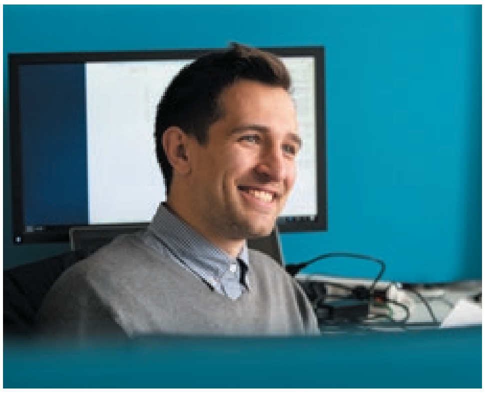


#2018

ANNUAL REPORT

NEURONES

Forward together...®

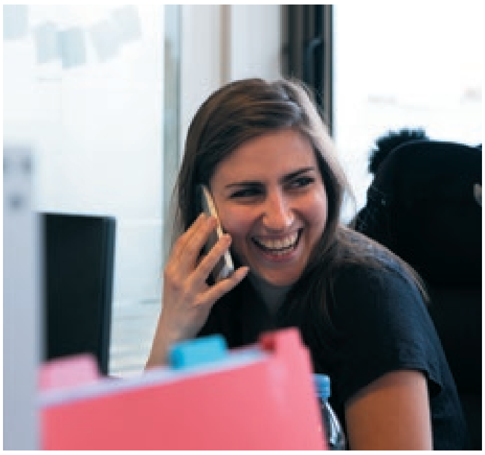





#thankyou

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 a mere glimpse of the close to 5,200 people behind the Group's achievements in 2018.



Consulting and IT services jargon, initialisms and acronyms are used only when necessary to understand NEURONES' businesses. They are explained in the glossary from page 120 onwards of this report.

NEURONES

Over 30 years of profitable growth

With over 5,200 employees and revenues of €490 million, NEURONES boasts a prime position on the French market:

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

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

- experienced 34 years of rapid, profitable growth;
- formed a proven, solid core, mainly through organic growth;
- joined forces with about 12 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 organization of shareholder-entrepreneurs.

€490m
2018
REVENUES

9.4%
2018
OPERATING PROFIT

5,160
STAFF AT
12/31/2018

CONTENTS

OVERVIEW OF 2018

#infrastructure

Services in-a-box

myConnectedLounge – the connected cubicle that manages help through videoconferencing and remote control – was on show at Viva Technology, the flagship event that attracts over 9,000 start-ups and 129 countries.

#group

Responsible commitment

NEURONES is pursuing its commitment to Corporate Social Responsibility (CSR). It was once again selected for inclusion in the 2018 Gaïa Index (as it has been every year since 2011). It was also rated in the top third of companies audited by Ecovadis and is now a member of the United Nations Global Compact.

#applications

Irish conference

At an international conference in Dublin, the specialized Electronic Document Management (EDM) business revealed its ground-breaking "obfuscation" technique.
Used to conceal or reveal content, it is a key component of data protection strategy.

#infrastructure

Digital feedback

The dedicated helpdesk entity gave its clients and prospects some first-ever feedback on digital transformation and, more specifically, on successfully carrying out an ITSM project using the winning combo of the right outsourcer and the right tool.

#infrastructure

Digital experience

The dedicated workstation engineering department took part in the biggest digital intelligence event in France: Microsoft Experiences. The team presented its Intelligent Workplace approach and also run a quiz game for visitors, in which they could win a drone and Bluetooth headphones.

#group

Job creations

After initially announcing plans for 1,800 jobs, NEURONES ended the year by recruiting 2,012 new talents!
This makes the group one of the top 30 French recruiters (all business sectors combined). Applicants are more than welcome to visit www.neurones.net (see the "Job opportunities" or "Prospective application" sections).

#infrastructure

Ethical hackers

The group's cybersecuty specialist was a platinum sponsor of "La nuit du Hack": the biggest annual hackers' convention in France. Through talks, workshops and challenges, industry professionals discover the latest technical advances first-hand and get a chance to see how they measure up in the field.

#infrastructure

The future present

The group's specialized IT Operations department conducted a sweeping training plan (for 300 staff members) on current and future jobs related to digital transformation, to meet very strong demand for Agility, Lean Management, Scrum, Product Owner and DevOps, among others.

#applications

A standard-setting lecture

At the Big Data show, an expert from the specialized market finance business gave a lecture on “How to incorporate big data technologies into decision-making architectures?” that attracted keen interest.

#group

Rally fever

NEURONES sponsored two students from the EPF engineering school who took part in the 21st edition of Europe’s biggest student rally: the 4L Trophy. The highlights of this human, sporting and humanitarian adventure can be seen on the group’s YouTube channel.

#group

Forward together...®

Based on five performance criteria (such as growth rate or commercial profitability), its business model and market data, NEURONES was ranked 12th among the “top 500 French Tech companies”.

#applications

SAP like never before

The group’s SAP experts played an active role at the USF convention (the club for French-speaking SAP users). With innovation center stage, they presented their brand new blockchain project, along with customer feedback on the S/4HANA solution.

#infrastructure

A good cause

The group’s IT Infrastructure experts, in tandem with the association Kialatok, led a cooking workshop on the broad theme of disability. A large group of employees gathered for this lively, relaxed event designed to raise awareness of the many forms of disability.

#groupe

Well-being is conducive to innovation

New dedicated spaces have been created to stimulate innovation. These multipurpose areas designed for productivity and relaxation are equipped with the latest facilities: giant touchscreens, high-definition video-conferencing equipment, wireless connectivity, distributors and connected refrigerators with contactless or smartphone payment...

#consulting

Great Place to Work

NEURONES’ management and organization consulting entity has obtained “Great Place to Work” certification for the sixth time since 2012. It was ranked third in the list in 2018 (in the category of companies with 50 to 500 employees).

#applications

All out digital

The group’s mobility entity took part in the ROOMn show, an opportunity to network with industry peers and demonstrate its distinguishing feature: it is the only French player with an “end-to-end” offering that spans the functional aspects, development and deployment of mobile applications.

#applications

A start-up for fintechs

A new group entity has set out to overhaul finance by introducing the sector to the new technologies that form the mainstay of its consulting business. This start-up bridges the gap between traditional players and the new entrants in finance (the “fintechs”) with a service offering underpinned by big data, the cloud, blockchain and artificial intelligence.

#group

Industry recognition

The magazine *Décideurs* awarded NEURONES an “excellent” rating among the leading Digital Services Companies (DSCs) in France in the “Outsourcing” category, where it competes alongside top international players.

#infrastructure

French connection

The specialized “connected devices” entity presented its latest innovations at the VivaTech show. They include a connected bracelet for hospital outpatients and a virtual assistant that provides guidance and advice for the clients of a leading luxury brand.

#infrastructure

In the sun

From their “factory” in Tunisia, the cloud managed-services experts deliver “follow-the-sun” outsourcing service offering 24/7 availability. Their proprietary, tried-and-tested diagnosis tool provides automated ticket management.

#group

Sixth star

No fewer than 25 teams (often mixed!) made up of over 170 employees played a friendly soccer match in the sixth NEURONES Football Cup in a row, the Group’s annual inter-entity indoor football tournament.

#applications

Be happy!

The specialized Electronic Document Management entity has obtained the HappyIndex®/AtWork participatory employer label for the second time in a row. This award, which distinguishes companies that are a good place to work, lifts it into the top 10 companies in its category (100-199 employees) this year.

#infrastructure

Cyber platform

The specialized cybersecurity entity presented its “IT security-as-a-service” platform at the Assises de la Sécurité cybersecurity conference.
The platform performs real-time reporting on the security level, and centralizes and manages security action plans.

#group

Altius fortius citius

The most titled champion in contemporary French golf has been partnering the annual “NEURONES Golf Cup” since its inception, making this the 14th year! It was only natural, then, for the group to support the publication of the first book written about him, “Thomas Levet, my golf”: a source of inspiration not only for sportspeople but also for the business community!

#group

Performance

Several Group entities supported the skipper Gilles Lamiré's participation in the 11th Route du Rhum race. This year, the yachtsman chose to compete for a noble cause: every day he spent at sea helped an association for sick children make a child's dream come true. His perseverance saw him cross the finishing line in Guadeloupe in fourth position for his category.

#group

Paris women in running shoes

Last September, nearly 50 women drawn from all of the group's entities competed in the 22nd edition of the "La Parisienne" race. The seven-kilometer run through the capital was marked by enthusiasm and solidarity, set to music. Watch the video on NEURONES' YouTube channel!

#infrastructure

License to secure

The cybersecurity unit has been awarded its Security Visas by ANSSI, the French National Cybersecurity Agency, which identifies the most reliable companies in the field.

#applications

Gold-standard training

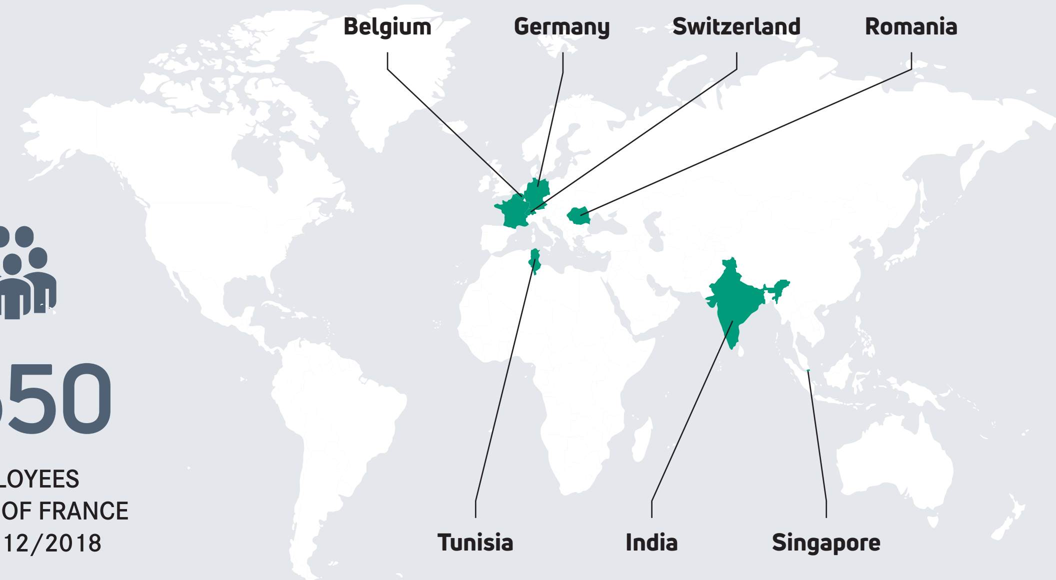
NEURONES' dedicated IT training entity is a Microsoft Gold Learning partner and took part in no fewer than three events on Microsoft's latest technologies: MS Azure Red Shirt (focused on development and Cloud computing), MS Tech Summit (Azure and Office 365) and E-Learning Expo (on training and digital learning). A golden opportunity to present its services in terms of digitally-transformed learning.

#applications

Hackademy

The group's specialized market finance business has invited students to come and discover its incubator academy. The day-long event will feature a technology conference, meetings, coding battles, agile games and even the possibility of an end-of-course internship!

International development



> 550

EMPLOYEES OUTSIDE OF FRANCE AT 31/12/2018

THE GROUP IN 2018

Chairman's message

"You're never judged on a result; it's always about your ability to project yourself into the future."

This statement by a former government minister is amply justified. But, when it comes to a public issue, insights into the past year's business are also very welcome. This is how trust is built: by the recurrence of concrete achievements and solid figures. Year after year, it helps investors corroborate (or adjust) their opinion.

The people who experience the company from the inside and who have a long-standing knowledge of its environment, strengths, weaknesses and opportunities, are once against invited to share their knowledge by answering questions: how did the 2018 financial year go, and what are the assets, drivers and prospects for the years ahead?

The answers will also be of interest to:

- the 5,200 or so "small businesses" who, in 2018, rolled up their sleeves and built "another floor of the NEURONES house", each in their own specialized area; we would like to thank them;
- the group's clients: we would like to assure them that everything is being done to build skills and help keep their company on track for the digital revolution and for their vital bid for differentiation.

1 – What is the overall outcome for 2018?

Our +5% organic growth rate (an indicator of business vitality) was "average" compared to the last five years (between +3.5% and +11.4%).

The company recorded outstanding growth in cybersecurity (+41.1%), mobile applications (+32.8%), IT service management (+30.9%), EDM and dematerialization (+21.8%) and generally in every business line associated with digital transformation.

Other businesses, however, were less buoyant. Given their size, which is small by comparison with the French market, we cannot claim it was because of a slump in the sector. And even if that were the case, there are always opportunities to seize market share. There was undoubtedly insufficient determination to:

- anticipate in identifying and recruiting committed senior executives, managers and employees, who boost growth;
- keep a finger on the pulse of clients and prospects, staff and everyday business, which is what the most responsive - and successful - mid-caps do;
- constantly tweak our service lines, people, processes, etc. to ward off bureaucracy and its consequences: a slowdown in growth and mounting fixed costs.

