the ITIL architecture of an IT facility. Indeed, there are significant practical difficulties in ensuring good documentation concerning an IT system in production (documentation by process, deciding upon the level of detail, redundancy, difficulties in ensuring updates, history management, etc.).

CMM (Capability Maturity Model): a reference model of best practices in software development and maintenance. The model helps to optimize processes and evaluate the business on a maturity scale with five levels (initial, repeatable, defined, managed, optimized). Since 2006, the latest model – CMMI (I: Integration) – has been used.

CMS (Content Management System): series of software dedicated to the design and dynamic update of Websites or multimedia applications. They share the following functions: collaborative working with several people working on the same document at the same time, workflow with the possibility of putting document content online, separation of form and content management, content structuring (using FAQs, document, blogs, forums, etc.), possibility of ranking users according to a hierarchy and attributing roles and permissions (anonymous user, administrator, contributor, etc.) CMSs should not be confused with Electronic Document Management (EDM) system which manage content within a company.

COBIT (Control Objectives for Information and Technology): reference model for evaluating IT risks and investments, and more generally IT governance.

Collaborative platform: set of tools and applications enabling collaborative work in a department, company or group, between people located on different sites. This tool set includes functions for communication (rapid peer-to-peer messaging, audio-conferencing, etc.), collaboration (file sharing with common updates), project management tools, process or workflow management, rights management (directory with photo gallery), a knowledge base, a discussion forum (with grading system for articles), multi-user instant messaging, an archiving system, personal pages, etc.

Continuous Delivery: in application development, all techniques which aim to produce new versions, very frequently and almost continuously in some situations (for example, delivery of new functions or patches on a weekly basis or even more frequently), whilst reaching such a low number of bugs that a bug tracker or a simple bug inventory monitors are no longer useful. These techniques mainly use version managers and environment and data management as well as test strategies, test automation, and pipeline management of delivery.

Cookie (see DMP also): information sent by an Internet server to the web surfer's terminal, which the terminal then returns each time the said server is queried. Non-executable, the cookie is the equivalent of a small text file, stored on the web surfer's terminal. Cookies have existed since the 1990s. Website developers use them to store users' data in order to facilitate browsing and to enable certain functionalities. Cookies have always been more less controversial because they contain residual personal information that can potentially be used by third parties. A cookie can be used for an authentication or to store specific information about the user, like site preferences or the contents of an electronic purchase basket. Recent browsers let everyone decide whether he will accept or reject cookies.

Server consolidation: there was a tendency for the number of servers to increase each time applications went into production. To reduce operating costs, applications can be grouped together on a smaller number of production servers. Consolidation is usually linked to "virtualization" (see definition below), where physical servers are divided into logic "instances" or "images".

CRM (Customer Relationship Management): all company functions aimed at winning and retaining clients. This term, which has replaced the term "front office", groups together the management of marketing operations, sales support, customer service, the call center and service desk. The CRM software packages on the market perform one or more of these functions.

CryptoLocker: see Trojan Horse.

CTI (Computer Telephony Integration): CTI manages the exchange of information (mainly call numbers) between telephone systems and computer systems. Help desk or CRM applications are then used to link a call number to information (stored in a database) concerning the caller or the person called. The information is then displayed in real time on the user's screen. CTI can be implemented locally on a workstation or in a call center. The leading publisher is Genesys.

Cyber security: see IT Security. For specialists, cyber security has a larger dimension than IT security or information security since it includes cyber defense. In this document, the two terms are used indifferently.

CYOD (Choose Your Own Device): approach which allows users to choose their equipment (smartphone, tablet, laptop) from a selection of solutions validated by the employer. Also see BYOD.

Data centers: processing centers that provide gains for companies by pooling equipment, software and services. Historically, these centers were mostly used for large systems ("mainframes") where outsourcing generally included the purchase of the client's hardware ("outsourcing of ownership"). Today, consolidated and virtualized servers in high-density cabinets and shared storage and backup systems (which all consume a lot of energy in terms of operation and cooling) have led to sustained growth in the hosting market, since conventional machine rooms are not suited to the volumes involved. The latest generation of data centers provide the same computing power but consume less and less electricity. Despite this rapid development, it should not be forgotten that the main issue for a data center is the effective management of servers: supervision, operation, batch processing, backups, etc.

DevOps: movement looking to bring "Dev" (application development) teams and "Ops" (operations) teams together around shared objectives. In practice, these two departments within the IT Service naturally have contradicting aims: the Dev teams try to apply changes as quickly as possible without downtime, the Ops teams, however, favor applications' stability. Continuous Delivery is a software design discipline which aims to reduce as much as possible the time between an idea and its delivery. The discipline is very popular with the DevOps movement which promotes Continuous Delivery techniques. DevOps should not be confused with agile development methodologies (cf. above) even though they are often implemented together.

Digital Transformation: use of new, potentially disruptive IT technologies (mobility, agile methods, DevOps, continuous delivery, collaborative tools, social networks and blogs, Internet of Things, big data, analytics, security, cloud computing, high-speed networks, etc.) to create or rethink products and service, implement new economic models (disintermediation, substitution, etc.), improve operational efficiency or implement new internal collaboration methods. The digital transformation was at first the prerogative of marketing, commercial and customer relations departments. It is all about creating new uses, rethinking the "customer journey" by including a digital dimension. Digital transformation requires a mixed professional and technological approach with a critical upstream innovation phase (models, innovation workshops, serious games, etc.) It affects all sectors but above all the transport, hotel and leisure, banking and insurance sectors (with the arrival of Fintech companies). It profoundly changes the relationship between the IT department and the other business lines within a company. Digital transformation is now spreading towards the optimization of operational and support processes as well as the development of a digital and collaborative culture internally.

DMP (Data Management Platform, see Cookie also): platform managing the marketing data of prospects and clients, especially cookies and their historization. DMPs are often enriched with external data (M/F, age, consumption habits, revenues/CSP, client or not, etc.) and interfaced with the CRM with which they must not be confused. The DMPs can be used to create more precise client/prospect segments and to enrich media strategies. Leading publishers: BlueKai (Oracle) and Krux (Salesforce).

EAI (Enterprise Application Interface or Enterprise Application Integration), ESB (Enterprise Service Bus): IT tools that facilitate communication between company applications that were not designed to work together (production management with inventory management, CRM with ERP - see definitions above and below – or two ERP systems within the same group, etc.) Although often achievable through an exchange of files, but without the benefit of real time, the integration of two applications requires the development of interfaces (called connectors) between their corresponding APIs (see definition above). Different API standardization projects have been conducted, but without much success. As such, specific EAI solutions were developed which manage a limited number of software packages on the market. The Enterprise Service Bus (ESB) is now considered to be the new generation of Enterprise Application Integration (EAI) built based on standards such as XML, Java Message Service (JMS) or web services. The key difference between the ESB and EAI is that ESB provides a totally distributed integration thanks to the use of software components called services. These "mini-servers" contain the integration logic and can be placed anywhere on the network.

ECM (Enterprise Content Management): see Content Management.

e-learning: refers to all distance-learning techniques, notably using the Internet, Intranets, teleconferencing tools and CD-ROMs.

ERP (Enterprise Resource Planning): an ERP system groups together all the management applications required in a company, whether "horizontal" applications (accounting, human resources management, etc.) or "vertical" applications (production management, stock management, etc.), sometimes specialized by industry. Unlike an assembly of specific software packages, ERP systems have a single common infrastructure (shared databases, exchange mechanisms between modules) and generally include tools for collaborative work (groupware, workflow). Although they traditionally dealt with back office operations, ERP systems have gradually integrated decision making and front office functions. They have also become more open; their APIs (see definition above) have been made public by their publishers, so as to facilitate interfacing with more specialized software packages, using, EAI tools (see definition above), for example. The most common ERP system in large industrial enterprises is made by the German company SAP.

eSCM (eSourcing Capability Model): reference model of best practices in sourcing and client/supplier relationships. This model was developed in the USA in the early 2000s, and covers the entire life cycle of outsourced services: definition of the sourcing strategy, study of outsourcing opportunities, supplier selection, contract life and reversibility.

ESN (Entreprise de Services Numériques): Digital Service Company. French acronym that is slowly replacing the term SSII (IT services company).

ETL (Extract and Translation language): software tools that extract information from production databases and load them into another database (usually a "data warehouse"). Leading ETL publishers are: Informatica, DataStage, Talend.

Extranet: secure Internet application used by the clients, suppliers and users of a large organization. Extranets are generally used to provide these third parties with information concerning their operations/accounts (activity tracking, process status etc.) No specific development or deployment is required: the application can be accessed using a standard browser.

Fiori (SAP Fiori): latest generation user interface, developed by SAP and launched in 2013, can be used in particular to use SAP indiscriminately on a mobile phone, tablet or screen.

Fixed price service: fulfillment of a project for a fixed price with delivery time commitment, based on a specifications file. The service provider (prime contractor) has a guaranteed-performance commitment and decides on the resources to be deployed.