Managing a company is like managing your everyday life: a mixture of short, medium and long-term. And Leonardo da Vinci's warning - "A lack of foresight is disaster in the making" - reminds senior executives in particular that success is a transient state that should go hand-in-hand with watchfulness and especially preparation for the future.

Operating profit continues to rise and now represents 9.4% of revenues. Unsurprisingly, it lies within the range of the past 12 years (8.8% - 10.2%). Profitability, like growth, can be seen as a customer satisfaction index: when clients sense (or see) that the service delivered meets their expectations, they are willing to enter into a contract (or renew their trust) at a fair price.

> "Take care of the people and they will take care of the business."

Cash generation (€21.4m) was high at nearly two-thirds of net profit. It could be improved even further by making an effort to speed up corporate accounts' order processes and not weigh down service providers' "invoices to be issued" item.

Net profit (6%) has been affected by the obviously low return on cash and cash equivalents, and the revaluation of transfer pricing in 2018, and therefore by a high tax rate, just for this year.

There is one drawback in that your group's revenues have been hit by the net disposals in 2017 (- €18m) and the lack of external growth in 2018. So, even though we recorded 5% organic growth, the overall increase in revenues (€490.1m) was low, especially once the IFRS 15 accounting standard had been applied for the first time this year.

Also, we might have expected operating profit to be even higher, given the buoyant market, the fact that less profitable businesses had been sold off the previous financial year, and the global shortage of resources, making clients more accommodating about prices. However, wage inflation and increased use of subcontracting (with the costs that entails) are the natural consequences of the rarity of available skills.

2 – What to expect for 2019 and the following years

So far, the successive waves of technological innovations have worked to companies' advantage. From now on, though, technology will take the driver's seat: it will:

- make us all increasingly impatient, demanding, disloyal and eternally dissatisfied;
- foster the emergence of novel services, marketed by new companies that are quick to clear the "entrance barriers" that others have spent decades erecting;
- fan competition and, in so doing, push up spending on transformations designed to attract clients and anticipate their behaviors;
- set the pace and oblige all of the industry players to follow suit in a bid to adapt quickly and become agile, be it at the risk of declining or even coming under threat;
- speed up the pace of everything: invention, design, time-to-market, transformation, updating, response times and so on.

You could be forgiven for thinking that technology was now in the driving seat...

"

To be a man, (...) is to feel, when laying one's stone, that one is helping to build the world.

"

In any case, the minister's statement cited as an introduction to these lines echoes Kierkegaard's word of advice: "Life can only be understood backwards; but it must be lived forwards". Digital transformation is a powerful differentiator for business stakeholders, who are encouraged to spend ever-greater sums in your group's two business segments: Organizational Consulting (or, more accurately, "change" consulting) and Digital Services.

In NEURONES' DNA, there is an agility for swiftly onboarding the latest technologies. In this almost "fabulous" environment, NEURONES' role is to:

- bring companies the added value they need quickly onboard digital progress;
- make itself indispensable by continually monitoring the growing needs for innovation and expanding its multi-specialist service lines to meet them (including with new entities and by hosting fellow companies with the same goals and values);
- attract new talents and reward each employee's work with the "oxygen" of sincere recognition, as captured in the commonsense maxim: "Take care of the people and they will take care of the business";
- share agile entities' entrepreneurial energy and keep the decision base as close as possible to the ground. On their human scale, everyone understands their role, their undeniable contribution and their company's ambition, is on first-name terms with their neighbors and throws themself into their work accordingly;
- grow faster than the market, without compromising on profitability, as our shareholders are accustomed to seeing.

3 – Thanks to the people behind our current and future achievements

Running counter to the commonly-held belief that "Thinking is easy, acting is difficult. Acting in accordance with your thinking is the most difficult thing yet," we will reiterate our belief that the Consulting and Digital Services fields are simple. Success is within reach of any entrepreneur endowed with ambition, a sales mindset and the vision that builds confidence and bolsters independent thinking. If an entrepreneur has commonsense and perseverance in their professional project, along with a good measure of humility and empathy, they are bound to succeed.

Broadly speaking, the key to success in this profession can be summed up as being picky about people, since:

- 90% of a company's expenses are staff costs (employees and contractors);
- if we can't surf on strong brands or guaranteed market share, our employees' energy will make all the difference. Behind the apparent annual stability, NEURONES has to prove its added value and convince clients, prospects and candidates every single day.

This is why we need to choose:

- SENIOR EXECUTIVES who prefer the enthusiasm and fun (and the constraints!) of adventure in a company under their responsibility (rather than following a set path in a large organization). They are the leaders of the band: they set the pace and coordinate, they make the micro-decisions and do the everyday tweaking that make mid-caps interesting. They are the benchmarks; they embody and create adventure and style; they lead and think ahead to the next move and then the one after that (new businesses, new talents to recruit, internal transformations, etc.).

  They guide success and the collective drive; they have the freedom and responsibility to define the route and set the pace for reaching the next stage ahead of the competition. They are capable of all of the following at once:

  - think out of the box, look ahead and get others onboard by sharing their goals;
  - look for their assistants and successors themselves, and set the bar high, in order to also enhance the management committee from the top;
  - be concerned with the myriad little details that make the profit at the end of the year;

- take Montesquieu's advice: "To achieve great things, you don't need to be such a great genius, you don't need to be above people, you need to be with them".

- MANAGERS who not only share this last recommendation but are just as convinced that, to help their employees progress, they need to bear in mind that "Educating is not about filling a vase, it's about lighting a fire". Managers are the essential backbone of any company. As such, their task is to:
  - propose "achievable challenges" that will make each team member keen to make a commitment and carry it through to success;
  - create conditions in which everyone can have their say, then put to use the technical and human qualities that clients appreciate in them;
  - help everyone progress and develop by constantly putting out a message to the effect of "How can I help you succeed?";
  - maintain a sound balance between showing well-meaning consideration, discretely keeping an eye out for learning opportunities, and expressing gratitude, which sustains self-confidence and enthusiasm.

- EMPLOYEES who firmly believe that we only live once and that it is better to actively build the life they want rather than just go with the flow. I'd like to thank each and every one of them (consultants, sales engineers and all those in charge of HR, administration, marketing, IT, corporate services, etc.) for bearing in mind, in 2018, Saint-Exupéry's remark: "To be a man is, precisely, to be responsible… It is to feel, when laying one's stone, that one is helping to build the world." We see that:
  - the most motivated employees have understood that work is a means to achieve personal fulfillment;
  - the most astute employees see that the years go by quickly and that each day is therefore almost "a life in miniature";
  - the most determined employees, those who never give up, believe that work is also the road to integration, emancipation and upward mobility, especially as the sector is chronically short of talented people and is growing two or three times faster than GDP;
  - the most enthusiastic employees are tomorrow's managers and leaders.

Moreover, a number of group companies are justifiably proud of having once again obtained the top awards for companies that are good workplaces ("Meilleur Employeur", "Happy@Work", "Great Place to Work", etc.).

So, thank you, everyone, for what we did in 2018: an essential springboard for the achievements to come.

> "Educating is not about filling a vase, it's about lighting a fire."

With each successive balance sheet, everything indicates that the transformation of the economy is gathering speed, driven on by increasingly fierce competition. The growing uptake of technologies, and especially digital technology, is heightening the trend. No sector is exempt from the "constant revolution" of digital technology. Everyone is already intuitively aware of the "step change" that will be ushered in by 5G, quantum computing and artificial intelligence (beginning with machine learning) over the coming years and decades. These technologies will enable huge masses of data to be processed in a faster and more useful way, and the first to benefit will be the companies that were shrewd enough to invest sufficiently, and sufficiently early.

For a Consulting and Digital Services company such as NEURONES, the opportunities are boundless. To make the most of this tremendous adventure, let's hope that the employees, managers and senior executives, as well as the group's partners and clients, bear in mind Montaigne's advice: "When words and actions go hand-in-hand, the result is a beautiful harmony".

At the risk of over-simplifying, this is your company's program for 2019!

Luc de CHAMMARD
Chairman and CEO

MAIN SHAREHOLDER-DIRECTORS

From left to right.

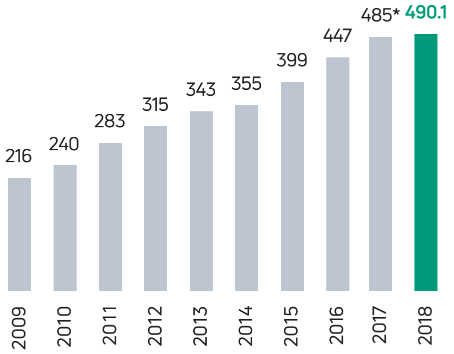
First row: Bertrand DUCURTIL and Luc de CHAMMARD.

Second row: Franck DUBRAY, Valérie ADER, Jean-Pierre LAFONT, Jean-François HALLOUËT, Bernard LEWIS, Vincent GRZECZKOWICZ and Guillaume BLANCHETIÈRE.

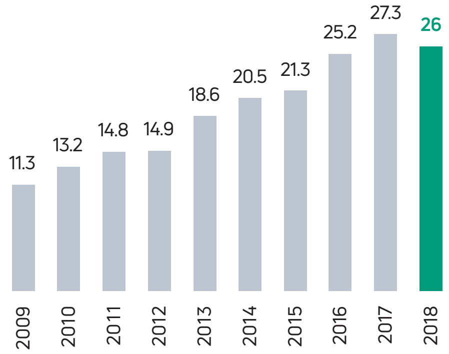
Third row: Cyrille BARTHÉLÉMY, Alain LE BRAS, Joseph KHOURI, Charles BLANCHOT, Jérôme PEREZ, Stéphane RAILLARD, Jérôme LEHMANN, Jean VELUT, Olivier LE BAILLY and Jérôme BELZACKI.

Key figures

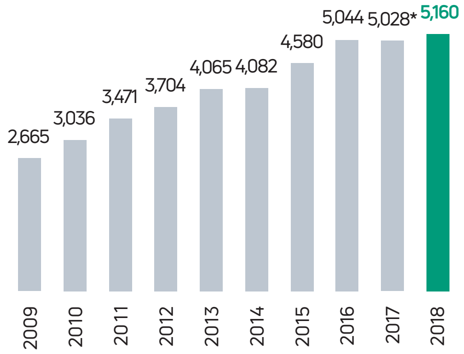
CONSOLIDATED REVENUES
(millions of euros)



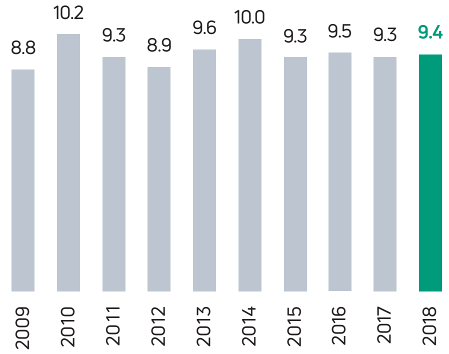
NET PROFIT, GROUPSHARE
(millions of euros)



STAFF
(at year-end)



OPERATING MARGIN
(as %)



* Restated IFRS 15: €475.5m.
Net disposal of € 18m in revenues (170 employees), effective in 2017 and 2018.

+5%

ORGANIC REVENUE GROWTH IN 2018

+10%

COMPOUND ANNUAL GROWTH RATE OVER 10 YEARS (2009-2018)

CONSOLIDATED INCOME STATEMENT (millions of euros)

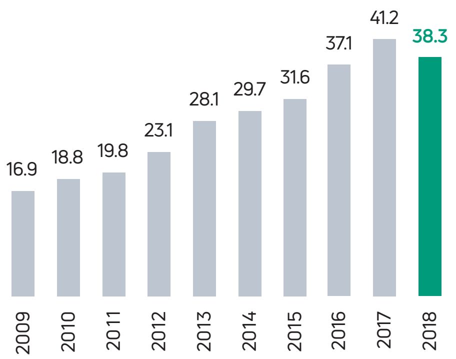
	2017	2018
Revenues	485	490.1
Business operating profit*	**46.4**	**47.1**
% of revenues	9.6%	9.6%
Operating profit	**44.9**	**46**
% of revenues	9.3%	9.4%
Net financial income	2.9	1.6
Income tax	(16.2)	(18)
Net profit for the period	**31.6**	**29.6**
% of revenues	6.5%	6%
- of which net profit – Group share	**27.3**	**26**
- of which minority interests	4.3	3.6

* Prior to cost of bonus shares and impairment of assets.

SIMPLIFIED CASH FLOW STATEMENT (millions of euros)

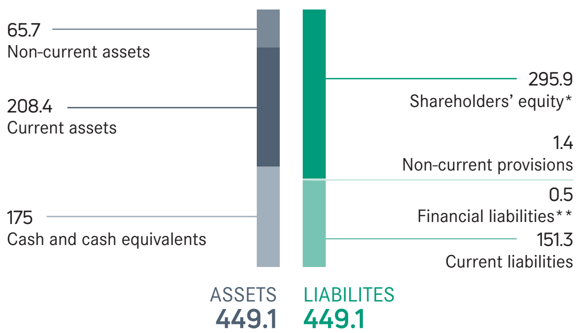
	2017	2018
Net profit	31.6	29.6
Non-monetary items	9.6	8.7
Changes in WCR (increase)/decrease	(15)	(5.6)
Net industrial investments	(8.9)	(6.9)
Free cash flow	17.3	25.8
Net financial investments	(7.5)	(3.4)
Net capital increase and disposal of securities	6.5	0.8
Other (dividends, etc.)	(3.1)	(2.6)
Change in cash and cash equivalents	+13.2	+20.5
Cash and cash equivalents at year-end	**154.1**	**174.6**

CASH FLOW FROM OPERATING ACTIVITIES* (millions of euros)



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

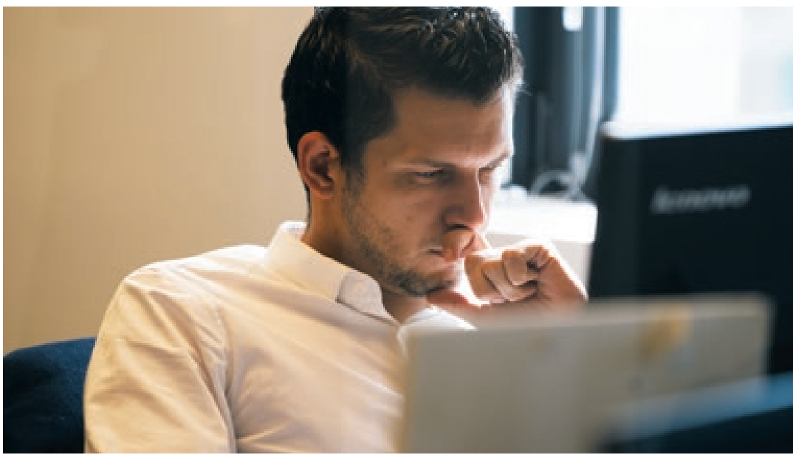
CONSOLIDATED BALANCE SHEET AT DECEMBER 31, 2018 (millions of euros)



* Including minorities: 29.
** Short-term financial liabilities (including overdrafts: 0.4).

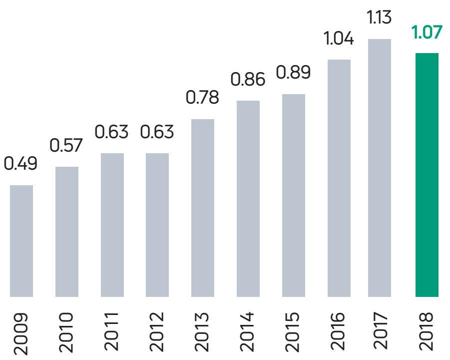
€174.5m

NET CASH
AT DECEMBER 31, 2018

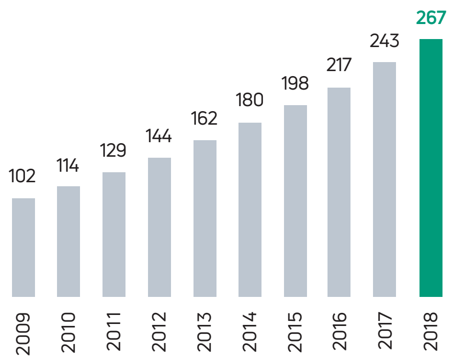


Shareholder information

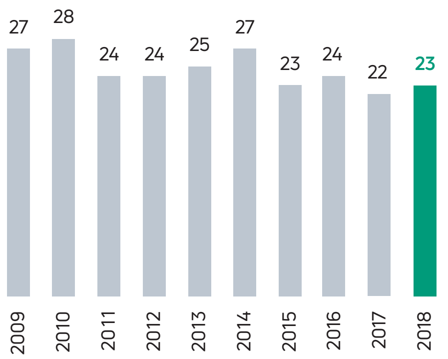
NET PROFIT – GROUP SHARE BY SHARE (in €)



CONSOLIDATED SHAREHOLDERS' EQUITY GROUP SHARE (millions of euros)



RETURN ON CAPITAL EMPLOYED* (as %)



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).

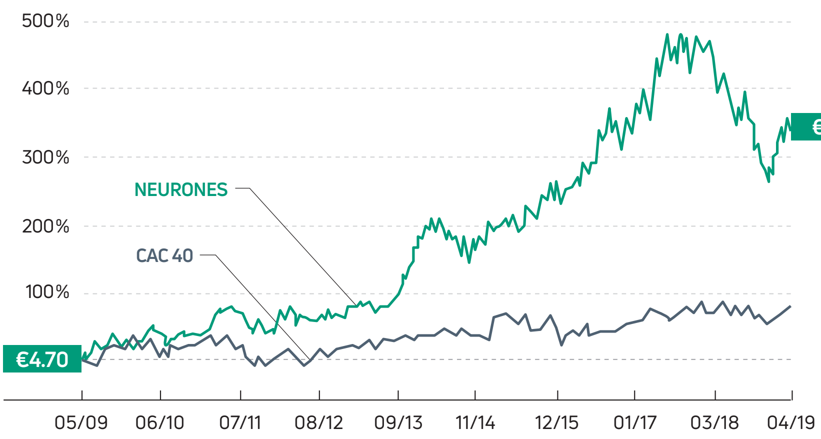
23%

2018 RETURN ON CAPITAL EMPLOYED

€0.06

PER-SHARE DIVIDEND PUT FORWARD AT THE ORDINARY SHAREHOLDERS' MEETING ON JUNE 6, 2019

CHANGES IN NEURONES' SHARE PRICE OVER THE PAST 10 YEARS (from April 23, 2009 to April 23, 2019)



CALENDAR (published after closing of the stock exchange)

1st quarter revenues:
Wednesday May 15, 2019

Shareholders' Meeting:
Thursday June 6, 2019

2nd quarter revenues:
Thursday August 1, 2019

1st half profit:
Wednesday September 11, 2019

3rd quarter revenues:
Wednesday November 6, 2019

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Highest price (in €)	7.15	7.74	9.10	9.20	13.58	16.00	18.35	24.70	29.80	29
Lowest price (in €)	4.14	6.01	6.85	6.95	8.30	12.30	13.50	16.25	21.50	18.2
Closing price at December 31 (in €)	**6.88**	**7.30**	**7.30**	**8.33**	**12.59**	**13.86**	**17.41**	**22.36**	**28.80**	**18.90**
Market capitalization at December 31 (millions of euros)	142.2	162.1	172.4	197.9	301.7	332.4	421.9	542.1	698.2	459
Number of shares at December 31 (in millions)	23.5	23.6	23.6	23.8	23.9	23.9	24.2	24.2	24.2	24.3

CONTACTS

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e-mail : investisseurs@neurones.net

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NEURONES SHARE DATA SHEET

Average daily volume* traded in 2018:	3,900 shares
Share price (at April 23, 2019):	€22
Market capitalization (at April 23, 2019):	€534m
Number of shares (at April 23, 2019):	24,285,862

ISIN Code: FR0004050250 (NRO)
Indexes: Euronext Paris : Compartiment B - Bloomberg : NEUR FP - Reuters : NEUR.LN - Enternext Tech 40 - SRD valeurs moyennes

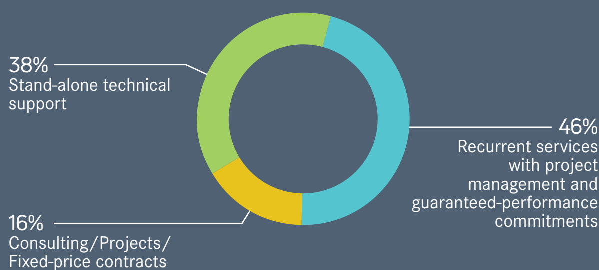
Line of services and strategy

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

62%

SHARE OF GUARANTEED-PERFORMANCE SERVICE CONTRACTS IN TOTAL BUSINESS VOLUME

BREAKDOWN OF 2018 REVENUES BY TYPE OF SERVICE



AT THE HEART OF DIGITAL TRANSFORMATION

Digital transformation has become a core concern and major investment focus for businesses and public organizations alike. It is only natural, then, that today they are the focus of the group's service lines. They are designed for corporate projects that are leveraging digital technology to:

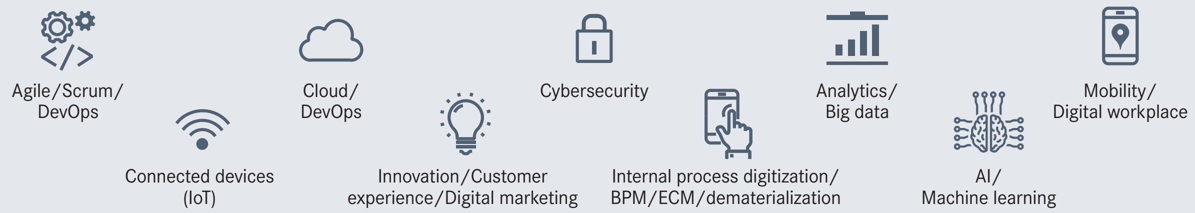
- design or rethink their service lines;
- digitalize the "customer journey" (using mobile apps, UX/UI design, "mobile first" sites, digital marketing, etc.);
- use connected devices and big data to leverage data (analytics, business intelligence);
- improve operational and support processes (BPM, ESB, dematerialization, etc.).

NEURONES also supports IT departments undertaking major multi-year programs to migrate part of their applications to various forms of cloud. To optimize time-to-market, the latter are also radically shaking up their organization and working in DevOps mode to release a virtually continuous string of new app versions. This means smaller teams handling a group of apps from A to Z ("you build it, you run it"), agile and Kanban methods, integrated development environments, software factories, continuous delivery toolchains, infrastructure automation, and so on.

Alongside the new digital apps, they also need to keep maintaining their legacy apps with the earlier organization: engineering, integration and production.

Lastly, artificial intelligence (AI) is giving rise to fresh hopes and prospects: "chatbots" for support processes, smart automatons to better anticipate security or IT operation incidents, etc.

THE DIGITAL TRANSFORMATION "BUILDING BLOCKS" OFFERED BY NEURONES



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 whatever can be and adjust organization and cost structure to the market.

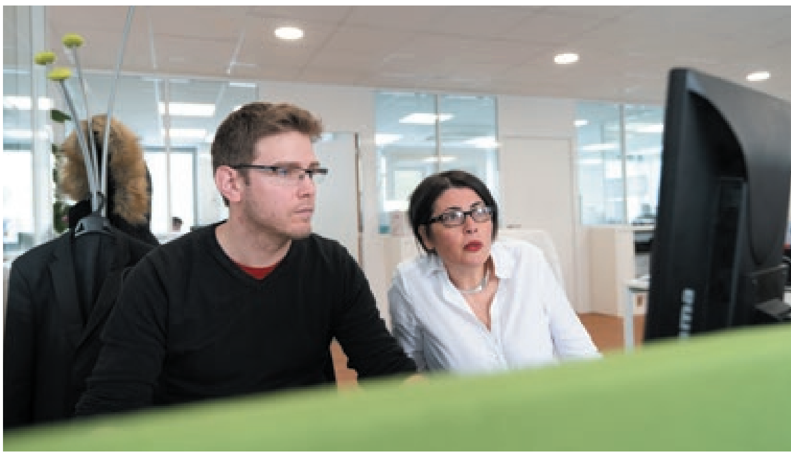
Resources

- above-market organic growth, occasionally bolstered by external growth;
- expanded footprint within and outside France (customer requirements, available consultants, new markets, etc.);
- investments not reliant on the general economic situation (€175m 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.