3G, 4G, 5G: transmission standards used by mobile telephone devices. 3G was the standard between 2000 and 2010; it provided a bit rate of around 10Mbit/s, divided between the different users on the same relay. The latest standard, 4G, has been operational since 2012, and offers a theoretical bit rate of up to a Gigabit/s. In practice, 4G is 10 to 15 times faster than 3G. Although not yet specifically defined, 5G should be operational around the year 2020, with theoretical bit rates of up to 50 gigabits/s.

GAFA: Google, Apple, Facebook, Amazon: the four major American firms (founded at the end of the 20th Century or at the start of the 21st Century, except for Apple which was created in 1976). These companies dominate the digital sector. "GAFAM" includes Microsoft!

EDM (Electronic Document Management): IT system for acquiring, filing, storing and archiving digital documents. Electronic formatting of incoming (incoming mail) or outgoing documents (bank statements or telephone operator invoices) are typical examples of EDM applications. See also: Content Management.

Content Management (ECM – Enterprise Content Management): electronic management of unstructured information (mail, contracts, invoices, e-mails, HTML Web files, photos, audio files, films, etc.) as opposed to structured information in databases. ECM notably covers:

- managing and formatting the content published on large Internet sites or extranet sites (WCM: Web Content Management),
- Electronic Document Management applications (production EDM and office EDM).

The leading content management publishers are: EMC Documentum, IBM FileNet, Microsoft Sharepoint, Alfresco, OpenText, Vignette, Broadvision.

Green IT: set of methods, software programs, hardware and IT processes that reduce the impact of IT on the environment (energy saving, waste management, etc.), as well as the use of computers and new technologies to reduce a company's environmental footprint in general (tele-working, etc.).

GFRT/GRT: The Guaranteed Fault Repair Time (GFRT) is a guaranteed-performance commitment within a given time deadline. The Guaranteed Response Time (GRT) is the guarantee of resources with a given deadline.

Hackathon: event bringing together teams of developers who construct a prototype of an IT application over several days. As part of a timed competition, the winning team is decided by a jury once the competition has ended. The term is a portmanteau made from the words hack and marathon. The reference to marathon is particularly appropriate as the competitors work without a break for two days, normally over a weekend.

Hosts (housing and hosting): this profession generally provides two levels of service. A first level involving co-rental or "housing" (space and connectivity: machines, bays, memory, Internet "pipes", specialized lines, air conditioning, fire safety, secure electrical power supply via generators, secure physical access). The second level of service is "hosting" which requires the presence of IT staff 24/7; this consists of application supervision and control services (backup, supervision, security management, recovery and reboot after incident, etc.). This second level of service is often provided as an option by the "housing" specialists.

Hot line: telephone response service to answer requests on specific issues (unlike the help desk which handles all requests concerning a workstation: incidents, support, upgrade requests).

IaaS: Infrastructure as a Service. See cloud computing.

IT outsourcing/outsourcing: IT outsourcing involves entrusting the management of all or part of a company's IT system to a service provider who takes over the operational responsibility and upgrades the system within the framework of a fixed-price contract over several years. The outsourcing service provider undertakes to meet specific service levels (through a Service Level Agreement – SLA). The contract may or may not include the transfer of employees or equipment and software. The provider's teams are generally based on both the client's sites and in provider's shared service centers. A reversibility clause allows the client to recover the IT system/processes or to entrust the management to another specialist. The term IT outsourcing is often incorrectly used to describe simple outsourcing, which does not include the contractual commitments of IT outsourcing. The market is often segmented into five categories:

- Outsourcing of hardware/infrastructure (of central site environments in general),
- Outsourcing of distributed infrastructures (IM – Infrastructure Management),
- Outsourcing of networks,
- Application outsourcing (TPAM – Third Party Application Maintenance, AM – Application Management),
- Complete Outsourcing.

Content inspection: content inspection filters the content of the e-mails or websites to prevent potential misuse. Content inspection also detects mobile codes: small applications (applets) such Java, ActiveX, .exe, which are often attached to e-mails and which are sometimes malicious.

Network integration: all the design and implementation services concerning the local and remote network layers of an organization. A network integrator sizes the "pipes" and throughputs, but does not work of the upper application layers, nor on the servers or client workstations.

Systems integration: all the design and implementation services concerning systems applications on LAN and WAN networks: Server OS (Operating System), workstation OS, thin client OS, emulators, messaging systems, remote access, Internet access, business applications, utilities (tele-distribution, supervision, alarm reports, backups, management of disk arrays, clusters, etc.). The term "systems integration" can also be used in a different sense. In this context, "systems integrators" are overall digital service providers (IT service providers) who can address both the functional aspects of a major information system upgrade (such as the implementation of an ERP system, for example) using software packages as well as custom development. Systems integrators also deploy the requisite technical infrastructures. This is called "information systems integration".

Intranet: secure in-house Internet application used by users within an organization.

IP (Internet Protocol) – VoIP (Voice over IP): protocol for transmitting data in packets, used by the vast of LANs and on the Internet. Recent telephone switchboards transport voice over IP (VoIP) and this development is irreversible. Telephony (voice) will therefore move onto company network infrastructures. It is a key component in telephony/computer convergence.

ISP (Internet Service Provider): a provider of Internet access and Internet services in general, for companies and private individuals. ISPs generally offer Internet access, but also website hosting on Web servers, and sometimes even website development. Examples are: Orange, Free, Numerical-SFR, Colt, etc.

ITIL (Information Technology Infrastructure Library): reference system of best practices for managing IT operation services. It provides an organizational structure for optimizing these services in terms of quality and costs, based on ten key management processes (configuration management, incident management, etc.). It has become a de facto standard.

ITSM (IT Service Management): processes and tools for managing the activity of an IT team: system and network alerts, incident and user request management, problem management, change management, configuration management (see CMDB).

KM (Knowledge Management): a set of systems and tools for formalizing processes or know-how. Knowledge Management addresses the limitations of EDM (see definition above). Indeed, Electronic Document Management (EDM) systems only manage and classify digital information which was previously available in analog form (paper, voice, image, etc.). However, there is a vast amount of knowledge (present on the Web or in diverse locations, for example in users' personal documents) that can never be completely ranked or made available through a database. With this in mind, Knowledge Management describes all the tools and techniques used to address the weaknesses of indexation systems, for example by extracting the meaning of a document (cognitive engineering), scanning all the content (full search or full text) or interpreting the user's question. These tools also draw on the technologies of expert systems technologies and case-based reasoning.

LAN (Local Area Network): this primarily consists of: servers, workstations, peripherals, active elements (routers and switches) used to transfer information between servers and workstations.

Prime contractor: the project manager with a guaranteed-performance commitment. Depending on the case, this may be the client himself or one or more contracted IT service providers.

Contracting authority: an entity or decision-maker who requests the development of a new custom application or the integration of all or part of a software package, or, more generally, who orders an IT project in response to their needs.

Digital marketing (digital marketing, web marketing): marketing campaigns that uses digital channels (computers, tablets, mobile phones, etc.). Digital marketing aims to reach consumers based on a personalized approach, in an interactive and highly targeted manner: listening to needs via blogs and social networks, emails and newsletters, online retail sites, sites with online quotes and orders, mobile-first sites, purchases of key words, videos and banners, retargeting, belonging, presence on social networks, blogs and also customer support. The term is used in contrast to traditional "offline" marketing: market studies, advertising in written media, radio television, loyalty programs, after-sales management. Digital marketing budgets are steadily increasing, at the expense of traditional marketing budgets.

MDM (Mobile Device Management): management of a fleet of mobile devices (smartphones, tablets): remote updating of the OS, remote control, inventory, backup and recovery, locking and remote erasing (in the event of theft), performance testing (battery status, etc.), roaming management, etc. Leading publishers are: Airwatch, Good Technology.

Social media: all websites on which Internet users create content and communicate: tools for publishing (Wikipedia, etc.), discussing (Skype, etc.), social contact networks (Facebook, Twitter, LinkedIn, Viadeo, etc.), content-driven social networks (YouTube, Deezer). This term is gradually replacing the term "Web 2.0".

Meta-directory: directory which groups together all the users of all the applications in a company, with their passwords and their authorized applications. This centralized and cross-functional view facilitates the management of secure access to company data (arrivals and departures of employees, for example).

Middleware: all technical software layers between the OS (Operating System) and user applications.

Mobility: an increasing number of mobile users want to have remote access to their company's applications (business, messaging, diaries, etc.) and data, so as to update or synchronize data. Several types of terminals are used: laptops, tablets (iPad, Galaxy Tab, etc.) and smartphones (iPhone, Galaxy, Blackberry, etc.). A mobility project notably includes taking into account the choice of terminal (and the corresponding Operating System: iOS, Android, etc.), the synchronization server, the Internet access provider, as well as the integration of the latter and possibly specific developments. Security is always an important component in such environments.

MOOC (Massive Open Online Course): an open, distance-learning course. Teachers and students communicate solely via the Internet. Often, this involves very large numbers of participants.