BREAKDOWN OF 2018 REVENUES BY GEOGRAPHIC ZONE

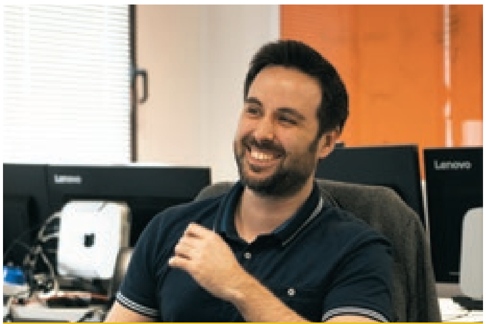


CORE BUSINESSES

A comprehensive line of digital services

Digital transformation feeds into all of NEURONES' core businesses, underpinning both Digital Services and Management Consulting. The specialized line-of-business entities, which combine Consulting services and the Integration of state-of-the-art technological solutions, are divided into three segments:

INFRASTRUCTURE SERVICES



69% THIS SEGMENT'S SHARE IN TOTAL REVENUES

Infrastructure management, private and public clouds, connected devices (IoT)

User support

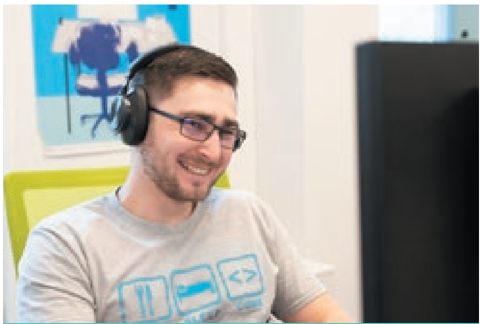
Hosting and outsourcing in cloud mode (IaaS)

Cybersecurity

IT operations, DevOps

IT service management, IT governance, automation

APPLICATIONS SERVICES



26% THIS SEGMENT'S SHARE IN TOTAL REVENUES

SAP integration and outsourcing

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

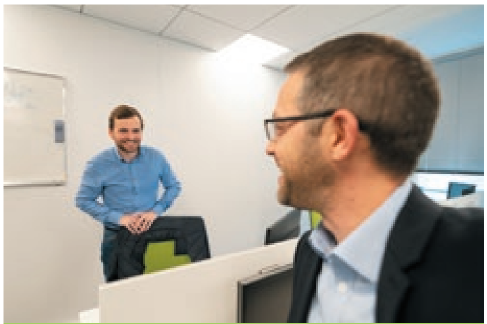
IT consulting for finance, big data and DevOps

IT and digital project management, analytics services

Mobile apps and mobile infrastructure management, UX/UI

Computer training, change management

CONSULTING



5% THIS SEGMENT'S SHARE IN TOTAL REVENUES

Management and organization consulting

Digital transformation consulting

Digital marketing consulting

END-TO-END CUSTOMER RELATIONSHIP MANAGEMENT FOR SELECTED KEY ACCOUNTS

This team backs up the various line-of-business sales forces by fulfilling the following roles:

- organize and coordinate sales actions;
- identify new business opportunities;
- consolidate completed projects and assignments;
- prepare reports for key accounts.

COORDINATION OF MAJOR CROSS-FUNCTIONAL CONTRACTS

This structure fulfills the following roles:

- coordinate multi-business contracts during the initial start-up phase, the operating phase and the reversibility phase;
- capitalize on experiences and regularly update the group's standards.

Infrastructure services

This segment, which has a staff of over 4,000 employees, is responsible for ensuring that IT infrastructures have maximum up-time and secure access. It also manages them, makes them profitable and upgrades them.

€335.8m

REVENUES GENERATED BY THIS SEGMENT IN 2018, REPRESENTING **69%** OF TOTAL BUSINESS

8.8%

OPERATING MARGIN IN 2018

4,103

EMPLOYEES IN THE INFRASTRUCTURE SERVICES SEGMENT AT DECEMBER 31, 2018

CORE BUSINESSES

- Infrastructure management, private and public clouds, connected devices (IoT)
- User support
- Hosting and outsourcing in cloud mode (IaaS)
- Cybersecurity
- IT operations, DevOps
- IT service management, IT governance, automation

TYPICAL PROJECTS

- Set-up and manage private or public clouds and cloud containers
- CI/CD (Continuous Integration/Continuous Delivery)
- Infrastructure automation: cloud management platforms, SDN, SDDC
- Networks, email systems, storage, backups
- Workstation management
- Managed services
- Production tooling and automation
- Information system security, including SOC, CERT and Threat Intelligence

DESIGN/BUILD

Today, as private and public cloud computing gradually enter the mainstream, along with new DevOps-type organizations and tools, infrastructure management is becoming increasingly automated. The infrastructures undergoing these major innovations also support legacy applications that have been accumulated over time. With very open information systems and a multitude of devices, user support is still vital, but it too is undergoing major innovations (self-help resources, chatbots, etc.). Cybersecurity has never been so crucially important. The Group undertakes not only major transformation projects but also localized responses in a variety of fields. The majority of these are fixed-price projects.

HOSTING / MANAGED SERVICES

In private and public clouds and in containers, the group hosts and manages its clients' information systems. It also manages groups of on-site servers and provides support for fleets of all sizes made up of workstations and other devices (user support and on-site operations). Outsourcing, or Managed Services, typically involves multi-year contracts (3 to 5 years), under which NEURONES provides project management and guaranteed service levels. For each contract, the unique service delivery manager ensures ongoing compliance with the service level agreements and manages the improvement plan based on a benchmark and a catalog of standard operations. 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.

THIS SEGMENT'S DIGITAL TRANSFORMATION-RELATED OPERATIONS

- Private, public, hybrid and multi-cloud computing and containers
- Cybersecurity
- Mobility and the digital workplace
- CI/CD, infrastructure automation, DevOps
- Connected devices (IoT, including industrial plant): models, implementation, operation

IN 2018...

Strong growth in cybersecurity services with an investment in **tailored service lines,** infrastructure automation and IT Service Management (Service Now), ongoing development of **public cloud** services and **containers.**

Higher margins on contracts performed hrough our **service centers.**

Margins under pressure in the **Service Desk** business.

Human resources are in even shorter supply; **turnover is at cycle peak level.**

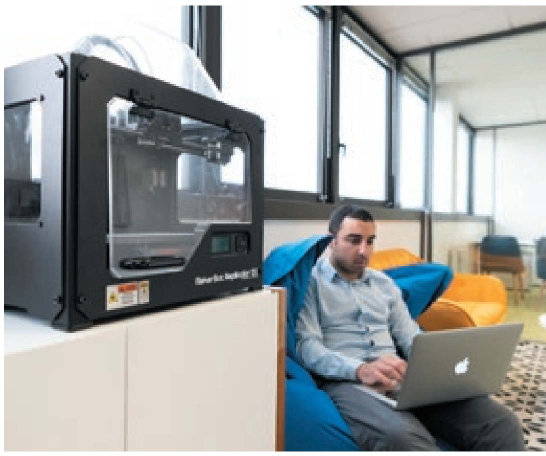
OUTLOOK...

Steady growth in **public cloud computing, DevOps** and infrastructure automation.

Private cloud computing will continue to be attractive.

Programs under way to lower the number of **service desk** tickets.

Less on-premises **server outsourcing:** the market is oriented more towards standalone technical support than managed services.



Interview with...
CYRILLE,
Chairman (Cybersecurity)

"The risks that NEURONES tracks include data leaks, copyright infringement, brand spoofing, phishing and shadow IT."

Cybersecurity: an organizational, technical and human approach

Now identified as the number one risk by business stakeholders, cybersecurity is clearly a booming market. As a long-standing expert in this area, NEURONES gives companies nd-to-end support with their strategy, using tools that can anticipate, analyze, control and counter the threat, then set up preventive actions.

Who has to deal with cybersecurity issues today?

Wherever information is produced and circulated, cybersecurity has become an issue. It might be individuals, SMEs, large groups or local authorities: the development of digital technology means that everyone today is concerned to some degree, depending on the importance of the stakes they represent. The threat can take a variety of forms, from a simple human error to fraud to mass cybercrime or targeted hacking. At the same time, the cost of security incidents in companies is rising and now averages €8 million. One of the consequences is that the global cybersecurity market is recording double-digit growth.

Where does NEURONES stand on these issues?

IT security has changed paradigm. Just a few years ago, it was about protecting information systems to avoid risk. Now we accept the fact that an incident can happen and focus on being as ready and prepared for it as possible. This means being capable of detecting it and responding appropriately. The group's long-standing cybersecurity business has been intrusion testing. Over more than 20 years, it has developed an undeniable expertise in the field. Today, NEURONES' expertise extends well beyond that. Its approach is to try to understand the risks, build operational solutions to protect the information system, then give its clients technical guidance and support through managed services. Businesses receive end-to-end support with their cybersecurity strategy. This implies working side-by-side on three components: the organizational, technical and human aspects.

What cybersecurity systems can be set up?

For want of suitable systems, it can take months to detect an information leak. Operational security sets out to protect the system by endowing it with detect and respond capabilities. More specifically, companies need to be equipped to understand what is happening in the information system, since an advanced intrusion tries to be undetectable. This is the role of the Security Operations Center (SOC): the control tower whose sensors pick up traces of anomalies or frauds. Obviously, cybersecurity is a cat-and-mouse game: you have to be very innovative to counter a threat that is constantly changing. So, the teams build use cases and various potential intrusion scenarios, some of which are very specific to the system we are protecting. The next step is the CERT center, which raises the alert and responds to the IT security attacks. While the SOC collects the data and generates information, the CERT organizes the response. This highly proficient team runs an investigation to understand what is happening, confines the incident, responds to it, distils the lessons to be learned and puts forward action plans.

Another emerging business line is "threat intelligence". Can you tell us more about it?

It is closely related to SOC and CERT, but situated even further upstream. It looks at everything that is happening outside the information system, at every level of the Internet. The intelligence activity complements surveillance. The risks that NEURONES tracks include data leaks, copyright infringement, brand spoofing, phishing and shadow IT, particularly in relation to developments that are not led by the IT Department and which log into the information system.

How mature are French companies when it comes to cybersecurity?

In France, a number of highly-publicized incidents involving large groups have raised companies' awareness of the problem. Companies now know that cybercrime is a major risk for their business. The defense, banking, insurance, luxury, pharmaceutical and agrifood sectors were the first to address the subject. Now mid-caps and large SMEs are following suit. The growing demand is also being driven by regulatory changes. In 2015, the draft military planning law required hundreds of vitally important companies to require a SOC and an incident-response system. The GDPR further tightened the requirements. Other European directives are in preparation, involving numerous other companies deemed to be operators of essential services.

Cybersecurity remains an area of expertise that is generally unrelated to clients' core business, so there is strong demand for outsourced services. The group offers comprehensive guidance and support, from governance through to operational management, on a subscription basis. The purpose of this service line at NEURONES is to protect its clients for their mutual benefit.

Applications services

Backed by 20 years' experience in application projects, this business segment assists clients undertaking successive upgrades to their information system and currently in the process of digital transformation. This segment has a staff of 900 employees.

€129.6m

REVENUES GENERATED BY THIS SEGMENT IN 2018, REPRESENTING **26%** OF TOTAL BUSINESS

10.3%

OPERATING MARGIN IN 2018

902

EMPLOYEES IN THE APPLICATION SERVICES SEGMENT AT DECEMBER 12, 2018

CORE BUSINESSES

- SAP integration and outsourcing
- Content management (ECM, EDM), Business Process Management (BPM), dematerialization
- IT consulting for finance, big data and DevOps
- IT and digital project management, analytics services
- Mobile apps and mobile infrastructure management, UX/UI
- IT training and change management

TYPICAL PROJECTS

- SAP: integration and deployment of new modules and applications (including Fiori)
- Big data projects in Finance
- Service centers working in Agile and DevOps mode and organized into "feature teams"
- Mobile app development, in particular for the majority of IoT projects
- Digitalization of incoming and outgoing invoices
- Communication and training plans to support the deployment of major software systems (ERP, etc.)

DESIGN/BUILD

NEURONES undertakes not only software package integration (ERP, CRM, ECM/BPM, EDM) but also bespoke application development (including mobile apps).

A number of teams work in DevOps mode on an everyday basis. Emphasis is placed on the initial phases of functional analysis and the methodology of project development (standard documentation, software engineering, standards, etc.).

MANAGED SERVICES

This service line includes support and third-party application (TPAM) and operational maintenance, corrective maintenance and upgrades. 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.

THIS SEGMENT'S DIGITAL TRANSFORMATION-RELATED OPERATIONS

Complex applications with Enterprise Service Bus (ESB), Robotic Process Automation (RPA)

Solutions for distributing audio and video content

Design and roll-out of big data architectures (Hadoop, Hbase)

"Mobile first" websites and mobile development

Agile methods (Scrum, Kanban, etc.)

DevOps chain set-up (IDEs, software forges, deployment orchestrators)

IN 2018...

Organic growth: strong growth in mobility, sustained growth in market finance, dematerialization and training.

Stable growth in SAP S/4Hana service lines.

Another successful year in training, with strong demand for 3-6 month retraining programs (Angular, DevOps, Python, Ansible, Terraform, etc.).

Handover to a fund specialized in Big Data publishing for finance.

Rise in freelancing among front office and full stack developers.

OUTLOOK...

Promising outlook for the reconstruction of existing apps to make them "cloud and DevOps-compatible".

Brisk business in SAP, thanks to the switch to S/4Hana. Strong market interest in robotic process automation (RPA).

Office opened in Brussels to handle market finance.

Interview with...

DIDIER,

Managing Director (Mobile apps)

"

NEURONES is guiding and supporting its clients through digital transformation by offering a more dynamic and flexible approach, based on feedback from the GAFAM.

"

Mobile development: agile methods to map out new user practices

Because mobility meets the increasingly pressing demand for immediacy, it is becoming an essential element of all digital user practices, both personal and professional. To design mobile solutions that are effectively tailored to its clients' requirements, NEURONES is introducing new forms of project support and development that get all company stakeholders working together.

What impact is the revolution in user practices having on companies?

Today clients' business models are going through a process of digital transformation. The boom in mobile technology has accelerated the need for change and the possibility of accessing and processing information remotely, anywhere, anytime and on any type of device. Managers want to be able to access their reporting tools on their cell phone or tablet, even in a restaurant or on vacation. These new expectations are even more pressing among younger staff members: the "millennials" or Gen X, Y or Zers! They are constantly connected and are looking for a hybrid approach that caters for both private and professional use.

Companies across the board are taking steps to rethink their IT tools and devise solutions more like the apps used online or in the personal sphere. From SMEs and start-ups to large groups, businesses are all joining the movement. Its impact can be felt in every corporate branch: human resources, supply chain, purchasing, marketing, production and more.

How is NEURONES easing in the change?

NEURONES is guiding and supporting its clients' digital transformation by providing a more dynamic and flexible approach informed by feedback from the GAFAM (Google, Apple, Facebook, Amazon and Microsoft). The aim is to offer organizations an agile, modular approach that lets them respond very quickly to functional business requirements or feedback. Customer satisfaction is one of the most important stakes, as is consideration for employees. To address these concerns, the group uses co-design methods involving all of the stakeholders, while at the same time meeting the three key priorities: cost, quality and time. These approaches are grounded on "agile" methods.

What does agile project development entail?

The main focus is on the design phase, which plays a more important role. Agile methods involve the various corporate functions in defining the product's purpose and in particular the "user experience" (UX) aspect. Agile methods imply a new organizational framework - "agility" - which works by iteration and makes it possible to speed up, readjust, involve and invite input from all project stakeholders. In line-of-business terms, NEURONES' position has shifted on the value chain towards higher added-value design services.

What professional specializations are involved in a project team?

A project team, or as we call it now, a "feature team", is a multidisciplinary group containing all of the necessary skills, from the design phase through to the "product" (or service) release. Upstream, there are the consultants, who gather and analyze information about the requirement then propose suitable solutions. Then there are the developers, who apply the algorithms.

The project manager, known as the "product owner", looks after the strategic dimension and supplies the line-of-business knowledge, more than a purely technical expertise. The project manager knows the customer's goals and is responsible for ensuring that the "product" meets them. The UX/UI team member specializes in designing the interface with an application's users. Their job is to design a product that is user-focused, user-friendly, pleasant to use and functional. To achieve this, the UX/UI uses collaborative "design thinking" methods that draw on input from various client-side stakeholders, from the consumer through to the top manager. Next comes the "scrum master": like an orchestra conductor, their job is to lead the technical development team and check progress on the project.

Dozens of highly-specialized developers are often involved in coding the features. They are experts in iOS and Android mobile development, front-office web developers and back-office developers. Increasingly often, NEURONES also recommends hybrid development, which makes it possible, with the same code, to access the three platforms: Web, iOS and Android. Lastly, the group has teams of testers.

What specific responses is NEURONES bringing its clients today?

Companies need innovative solutions that are perfectly suited to the new ways Web and mobile devices are being used. The teams' experience of mobile technology issues has honed their cross-application, cross-device skills and anchored three values: creativity, agility and security. This is why the group is better known for its expertise in high-added-value Consulting than for large-scale development. This expertise in the "user practices" aspect of mobile technology equips it to target issues involving not only operational performance but also customer relations or brand image. This is what decision-makers are looking for today: they want guidance and support for leading change, as far upstream as possible, to help them make the right choices, adopt the best practices and bring all of the stakeholders onboard in change projects that have become strategic for their growth.

Industrialized service centers

Since 1995, recurrent service contracts have relied on shared service centers (hosting, servers and applications, workstation management and support). Third-party Application Maintenance is carried out from dedicated service centers.

15
SERVICE CENTERS DEDICATED TO INFRASTRUCTURE SERVICES

350
MANAGED SERVICE CONTRACTS FOR INFRASTRUCTURE AND CYBERSECURITY

5
SERVICE CENTERS DEDICATED TO APPLICATIONS

INFRASTRUCTURE OUTSOURCING CONTRACTS

Top 25 contracts
€3m per year,
on average

125 contracts
€0.5m per year,
on average

200 contracts
€0.10m per year,
on average

MANAGED SERVICES, IN FIGURES

2,500
employees working
on contracts

7.5 million
service desk and application
support cases handled

24,500
third-party or proprietary
servers operated

250,000
workstations
managed

7

SERVICE DESKS

- 1,350 professionals
- 24/7 availability
- Multilingual
- Nanterre, Angers, Frankfurt, Lille, Nantes, Tunis and Timisoara

7

SERVICE CENTERS FOR SERVERS AND APPLICATIONS

- 450 specialists
- Supervision, management
- Scheduling, operations plan
- Release management
- Nanterre (x2), Courbevoie, Lyon, Bangalore, Singapore and Tunis

1

POOLED WORKSTATION MANAGEMENT CENTER

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

10

HOSTING CENTERS

- 15,000 virtual machines (VM)
- Independent Internet service provider
- All telecom operators
- Telecom infrastructure as failover
- 4 highly-certified (Tier 3+) partner hosting companies (multi-centers)

5

THIRD-PARTY APPLICATION MAINTENANCE CENTERS

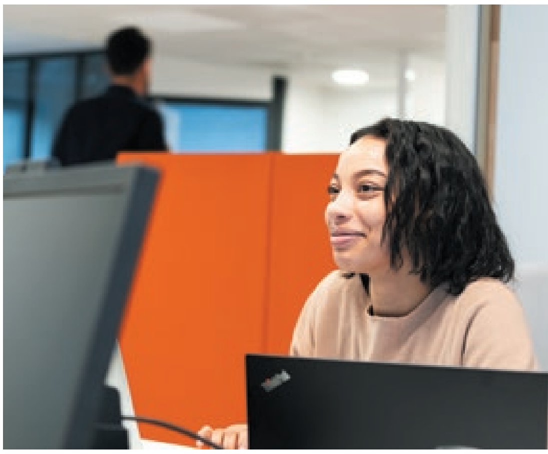
- All ERP and applications
- Knowledge base, test tools, versioning
- Nanterre, La Défense, Levallois, Nantes and Orléans

ITIL®

CERT certification
of the Security Operation Center

itSMF

Founding member



Consulting

Managed by consultants with previous experience in major international firms, this business segment with a staff of over 150 consultants provides consulting services in management and organization, digital transformation and digital marketing.

€24.7m

REVENUES GENERATED BY THIS SEGMENT IN 2018, REPRESENTING **5%** OF TOTAL BUSINESS

12.8%

OPERATING MARGIN IN 2018

155

EMPLOYEES IN THE CONSULTING SEGMENT AT DECEMBER 31, 2018

CORE BUSINESSES

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

TYPICAL PROJECTS

- 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, coordination
- Leadership and operational management for projects
- Impact studies on regulatory and technology changes
- Definition of strategies for sharing IT systems

NEURONES supports 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.

The Group makes a point of building knowledge from the 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 road maps;
- cross-functional communication and consensus-building;
- strategic alignment;
- assessment of resources and defining the perimeter of activities;
- defining new leadership models;
- coaching management boards;
- impact analysis and change management;
- digital marketing.

Digital transformation consulting concerns all sectors, in depth, and has become a specialty in its own right, as has digital marketing consulting.

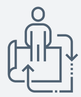
Consulting services are provided to the operational or functional divisions of corporate accounts. Projects sometimes include a component that requires competencies in information systems.

THIS SEGMENT'S DIGITAL TRANSFORMATION-RELATED OPERATIONS

Design and facilitation of innovation workshops (Labs)

Data science and data visualization

Management of Data Management Platforms' marketing data



Modeling of multi-channel customer journeys

Connected sales outlets

IN 2018...

Organic growth of 5%

Digital Marking Progress (DMP).

Maintenance of a clear separation between the “Consulting” and “Digital services” segments.

OUTLOOK...

Group's desire to develop the Consulting activities despite structurally low forward certainty.

Potential future in digital marketing consulting.

Growth through organic growth and acquisitions.

Interview with...

DAVID,

Associate Director

(Digital marketing consulting)

"

NEURONES' defining feature in digital marketing is its approach to data, which is at once strategic and operational.

"

Digital transformation: from mass marketing to “one-to-one”

As data mining takes on a key role in digital transformation, NEURONES has developed solid expertise in guiding and supporting companies with their digital strategy while constructing their ecosystem of customer insights. The aim is to sell more effectively and over a longer period, while at the same time optimizing costs and customer satisfaction.

What is at stake in digital marketing today?

Since the 2000s, companies have invested heavily in digital marketing in a bid to reach their public through an ecosystem of websites and social networks while extending their presence with online advertising. Today, the market has moved into the second phase: customization. This is vitally important because consumers are over-exposed and constantly bombarded by advertisements and e-mail campaigns. At the same time, their purchasing journeys have become more complex, blurring the boundaries between bricks-and-mortar and online shopping.

Against this backdrop, what are companies’ emerging needs?

It is essential now to personalize marketing messages, which means being able to obtain advertising content that “talks to” each consumer. The trick is to be able to boost advertising efficiency without damaging the company’s image (by submerging customers in a flow of advertisements that are not a good match for them). A typical example, which happens all too often, is to receive an advertisement from a retailer for a product we bought the day before! The other aspect is performance measurement: advertisers need to know exactly how much ROI their advertising spend is bringing them, especially from their omnichannel campaigns.

How can we meet these expectations?

In both cases, the key to get from mass marketing (“one to many”) to personalized marketing (“one to one”) is data. Advertisers want to steer their digital marketing campaigns on the basis of what they know about a person. To do so, they have two options: either buy highly-targeted campaigns from the Gafa, which know all about consumers from their data, or build their own customized marketing ecosystem by finding out more about their customer base and building their capacity to interact with it. This is where NEURONES can step in to guide companies and help them reach their customers with individualized messages, make their media campaigns or CRM more effective and boost their satisfaction.

What is so special about NEURONES’ approach to customer insights?

The group’s task is to boost customer value. It does this by mining customer data to help the company sell more effectively and for longer, while optimizing costs and satisfaction. NEURONES has been doing this for seven years now, whereas the market is only just beginning to adopt the idea.

What’s more, the 30-person team in charge of these projects was formed by combining two complementary digital cultures: one very strategic, the other skilled in the technology aspects. What sets the group apart on the digital marketing market is this dual culture: this approach to data that is at once strategic and operational. It creates a unique ability to manage these cross-cutting, backbone projects by addressing all of the business lines, including marketing, IT and human resources.

It starts with the company’s strategic objectives, which are used to build a coherent digital policy. Next, we analyze the company’s overall performance to draw up a diagnosis and think about the drivers necessary to increase sales and customer satisfaction. Potential growth areas are identified upstream, before tackling the technical issues. Only then do we build the system for tapping this potential: in other words, the ecosystem of tools for collecting, analyzing and activating the data, the data governance organization and the marketing levers to be set up in order to proceed in the most suitable, personalized manner. Detailed action plans are drawn up and the company is given support for carrying them out.

What do you mean by “data governance”?

Today, the data that companies collect is not necessarily of good quality. More importantly, though, it is produced in silos, derived from in-store purchases, online browsing, social networks and so on. Data governance consists in ensuring that the data set is complete, aggregated, consistent and shared across the entire company.

The other issue associated with governance is the EU’s General Data Protection Regulation (GDPR). This new EU regulation, which came into force in May 2018, requires companies to obtain their clients’ explicit consent to the use of their data. Because customers can also withdraw their consent, each company must be equipped to handle such requests and delete an individual’s data. It is important, therefore, to also efficiently centralize customer data handling. NEURONES’ Consulting role accordingly consists in giving companies the guidance they need to handle this essential issue effectively at top level and follow consistent operational procedures. It is a prerequisite for adopting personalized marketing methods and optimizing marketing spend.

References and achievements

Around 1,000 companies and public bodies of all sizes trust NEURONES; some have been clients for many years.