Cross-channel (cross-channel marketing): simultaneous or alternating use of different contact channels to promote products and for customer relations. While cross-channel marketing and its increasing importance has been strongly affected by the development of the Internet, cross-channel does not simply imply using digital channels. The historical channels (retail outlets, telephone, mail, etc.) should also be taken into account.
Cross-channel facilitates adaptation of customers' needs and behaviors. It can also help reduce contact and sales costs. Inversely, cross-channel development leads to constraints for the company: coherence of messages and sales policy across all channels, keeping records of past contact and actions on different channels, etc.
The customer is also increasingly "cross-channel: Internet research phase then purchase in store, for example. Cross-channel has become so widespread that it no longer allows companies to distinguish themselves. Differentiation can only be achieved in better managing cross-channel contact than competitors. The aim of the game is therefore moving from the use multiple channels at the same time, to a better overall management of these channels, a cross-channel strategy.

Nearshore: see Offshore.

Object: a software component representing a real-world object (person, order, invoice, etc.). An object describes a set of behaviors (methods) and data (attributes) required for the execution of these behaviors. By extension, the following are called "objects": programming languages (Java, C++, etc.), design methods (UML, etc.), databases (Versant, etc.) and middleware (ORB) are qualified as "objects". There are different technologies for accessing or linking objects: COM, CORBA and, most recently, SOAP, which makes it easy to create connections between several Internet services.

Connected object (Internet of Things): an object equipped with communication capabilities, which communicates using wireless devices. The object may be a mobile phone, a sensor, a terminal or an accessory used in everyday life. The Internet of Things is expected to grow rapidly between 2015-2025.

Offshore/Offshoring: operation which involves relocating the provision of services to geographical areas with a large available labor force which is increasingly well trained and where labor costs are lower than in the contracting authority's country. Offshoring may involve outsourcing or not. The term "nearshore" is used when the country is less than three hours by plane from the contracting authority's country (in the case France, this might be North Africa for example). Certain services are more likely to be offshored than others (in the case of France, 60% of offshoring operations concern Third-Party Application Maintenance). In a contract which includes offshoring, part of the local service (sometimes called "front office") remains in France. The part that may be offshored is called "back office".

PaaS: Platform as a Service. See cloud computing. The provision of the infrastructure and all the components of a software platform (OS, databases, middleware) required for to install and run an application (e.g.: Java, .Net platforms, etc.). Clients only deal with the development of their application which they place on the platform of their PaaS provider.

Firewall: firewalls filter incoming and outgoing access between two different IP networks. There are several filtering techniques: packet filtering according to the source and destination IP addresses, stateful inspection with analysis of session header files, proxy (see definition below) with translation of addresses to hide internal user addresses from outside eyes. The firewalls proposed on the market come in different forms: software firewalls, router firewalls and hardware firewalls.

BCP (Business Continuity Plan): aims to continue operations without service downtime and ensure the availability of information whatever the problem. The BCP is a sub-section of the DRP.

PGI (Progiciel de Gestion Intégré): see ERP.

PKI (Private Key Infrastructure): the current authentication solutions are: simple passwords, which are widespread but quite vulnerable, PKI certificates, tokens, smart cards, and biometrics. A PKI is an identification and authentication system based on a set of two keys (public and private). For a connection to be authorized, users must not only have their key (password), but an additional key (specific software module) must also be installed on their machine.

Phishing: a fraudulent e-mail request for confidential information by pretending to be an organization that is known to the user (a bank, for example).

PLM (Product Life-cycle Management): product life-cycle management groups together all information concerning the design, manufacture, repair and recycling of a product by including all the information within a single technical reference base.

PMO (Project Management Office): the team that defines and maintains the reference system of processes linked to project management. The PMO's aim is to standardize and industrialize projects. It is in charge of project management, documentation and evaluation. It often draws on the Prince 2 methodology. A specific PMO may be created for a major project.

Portal: a website that serves as the main gate or entry point to other websites; the aim is to generate maximum traffic. Alongside "general" portals (dominated by search engines), there is an increasing number of thematic portals whose role is to provide a one-stop shop to respond to the supposed requirements of visitors, who belong to a certain community or are interested in a given subject. Other category: corporate portals for employees, clients and prospects. Portals have a common characteristic: they provide a range of additional services (which may be more or less extensive), ranging from a meta search engine and the hosting of personal web pages to news bulletins and the personalization of the site interface. In short, they have everything needed to build visitor loyalty!

PPM (Project Portfolio Management): processes and software tools used to manage a portfolio of projects.

DRP (Disaster Recovery Plan): a plan which ensures that the infrastructure will be reconstructed and applications will be put up and running once again in the case of a major or significant IT system crisis. This plan should switch over to a backup system capable of taking over the IT systems in the case of an accident. The plan included several levels of recovery depending on the company's needs according to two parameters: the Recovery Time Objective (RTO) is the duration of time and a service level within which a business process must be restored and the Recovery Point Objective (RPO, the maximum targeted period in which data might be lost from an IT service, expressed in seconds, minutes, hours or days. When an incident happens, the incident analysis time leading to the decision to launch the DRP or not is always a difficult step as it requires decision makers to be present and it must take place within very short timeframes (this time is included in the overall RTO).

Proxy: a server that regulates the security policy of inputs and outputs to the Internet at application-layer level (FTP/file transfer, HTTP/Internet browsing, SMTP/e-mail), unlike the firewall which operates on the lower layers. For example, it is the proxy that denies access to certain websites that have nothing to do with the business activity. The proxy function is often integrated into the firewall.

PUE (Power Usage Effectiveness): relationship between the electricity consumption (in kWh) of servers connected to the power supply and the total electricity consumption of a data center (power used by servers added to that of all the different equipment in the center, essentially linked to cooling and power backup). In conventional computer rooms, the PUE is well above 2. In the latest generation of data centers (Tier3+) at full load, the target PUE can achieve levels below 1.5.

Technical assistance: this involves providing the expertise of a consultant at a fixed price for a given period. Service companies only have an obligation to provide resources. The end customer is therefore in charge of the project management. As such, the end customer does not need to share the overall project specifications with the service provider upstream.

Social Network: an application platforms that brings together a group of individuals or organizations linked by regular social interactions. There are many examples of social networks including very specialized private social networks. Some of the most popular social networks include: Facebook, Twitter, LinkedIn, Viadeo, etc. See also: Social Media.

Enterprise Social Network: an application platform that groups together a community for business purposes. The members are the company's employees, clients, shareholders or partners. As with a "general public" social network, an enterprise social network uses "profile sheets" highlighting the expertise of employees, their interests and a "wall" for monitoring activity, which provides a consolidated view of the ecosystem's activity (colleagues, communities, exchanges on a particular topic, etc.). For example: Microsoft Yammer.

Responsive design: design characteristic of an application whose presentation (text, pictures and resolution) automatically adapts to the terminal being used for display (computer, tablet or smartphone). As such, responsive-design applications (HTML5 CSS3 standard) are developed once and can be used for all types of terminals.

RSS (Really Simple Syndication), RSS feeds: presentation format (standardized XML envelope) which is automatically updated when a new article is published on a site to which the user has subscribed beforehand. RSS feeds (a sort of personalized press review) can be consulted using specialized software or with the latest browser versions.

Retargeting: display of targeted advertising in the form of banners on internet websites on the browser of an internet user who has shown a particular interest in a product on another website. For example: an internet user visits Site A selling IT products and looks at wireless keyboards, then leaves Site A without purchasing anything. When they visit Site B, the advertising banners will be adapted to their interests and provide advertising from Site A with pictures of wireless keyboards. This retargeting also provides an opportunity to offer complementary products.

SaaS (Software as a Service): model for selling software on an "on demand" basis, rather than selling a license. The software is usually accessed over the Internet and hosted by the publisher, often in cloud mode, which is why the two terms are frequently associated. This service has several benefits for businesses: reduced delivery times, reduced integration, deployment and update costs. Applications with standardized processes are most suited to SaaS: CRM (such as Salesforce.com), skills management, expense-sheet management, messaging services, (such as Google), etc. SaaS will take longer to develop in the field of business applications (due to the need to handle business processes from end to end, interface development, security, privacy, performance and availability).

SAN (Storage Area Network)/NAS (Network Attached Storage): sophisticated storage solutions for storing large volumes of data. SAN is a private network linked to a server. NAS is a storage system on the network. The backup is considered as secondary storage.

SAP BC (SAP Basis Component): SAP ERP module for system administration, notably for the management of the database (and system performance in terms of processor and memory), and the management of user security and authorizations.

SAP SRM (SAP Supplier Relationship Management): SAP ERP module that manages the entire supplier relationship: expenditure analysis, procurement, operational contracts, purchase requests, invoicing and supplier management.

SCM (Supply Chain Management): SCM tools aim to reduce stocks and delivery times while improving customer service levels. In operational terms, the tools reconcile information concerning demand and production capacity in order to establish production and delivery plans. In tactical terms, they draw on statistical techniques – notably datamining tools – to optimize procurement, smooth out production and determine the best delivery paths. In strategic terms, the tools perform simulations to determine the best possible layout for the manufacturing plants and distribution network, and even establish the product renewal rate according to the target market. The main challenge is to automatically transfer this data into the management system (ERP).