80%

OF CAC 40 COMPANIES PLACE THEIR TRUST IN NEURONES

1,000

CLIENTS CONTRIBUTE TO REVENUE GROWTH

9.8%

SHARE OF REVENUES EARNED WITH THE COMPANY'S BIGGEST CLIENT

TAKEN FROM OUR LIST OF REFERENCES

BANKING - INSURANCE

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

SERVICES - CONSUMER GOODS

ACCOR
AIR FRANCE
AUCHAN
BEL
CARREFOUR
CASINO
CHANEL
CMA CGM
FAFIEC
HEINEKEN
KPMG
LVMH
PERNOD RICARD
SHISEIDO
TRANSDEV

ENERGY - UTILITIES - HEALTHCARE

AREVA
BAYER
BOLLORÉ
EDF
ENGIE
ENI
EXPANSCIENCE
GROUPE STAGO
LABORATOIRES ROCHE
REXEL
SAGESS
SANOFI
SERVIER
TOTAL
VEOLIA ENVIRONNEMENT

TECHNOLOGY - MEDIA - TELECOMS

ATOS
BOUYGUES TELECOM
DASSAULT
ÉDITIONS LEFEBVRE SARRUT
EUTELSAT
FRANCE MÉDIAS MONDE
GÉNÉRALE DE TÉLÉPHONE
GROUPE ARGUS
INGENICO
LAGARDÈRE
NUMERICABLE-COMPLETEL
ORANGE
SAP
TV5 MONDE
VIVENDI

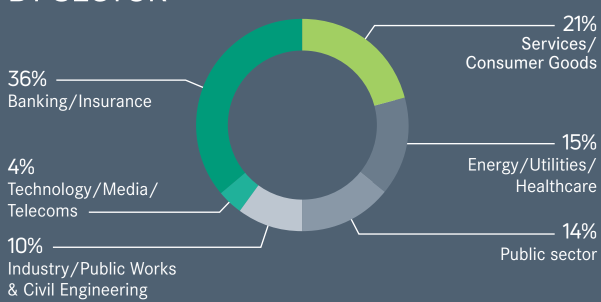
INDUSTRY - PUBLIC WORKS & CIVIL ENGINEERING

ARKEMA
AVRIL
BOUYGUES
BRENNTAG
DAHER
ERAMET
LÉON GROSSE
PLASTIC OMNIUM
RENAULT
SAFRAN
SAINT GOBAIN
SERGE FERRARI
TARKETT
THALES
VINCI

PUBLIC SECTOR

AGENCE FRANCAISE DE DÉVELOPPEMENT
AGENCE NATIONALE DE LA RECHERCHE
APAVE
ASSEMBLÉE NATIONALE
AUTORITÉ DES MARCHÉS FINANCIERS
BANQUE DE FRANCE
CEA
CONSEIL DÉPART. DES HAUTS-DE-SEINE
FÉDÉRATION FRANÇAISE DE FOOTBALL
IRD
LA FRANÇAISE DES JEUX
LA POSTE
MAIRIE DE PARIS
RATP
SNCF

2018 REVENUE BREAKDOWN BY SECTOR



SELECTED ACHIEVEMENTS IN 2018

#infrastructure

For a major French bank

Led and promoted an in-house community of employees involved in DevOps: played a community management role through the company's social network to encourage all project stakeholders to share information and exchange best practices. Assignment broadened to include communication on in-house media and organizing community-building events.

#applications

For a Japanese cosmetics group

To more effectively synchronize logistics between its two French plants and ensure product traceability: installed the SAP ERP module to replace the existing software package. Ten functional consultants and 15 technical consultants worked on the two sites in close collaboration with other NEURONES entities based in Nanterre, Angers and Tunis for the development component.

#consulting

For a leading French banking and insurance group

To meet the new challenges in its business sector and adjust its organization as necessary: provided awareness-raising workshops, certificate training courses and communication tools to help stakeholders from the IT and business departments come to grips with the Agile culture and in particular the SAFe (Scaled Agile Framework).

#applications

For a property developer specialized in the healthcare sector

To optimize hospital outpatient wards: designed a digital tool for staff to track patients' care path in real time. This involved creating an indoor geolocation system: connected devices (bracelets and mobile lockers), beacon infrastructure, website and mobile app (accessible by tablet or PC).

#consulting

For a major energy stakeholder

To speed up the development of new business lines: provided guidance and support for setting up subsidiaries and launching the initial commercial and industrial projects. Assignment carried out in close collaboration with the in-house teams: drafted investment applications, provided governance, helped structure offerings and produce the key deliverables (business plan, market research, risk analysis).

#infrastructure

For a leading environmental services company

As part of outsourcing its financial management tool (customized, on a SAP foundation): design, hosting and outsourcing of a cloud-based service platform. NEURONES provides the platform infrastructure, coordinates the operations of two other partners in charge of developing specific modules, and monitors fulfillment of the contractual commitments.

#consulting

For an international car rental group

Assignment to assess every aspect of its "Data" maturity: audited the data ecosystem of its 30 international entities (led workshops, interviews, questionnaires), delivered a benchmark study of "data science" market solutions and identified ways to improve the data governance set-up, particularly in the Data Intelligence field.

#applications

For a major French bank

To ensure smooth application deployments (until then too incident-prone): set up a DevOps tool to automate as many tasks as possible and secure the deliverables. Result: reduced the rollout time from 4 hours to 20 minutes.

#infrastructure

For a French publishing group

Outsourced support to improve the quality of service (user experience and speed of handling): set up outsourcing, with incidents and remote requests handled at NEURONES' service center in Angers, and local work carried out at the three main Paris sites; altogether approximately 3,000 calls per month.

#consulting

For a large energy company

In connection with future developments in the electrical systems associated with smart networks, and to guarantee proper transmission of the reporting documents required by the European Commission: provided support for conducting a trial project, coordinated the partners and led the governance.

#applications

For the largest French insurance group

With a view to giving its subsidiaries a more modern and efficient Electronic Document Management tool than the existing one: created the integration and visualization interface with a combination of the Fast2 migration tool, the Flower interface engine and the ARender HTML5 viewer (these three products, developed by NEURONES, form a user-friendly, feature-rich solution). Carried out by a team of six experts using a specific methodology.

#applications

For a major energy stakeholder

In order to be able to publish documents (texts, videos, etc.) and share information on a news feed: developed and set up a private appstore, personalized with the company's signature colors, based on the AirWatch back office and featuring an off-line and online interactive catalog.

#infrastructure

For a pharmaceutical laboratory

To prepare for migration to the Cloud and inclusion in a comprehensive outsourcing contract: set up a service catalog, defined the company's information system architecture and switched the data center over to a private cloud in France.

#consulting

For a major banking stakeholder

Diagnosed and overhauled the decision process in the Compliance Department (unit that ensures compliance with the legislative and regulatory provisions specific to the banking and financial businesses). This operation was necessary following a tightening of the requirements for regulatory bodies.

#infrastructure

For a major player in the oil industry

As part of its migration to Windows 10: set up the Cortana digital assistant and developed bespoke support tools, such as access to knowledge bases, support, HR issues, all with communication in natural language.

#applications

For a departmental council

In connection with the dematerialization of several of its processes (archiving, mail, electronic signature): gave the council staff guidance and support with onboarding the new solutions. Set up a multimodal training system: classroom courses, e-learning modules, digital documentation.

#consulting

For a leader in the cosmetics industry

To speed up implementation of its direct-to-consumer strategy and the "360° vision" customer insight project (Salesforce solution and omnichannel contact points): supported implementation of the marketing plan, steered the program, handled the operational projects, defined and oversaw deployment.

#infrastructure

For a leading electricity utility

To detect and forestall threats that could damage the company's data, facilitate brand spoofing or possible frauds: provided guidance and support through a specific service offering delivered by 15 cybersecurity experts over 5 years, working out of NEURONES' Security Operations Center (SOC).

RESPONSIBLE AND SUSTAINABLE DEVELOPMENT

A socially responsible Group

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



In a long-term perspective, the objective of financial performance and the consideration given to Environmental, Social and Governance (ESG) criteria converge.

CORPORATE SOCIAL AND ENVIRONMENTAL RESPONSIBILITY (CSER)

The sixth CSER report, now called the "Statement of Non-Financial Performance" (see page 60 of this annual report, 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: subcontractors, 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.

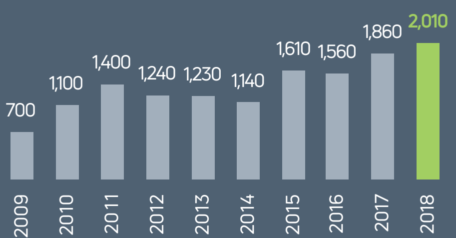
GOVERNANCE

The governance of NEURONES (described on pages 104 and following) 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 110) are given in compliance with the recommendations of that same code.

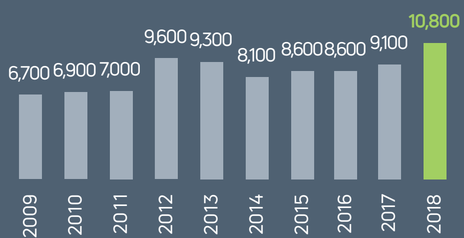
A committed company

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..

RECRUITMENT (EXCLUDING EXTERNAL GROWTH)



TRAINING PLAN (DAYS X PARTICIPANTS)



OUR NUMBER 1 ASSET: HUMAN RESOURCES

Right from the outset, the Group established an ambitious and innovative Human Resources policy that fosters diversity: 61 nationalities represented, a variety of academic backgrounds, including young, seasoned and senior professionals, 280 apprentices, interns and professionalization contracts in 2018, of which over 92% were open-ended contracts.

Numerous job creations:

- net creation of jobs each year (132 in 2018, with constant structures), in addition to the jobs created in our subcontractors' organizations;
- 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 positions for managers, senior executives and entrepreneurs);
- 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 (software industry, new technologies, etc.).

Great Place To Work® Best Workplaces™ FRANCE 2018

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

PALMARÈS Capital MEILLEUR EMPLOYEUR 2018

One entity awarded this label in 2018

choose my company 2018 FRANCE Happy index

One subsidiary awarded this prize in 2018

CHARTE DE LA diversité EN ENTREPRISE

Four business entities are signatories

UN GLOBAL COMPACT Network France WE SUPPORT

NEURONES is a member of the United Nations Global Compact

Motivating working environment:

- an environment that empowers people and lets them build their own future;
- bonus share plans in progress for nine entities and the group;
- Group management holds a majority shareholding, which rules out decisions made by financiers or uninvolved shareholders.

123

NET JOBS CREATED IN 2018 (WITH CONSTANT STRUCTURES)

61

DIFFERENT NATIONALITIES REPRESENTED IN THE WORKFORCE

NEURONES is regularly evaluated by the EcoVadis questionnaire

As has been the case since 2011, NEURONES was once again selected as part of the 2018 Gaïa index (a CSR index for listed companies), which ranks the 70 most transparent and advanced companies from among 230 listed mid-cap companies.

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.

Industrialized and pooled services:

- in 2018, €6.9m 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 three main companies in the Infrastructures business are ISO 9001 certified.

Constant tailoring to needs:

- mergers with around 12 significant-sized firms since NEURONES floated on the stock exchange have expanded and enhanced the range of services and expertise.

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.

95%

OF THE 2018 PROFITS WILL BE REINVESTED IN FUTURE DEVELOPMENTS

€6.9m

OF THE INVESTMENTS FOR 2018 DEVOTED TO CLOUD COMPUTING AND THE SERVICE CENTERS

WHAT OUR PEOPLE HAVE TO SAY

Aspirations, passions, career paths and more

CÉCILE,

HR Manager (User Support)

With NEURONES since 2014

I joined the group as a Human Resources Business Partner in the service desk jobs. During my first four years, I gradually took on more responsibilities with successive projects and in step with the company's expansion. I was given the opportunity to move on to managerial functions and be in charge of human resources for an increasingly large scope. During an annual performance appraisal with my manager, I mentioned that I would like to move on to a broader, less specialized position. Today, as an entity's Human Resources Manager, I manage a team of four recruitment officers.

> "There are lots of examples of inspiring achievements at NEURONES."

And that, precisely, is NEURONES' biggest strong point: the fact that it creates this type of bridge between the different entities while at the same encouraging initiative: it's up to each person to seize the opportunities and build their own career path. Empowerment is one of our core values, and it's not just an empty word! It's perfectly in keeping with the entrepreneurial spirit that drives the group. There are lots of inspiring success stories.

What makes these impressive career advancements possible is also the fact the everyone feels free to be part of a career advancement or mobility plan. The corporate culture at NEURONES fosters closeness, with independent entities on a people-friendly scale, where a relaxed, informal communication style eases everyday working relationships.

JÉRÔME,

Chairman (IT training)

With NEURONES since 2005

Right from my first contacts with NEURONES, I immediately sensed a huge growth potential. I joined the group as a Sales Engineer to give fresh impetus to the IT training field. Four years later, I was offered the position of Sales Manager, tasked with developing the guidance and support roles. Greater responsibilities gradually followed and now I'm at the head of two business lines: continuing professional development in IT on one hand, and change management and support in relation to ERP and line-of-business applications, on the other.

> "NEURONES' solidity and the aptness of its model have been my success drivers."

This success story is closely linked to NEURONES' own development path. Its solidity, its diversity and the aptness of its model have been my success drivers. I always project myself into the long term. In 13 years, our positioning has changed radically: the service offering has moved towards high value-added intellectual services to guide and support clients' digital transformation.

By giving me a chance to move into senior management, NEURONES has equipped me to bring in the work packages that will speed up growth and obtain concrete results. Today, the switch to digital holds enormous opportunities. With specialized teams and a high-tech training center in central Paris, we have everything we need to achieve very strong growth. And I'm convinced this is just the beginning!