SDDC (Software Designed Data Center), SDN, SDS: after the virtualization of servers (virtual machines or VM) that one could call "Software Defined Servers," it has become possible to automatically allocate to the software level the data center's other IT resources, especially the Software Defined Network (SDN) and the Software Defined Storage (SDS). Released in 2011-2012, the Software Designed Data Center (SDDC) marketing concept corresponds to the promise of virtualizing all of a data center's components. The SDDC model must however overcome many challenges: include or not the existing non-virtual resources and treat the interoperability problems between multiple vendors.

Transaction security: a transaction is deemed certified if the parties are identified, if their integrity is guaranteed and if the transaction cannot be repudiated by either party (certification = identification + integrity + non-repudiation). In addition to certification, the transaction's confidentiality must be guaranteed.

IT security (or information security): the increasing openness of information systems (connected to the Internet, inter-connected between sites, open to clients and suppliers, remotely accessible via mobile devices or from home, etc.) has led to the development of IT security. Indeed, this is now a specialty in its own right. Its scope covers: incoming data protection solutions (anti-virus software, firewalls, proxy-cache, intrusion detection and content inspection), access protection (VPN encryption, administration, access authorization) and security administration (including identifying vulnerabilities). The associated services are essentially: consulting, architecture, auditing, monitoring and administration. This specialty is part of the broader issue of "general security", which also includes: emergency plans, the establishment of backup resources, rules concerning behavior and procedures, the physical security of premises and access points, etc.

Self-care (or Self-help): this approach provides users with a set of automated tools that enable them to troubleshoot on their own, without calling on a support technician. More and more businesses encourage this approach with a view to reducing costs. The Interactive Voice Response (IVR) servers deployed over recent years initiated this trend. However, they have structural limits and, are often considered "irritating"; as such, they only provided a partial response to users' needs. The use of self-care Internet tools has radically changed the situation. These tools require a lot of upstream work to identify the most frequently asked questions and to standardize answers and they dynamically adapt depending on the way they are used. Companies can use this concept on a broader level, in customer service, for example.

Application servers (n-tier architecture)/enterprise platforms: the development of "web-based" information systems can be defined as the construction of next generation applications built in three tiers: a web browser ("universal client" installed as standard on desktops or smartphones), an application server (Java, .Net) and finally a database management system (Oracle, SQL, DB2, etc.). Hence, the term "three-tier architecture", as opposed to the so-called "client/server" architecture that preceded it. There are several solutions currently on the market: Microsoft .Net, Sun ePlanet and Java, IBM WebSphere, free solutions like Tomcat/PHP pages/Apache, BEA Weblogic. These platforms for running J2EE and .Net applications are evolving rapidly and analysts now speak increasingly of "enterprise application platforms" rather "application servers".

Service desk (or help-desk): a structure based on telephone, IT and human resources designed to receive and handle information-system user requests, in order to resolve the queries or pass them on to other entities for resolution ("escalation"). Service desks can be located on an organization's site or outsourced to a service provider's support centers. The use of specialized structures of this sort is common practice in large organizations. They provide full tracking of operations, professional response times, a high rate of immediate handling or handling by remote control, thorough investigation of the cause of incidents then the introduction of action plans to reduce the number of incidents on a long-term basis. In the service desk business, the professional phone manner and tone of support technicians is as important as their technical knowledge. Maintaining the quality of service over a period of time (several years) is a key success factor. For organizations with businesses in different countries, help-desk services are provided in several languages 24/7.

Web services: a software function that can be accessed by other programs. A web service has no user interface. Any website producer can incorporate these services (for a fee) in their online applications (tourist guide, travel booking, etc.) in a totally transparent manner for users (e.g.: ViaMichelin has launched web services linked to geolocation). Publishers have widely adopted this technology (XML, WSDL interface) due to its simplicity. However: the standards have yet to be finalized.

Single Sign-On (SSO): a physical key associated to a single password at login and which replaces all passwords linked to each application.

SMACS (Social Mobility Analytics Cloud Security) or SMAC: a term covering all the areas of digital transformation which today represents a sub-segment of the digital services market; this sub-segment is expected to grow rapidly.

SOA (Service Oriented Architecture): flexible application architecture made up of independent but interconnected application services. This is a concept and not technology. The framework is well-suited to web services, as well as other technologies. The core idea of SOA is to be able to upgrade your computer system very quickly by changing or adding services demanded by operational departments. While the aim is appealing, there is still much debate about the methods for implementing SOAs. For example, even if you identify applications that can be used in several processes, what data granularity do you choose? How do you define the interfaces? How do you develop new applications as services while taking the existing application base into account?

Spoofing: stealing an Internet address in order to pretend to be someone else and attempt to obtain information.