WHAT OUR PEOPLE HAVE TO SAY

Aspirations, passions, career paths and more

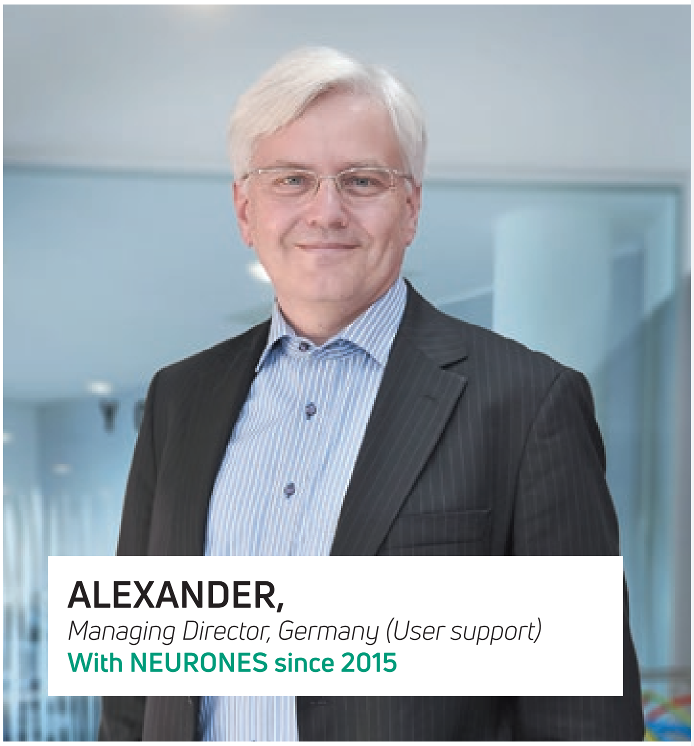
ÈVE,
Head of resource development (IT Infrastructure)
With NEURONES since 2009

In my case, NEURONES was initially a client went I was working for a temping company. The Service Desk business recruited me as a Technical Account Manager: a very versatile operational management position. After eight wonderful years, I was ready to move on, so I applied for a transfer to a position where I was managing more experienced, IT engineer profiles as Account Delivery Manager.

Today I've cleared another milestone: I'm in charge of two key accounts, and I also act as HR contact for the business unit. It's my job to manage staff on breaks and help new recruits find their feet. We try to forge bonds and strengthen the feeling of belonging by facilitating exchanges. This is also one of the reasons I wanted to continue working in the group, while at the same time developing new skills. The subsidiaries are smaller companies where you know people better, there are short decision loops and the senior managers are very approachable.

" NEURONES is made up of smaller companies where you know people better, there are short decision loops and the senior managers are very approachable. "

In 10 years at NEURONES, I have held three complementary roles. I have a lot to learn yet, a lot of career opportunities to seize and possible bridges between the different job fields. It gives me exciting prospects for the years to come...



ALEXANDER,
Managing Director, Germany (User support)
With NEURONES since 2015

When I first began talking to NEURONES about setting up the business in Germany, I must say I thought it was quite a bold move: the German market is said to be very mature and difficult to break into. What made up my mind was the high quality of the service desk and the innovative approaches used. It was an effective "angle of attack" for German companies.

Using the two ongoing projects as a springboard, we managed to open new accounts. The Consulting business helped us get a foot in the door: we offered companies guidance and support with optimizing their service desk. These assignments enabled us to build a reputation, then win bigger contracts. After three and a half years in business, the subsidiary has a staff of 100: a remarkable achievement in such a short time on the German market.

" What I like about NEURONES is its business dynamics and its patience! "

This success is largely due to NEURONES' business dynamics. Whereas French companies tend to micro-control their foreign subsidiaries, NEURONES leaves them considerable latitude. This is essential for adjusting to the specific features of the local market and guiding our development accordingly. The other key asset is patience. Our shareholder's solid financial position meant we had enough time to get our bearings. The success we are enjoying now confirms that this was the right tack!

ISABELLE,

Payroll Manager (Group)

With NEURONES since 2003

Before joining NEURONES 15 years ago, I worked for a number of companies, some small, some large groups. What's different here, and which I really appreciate, is that senior management is close to the teams and trusts them to evolve and grow.

My career path in the group has led me to work in several entities, with bigger and bigger workforces, first as payroll administrator, then as payroll manager. It's a great work environment, working with agile companies where you can always learn, broaden your scope and take up new challenges. Today I play a lead role for the payroll teams of all of the subsidiaries. I'm responsible for keeping the company up to date with changes in employment law and incorporating new regulations into the shared tool. With a team of three staff, we also handle payroll for the smallest entities. It's a role that is constantly evolving, where you have to continually adjust to changes in labor law and be quick to respond and find innovative solutions.

> "At NEURONES, every form of achievement is possible!"

I see it all around me: if you're committed and love your job, you have a free rein to develop and to try out new ideas. The best employees can even develop new businesses, set up new business units and even independent subsidiaries. At NEURONES, every form of achievement is possible!

CHRISTOPHE,

Associate Manager (SAP integration and outsourcing)

With NEURONES since 2011

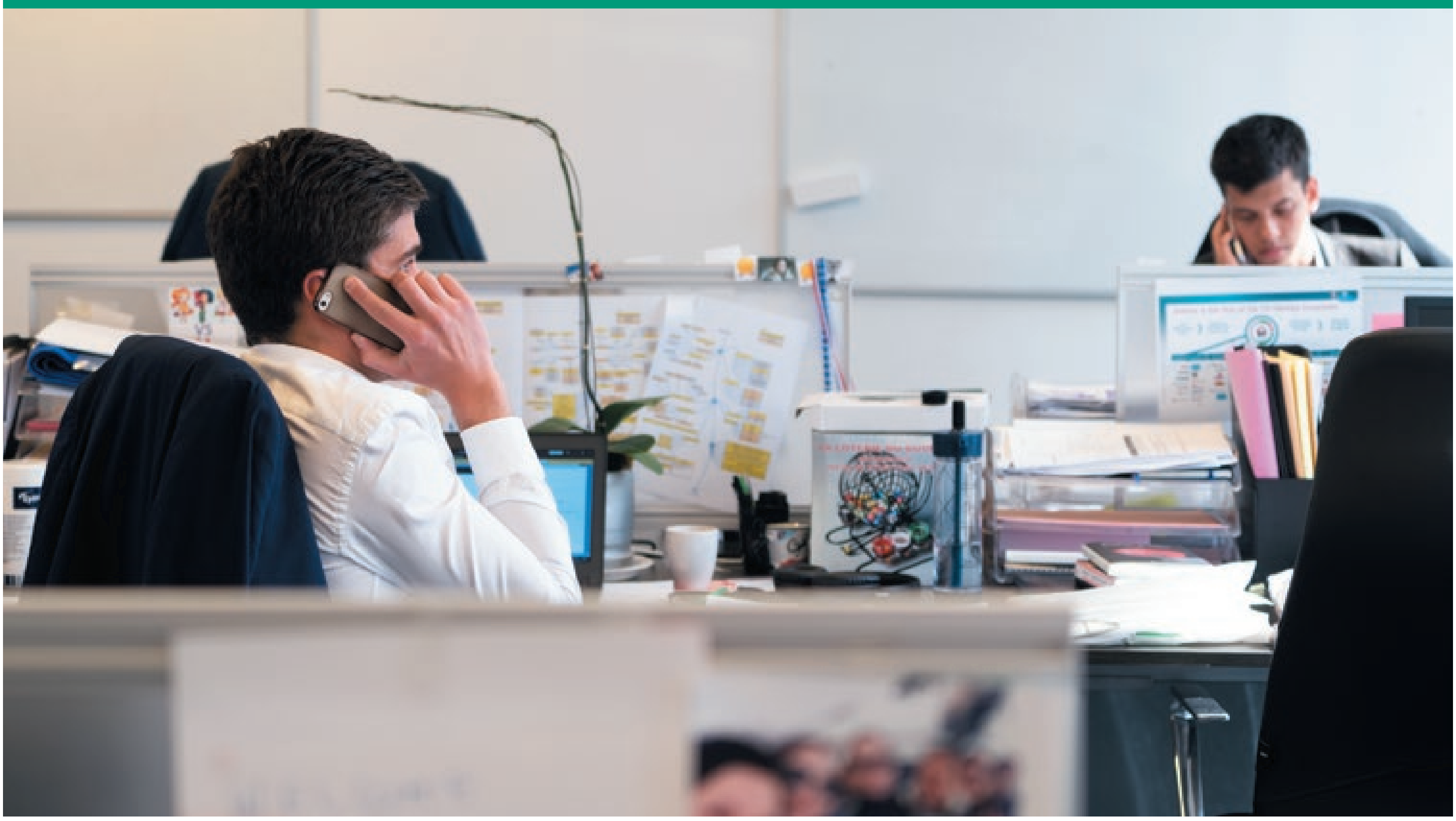
My career path is, first and foremost, a reflection of NEURONES' attitude, which places human factors at the center of its concerns. More specifically, this consists in spotting talents and making sure they are allowed to bloom. The group's agility means that it adjusts the organization to the people, not the other way around. After being recruited as a project manager, I gradually became interested in taking on pre-sales responsibilities and getting involved in managerial functions. I became a partner in 2014.

> "NEURONES' agility lies in its ability to adjust the organization to the people, not the opposite."

At the time, the company was considering setting up a regional base and I seized the opportunity to lead the project to open a branch office in Angers. After starting out with two employees, today there are just over 20. To ease growth and get around recruitment difficulties, it was decided to take on recent graduates and train our own staff.

The branch office is developing two business lines at once. The first is to provide affordable "green shore" support for SAP projects in Paris, either by bolstering existing teams or taking on the back-office tasks. Our second role is to develop SAP operations on the western France market. Companies in the region are very keen on working with stakeholders based in their area. Proximity is a strong argument, as is the group's governance, made up of small, expert structures capable of tackling large projects.

ANNUAL FINANCIAL REPORT 2018



1 Group businesses

1.1. GENERAL PRESENTATION

Identity and background

With nearly 5,000 employees and revenues of €490 million for FY 2018, NEURONES is ranked among the top 15 IT Consulting & 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 of euros)	Capitalization (12/31/2018)**	2018 Worldwide Revenues
1	Capgemini	14,521	13,197
2	Atos	7,624	12,258
3	Alten	2,459	2,270
4	Altran	1,800	2,916
5	Sopra Steria	1,656	4,095
6	Akka Technologies	897	1,505
7	Econocom***	713	2,846
8	Devoteam	687	652
9	Wavestone	468	391*
10	NEURONES	459	490

* 12 months at 03/31/2019.
** Including technology consulting companies (Alten, Altran and Akka).
*** Listed in Brussels but generates 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 10% per year over the last ten years).

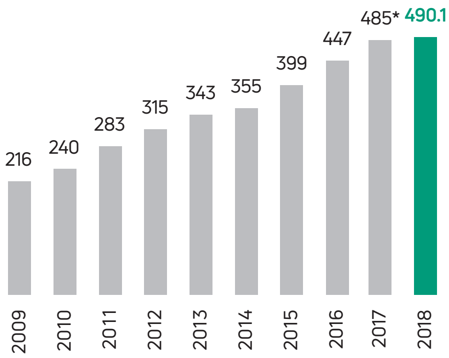
The Group was built by setting up dedicated subsidiaries for each core business, with their own unique technical know-how and using their own commercial brand. These companies' mission is to rapidly attain a significant size in their field so they can provide the best level of services at controlled fixed 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 its listing 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.

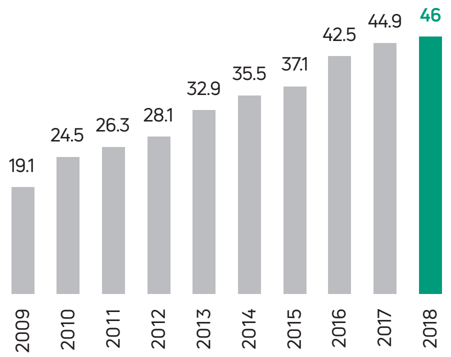
Key figures

REVENUES
(in millions of euros)



* restated for IFRS 15: €475.5 million in 2017, transfer net of € 18 million of revenues, effective in 2017 and 2018.