IVR (Interactive Voice Response): a system enabling dialog between a telephone caller and a telephone switchboard; the caller chooses an option from a list of choices (usually several times). IVR systems have been criticized as being difficult to use because of their simplistic programming. Service desks are very interested in the latest generation of IVR systems, since they enable users to deal with certain common incidents by themselves ("self-help"), without the help of a support technician. These IVR systems can be used to build decision-making trees, which can be modified dynamically. They produce accurate statistics concerning use, branch by branch.

SSII: IT services company (French: Société de Services et d'Ingénierie Informatiques). Synonym of ESN (Entreprise de Services du Numérique/Digital Services Company).

Proprietary systems: computers whose hardware and operating system (OS) are developed and distributed by a single manufacturer (z- and i-Series from IBM, etc.). The term is used in contrast to "open" operating systems (Unix, Microsoft, Linux, Android, etc.) which do not belong to the manufacturers.

Intrusion test: penetrating an IT infrastructure using various attack techniques in order to test defects or vulnerabilities. Intrusion tests are done with client approval and on a scope that has been agreed upon beforehand; a report is made concerning the results. Any vulnerability is corrected by implementing new security measures.

TPAM (Third-party Applications Maintenance): maintenance (for corrective and upgrade purposes) and updating of computer applications managed by an external service company.

UC2 (Unified Communications and Collaboration): in the telecommunications and office software industry, unified communications form a set of new services which integrate: real-time interpersonal communication resources (telephony, video-phone systems), collaborative work software (instant messaging, document sharing) and office tools in the broad sense (asynchronous messaging, diaries, word processing, spreadsheets and presentation viewers). Users can access the communication resources, while continuing to use the IT tools they use every day at the same time. The leading companies in the industry (IBM, Microsoft, Cisco, SAP, Oracle, etc.) are all committed to unified communications.

VDI (Virtual Desktop Infrastructure): system that separates the user's desktop environment from the physical machine used to access it. Users only have a terminal screen and the workstations are managed on virtual machines in a central data center. The main advantages of VDI are that it facilitates desktop management and deployment costs are very low. However, VDI is more dependent on the central data center (where are all the workstations are managed) and the reliability of the network. VDI can be an effective solution for organizations with many remote locations with just a few workstations (bank branches, etc.).

Server virtualization: software layer that simulates a physical machine and its components, from an applications point of view. Virtualization is often associated with consolidation projects. It aims to increase the average usage rate of IT resources by having several virtual servers on the same physical machine.

Virus/anti-virus program: a virus is a malicious program capable of reproducing itself and propagating from machine to machine. An anti-virus is a computer program that detects and eradicates viruses. Since there is no universal antidote, users must regularly update their anti-virus, which only detects and neutralizes viruses for which it has antidotes.

VLAN (Virtual LAN): virtual local area network. This is an extensive logical IT network that links together several local networks of the same organization or company. Several VLANs can coexist on the same physical network.

VPN (Virtual Private Network): a network that uses a public telecommunications infrastructure (like the Internet) or private telecommunications infrastructure (operators) and which ensures the integrity and confidentiality of transmitted data through encryption techniques and "tunneling".

XML (Extensible Markup Language): a powerful meta-language for describing unstructured data and document modeling; it has become a de facto standard among publishers. XML is more advanced and comprehensive than the HTML Internet page description standard.

WAN (Wide Area Network): a network covering a broad area. It groups together all the links between the different LANs of the same information system.

Web 2.0: this term refers to current web developments; the concept emphasizes user-generated content, and interaction with others. Although it is still difficult to describe in precise terms, Web 2.0 is focused on users, giving them the opportunity to interact and identify with a community. See also social media.

WiFi (Wireless Fidelity 808.11ac): Communication protocol for creating wireless high-speed local networks (in theory, 1.3 Gbit/s for the 802.11ac standard since December 2013). The range can reach several dozen meters indoors. Wi-Fi requires terminals to operate.

Printed by Optimum (Tourcoing, France), an Imprim'Vert-certified printer. This label is awarded to printers that have introduced industrial strategies designed to protect their environment (waste management, ban on toxic products, etc.). The paper used to print this Annual Report was produced in a paper mill certified to ISO 9001, ISO 14001, OHSAS 18001 and EMAS (Eco-Management and Audit Scheme). It holds a PEFC certification (the origin of the paper pulp can be traced back to sustainably managed forests) and was bleached using the ECF (Elementary Chlorine Free) process.

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Immeuble “Le Clemenceau 1” - 205, avenue Georges Clemenceau - 92024 Nanterre Cedex - France
Tel.: +33 (0) 141 374 137 - e-mail: investisseurs@neurones.net - www.neurones.net

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