OPERATING PROFIT
(in millions of euros)



Trends in the key figures *(in millions of euros)*	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenues	216.4	239.6	283.3	315.4	343.2	355.2	399.4	446.8	485	490.1
Operating profit *	19.1	24.5	26.3	28.1	32.9	35.5	37.1	42.5	44.9	46
Operating profit	8.8%	10.2%	9.3%	8.9%	9.6%	10%	9.3%	9.5%	9.3%	9.4%
Net profit	12.8	14.9	17	17.2	21.4	23.6	24.5	29	31.6	29.6
Net margin	5.9%	6.2%	6%	5.4%	6.2%	6.6%	6.1%	6.5%	6.5%	6.1%
Net profit – Group share	11.3	13.2	14.8	14.9	18.6	20.5	21.3	25.2	27.3	26
Staff at year-end	2,665	3,036	3,471	3,704	4,065	4,082	4,580	5,044	5,028	5,160

* IFRS accounting standards. The Company Value Added Contribution (CVAE) – 1% of revenues – has been classified as a tax since 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 approximately 1.2% from 2014 to 2018. In 2018, IFRS 15 was applied for the first time (only the gross profit was recognized in revenues for purchases/resales of hardware and market software). The effect of applying this standard was a drop of about €9 million in revenues, with no impact on operating profit in euros.

1.2. BUSINESS OVERVIEW

NEURONES, active player in the digital transformation

With the arrival of the most recent technologies and their effective use by new “disruptive” players, sometimes having quickly reached world-scale size thanks to massive funding, digital has become a major investment consideration for companies and public organizations.

The digital transformation brings together business projects that use digital technology to design or rethink their services (innovation workshops), digitize the “customer journey” (mobile applications, UX/UI, “mobile first” sites, digital marketing), use connected devices and big data to make the best use of data (analytics, business intelligence) and, lastly, improve operational and support processes (e.g., BPM, ESB, dematerialization).

The digital transformation also has an important impact on IT departments. Now they can produce new digital applications faster and thus optimize the “time to market.” They have also set the objective of upgrading the versions of their new applications through tightly spaced iterations (small tight-knot teams, “Agile” methods). This quickly leads to:

- the use of new development tools,
- the implementation of DevOps “chains” so new versions can be released almost continuously,
- the widespread adoption of different forms of cloud computing (prerequisite).

Finally, Artificial Intelligence (AI) creates new hopes and prospects in Digital Services: “chatbots” for support processes, smart automatons to better anticipate security or IT operation incidents, etc.

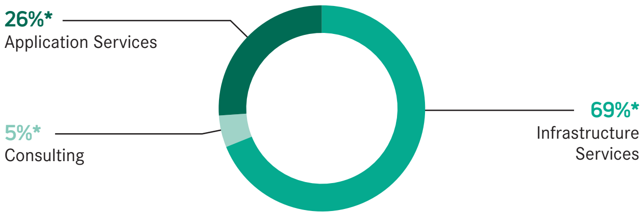
The digital transformation irrigates the majority of the Group’s core businesses, even if it is a delicate challenge to precisely define the perimeter of these activities, some of which have existed at NEURONES for some years. For example, the claims monitoring applications in the car insurance field (sending an SMS message to the mechanic, to the driver, managing the stages of the process, etc.) are typically highly digitized applications with multi-channel management. The cyber security and private cloud core businesses have also existed for a long time and have been accelerated by the digital transformation. Other activities are, however, more recent (connected devices, big data architectures, DevOps chains, chatbots, blockchain, etc.).

Concurrent with the new digital applications, major organizations have to keep managing substantial legacy applications that were developed over time and based on different technologies. Their IT department is forced to make a traditional organization (studies, integration, production) coexist with the organization adapted to digital, described above.

The Group’s activities, which eventually will be considered as 100% related to digital transformation, are detailed below, business by business.

Business segments

With the regular progression of Agile/DevOps and the Cloud, the frontier between application services and infrastructure management will be less pronounced in the future. In the medium and long-term, infrastructures will become increasingly automated (“infra as a code”). Thus some people argue that eventually 30% of the people managing infrastructures will be programmers (or encoders). Nevertheless, the breakdown of NEURONES’ revenues into three segments (Infrastructures/Applications/Consulting) remains the most relevant and, above all, has the merit of ensuring comparability between the different reporting periods:



* 2018-related revenues.

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

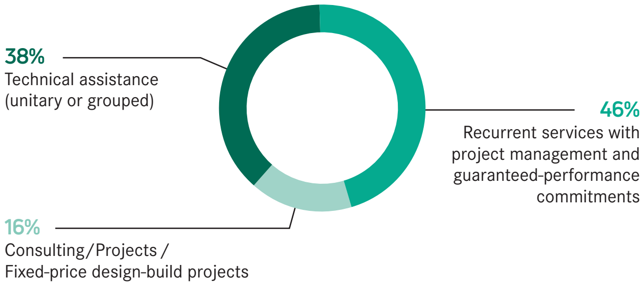
Change by business segment *(in millions of euros)*	**2014**		**2015**		**2016**		**2017**		**2018**	
	Revenues	**%**	**Revenues**	**%**	**Revenues**	**%**	**Revenues**	**%**	**Revenues**	**%**
Infrastructure Services	252.1	70%	282.1	70%	308.1	69%	330.7	68%	335.8	69%
Application Services	86	24%	95.1	24%	116.2	26%	126.7	26%	129.6	26%
Consulting	19.1	6%	22.2	6%	22.5	5%	27.6	6%	24.7	5%
TOTAL REVENUES	355.2	100%	399.4	100%	446.8	100%	485	100%	490.1	100%

Types of service, recurrence

The digital services businesses (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/recurrent services	Managed services, outsourcing, service desk, hosting, cloud computing, Cyber security (Soc, Cert, Threat Intelligence)	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,
- 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, audit the contract and 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 often longer: they can be renewed formally or by tacit renewal.

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

It has been agreed to consider all consulting work as 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 most 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		2017		2018	
	Staff	%	Staff	%	Staff	%	Staff	%	Staff	%
Ile-de-France	3,229	79%	3,431	75%	3,718	74%	3,678	73%	3,599	70%
Other French regions	630	15.5%	833	18%	905	18%	900	18%	1,005	19%
International	223	5.5%	316	7%	421	8%	450	9%	556	11%
TOTAL STAFF	4,082	100%	4,580	100%	5,044	100%	5,028	100%	5,160	100%

Outside France, at Monday, December 31, 2018, staff were distributed as follows: Tunisia (253 people), Romania (212 people), Singapore (40 people), Germany (35 people), India (8 people), Belgium (6 people) and Switzerland (2 people). 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.

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, veritable shareholder-entrepreneurs.

Segment	Core businesses
Infrastructure Services	• Management of infrastructures, private and public clouds, connected devices • User support • Hosting and services managed in the cloud (IaaS) • Cyber security • IT operations, DevOps • IT service management, information system governance, automation
Application Services	• SAP integration and outsourcing • Content management (ECM, EDM), business process management (BPM, RPA), paperless processes • IT consulting for the finance, big data and DevOps activities • IT and digital project management, analytics services • Mobile applications and infrastructure management • IT training and working with change
Consulting	• Management, organization and 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). The contributions for 2017 correspond to the published revenue (without IFRS 15), while the contributions for 2018 also correspond to the published revenue, but integrate IFRS 15.

Core businesses of the Infrastructure Services segment

Management of IT infrastructures, private and public clouds, connected devices

(in millions of euros)	2017	2018	18/17
REVENUES	78.5	66.5	- 15%*

* The drop in revenues is due in large part to the application of IFRS 15.

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 (tool chains), combining the previously separated development, test and production integration functions.

The design/build business involves 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 involves identifying the solutions 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,
- Software Defined Data Center (SDDC) architecture design,
- cloud support: identify solutions adapted to needs, application migrations and secure solutions,
- integrated networks: Software Defined Network (SDN),
- implement API so infrastructures can be provisioned in one click,
- 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.),
- end-to-end supervision (application performances, systems, networks),
- implement container-based solutions,
- 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 choice of migrating is made after a detailed study of the legacy applications: eligibility application-by-application and need to rebuild certain applications in native cloud mode. The infrastructures entity constantly updates its private clouds, which it manages, operates and administers.

For comprehensive projects, it may provide software (system, security, email, backup, etc.) and hardware (servers, storage, network equipment, etc.). This part of the activity related directly to the resale of solutions is small.

Different procedures are used for the recurrent management of infrastructures: stand-alone technical support (unitary or grouped), complete operation including project management and service level agreements. The services are carried out either on client sites or remotely, from the Group's service centers or in mixed mode, on site and remotely. The technical scope of service is typically as follows: servers, storage, networks, technical software layers (operating systems, databases, middleware, messaging services, directories, etc.), security equipment, workstations, mobile telephony and connected devices (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.

The IoT (connected devices) activities have been consolidated in the specialized Visian® department (destined to be transferred to a subsidiary): innovation assistance, sensor selection, data collection platform, data view and use.

Likewise, the teams working on public clouds have been grouped together in the ScaleSquad® line of services to increase efficiency in this fast-growing market.

Businesses linked to digital transformation:
- connected devices (consulting, implementation, use of collected data),
- DevOps: infrastructure services and tools,
- private and public Cloud.

User support

(in millions of euros)	2017	2018	18/17
REVENUES	139.1	145.4	+ 5%

Today, the future of businesses is closely tied to the success of their digital transformation. Consequently, supporting all employees in the proper business use of their digital tools has become a key factor of success.

Thus the user support activity provides support services end-to-end:
- service desk,
- applications support and functional assistance,
- local support,
- workstation engineering,
- workstation logistics and deployment,
- support for the transformation of business processes.

The expertise deployed makes it possible to provide all employees with precise assistance, irrespective of their occupation and position. Whether it is their smartphone, laptop or tablet, the service is provided along the entire digital chain without interruption.

It provides a responsive (short lead-times for handling and responding to requests) and efficient (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 9 interconnected service centers and half on the client site. The support covers users in a dozen European countries.

These centers are equipped with the latest communication technologies. They let users access the service from any channel: telephone, email, sms, interactive chat, chatbot, voicebot, multi-services digital space (myConnectedLounge®), self-service platform, etc. from any terminal, at any time (24/7) and with a choice of more than 25 languages.

Knowledge and best practices are necessarily capitalized quickly to ensure the service is optimized. In addition, proven ITIL practices have been used to set up consistent processes.

Continuous improvement plans, designed to reduce the number of calls on the service desk, are implemented based on the client context: self-help solutions, chatbots and RPA (Robotic Process Automation) tools using increasingly intelligent pre-configured decision trees (typical application of Artificial Intelligence).

Furthermore, the improvement plans are based on twenty-five years of experience and feedback, with concrete, significant gains. The number of tickets has been routinely cut by 20% to 25% over 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.

Finally, in the face of ever higher levels of expectation, it is essential to remain innovative by placing the employee at the center of the innovations. Thus the Centers of Excellence were established:
- myConnectedAssistant: specific support for members of Executive Committees & Top Management,
- iXpert: specialized service for the entire Apple® ecosystem,
- myConnectedLounge®: first patented multi-service digital space for companies that lets them support new employees and deploy new solutions in less than 2 square meters,
- myConnectedSatisfaction: real time management of user satisfaction.

In order to increase its capacity to resolve technical uncertainties and support clients during the transformation of IT infrastructures towards cloud-based systems and virtualization, the user support provides a line of services 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 service (Seequalis®) to improve the "client journey" and increase loyalty.

Businesses linked to digital transformation:
- use innovation (chatbot, voicebot, artificial intelligence),
- functional assistance on core business processes,
- support for interactive terminals.

Hosting and services managed in the cloud (IaaS)

(in millions of euros)	2017	2018	18/17
REVENUES	37.2	38.4	+ 3%

The infrastructure line of services including infrastructure hosting, now entirely in private cloud mode (Cloud Temple®), continues to grow. 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.). This private cloud service represents a volume of 15,000 virtual servers (VM), including VDI (see glossary at end of document).

The Group owns virtually all of the private cloud hardware and software ("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, all servers are now hosted within five "Tier 3+" certified partners in ten or so different data centers. 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 Tunisia's top private economic player, this entity rolled out and runs a data center in private cloud computing mode in Tunis.

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.

To meet the needs of its clients (DevOps, automatic provisioning, containers, etc.), the service also includes SaaS, public cloud and hybrid cloud solutions.

The server and application operation center provides shared remote management of servers, networks and applications. In it the Group teams: handle alert reports transmitted by supervision tools (reactive mode), take preventive action (proactive mode), perform tasks planned using a scheduler and 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.

Businesses linked to digital transformation:
- private, public and hybrid cloud.

Cyber security

(in millions of euros)	2017	2018	18/17
REVENUES	6.7	9.4	+ 40%

The demand for cyber security is clearly sustained and long-term. 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, the widespread practice of remote access from portable computers or devices (staff who work off site or from home, etc.) and interconnections with industrial systems and connected devices. The size of the demand generates strong pressures on the expertise resources of these businesses.

PASSI approved by ANSI (PRIS and PDIS underway), the Group's cyber security activity performs additional assignments:
- assessment: audits and intrusion testing,
- consulting: providing overall security support, defining policies, building awareness, compliance
- implementing solutions,
- managed services: SOC (Security Operations Center), CERT and Threat Intelligence.

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

IT operations, DevOps

(in millions of euros)	2017	2018	18/17
REVENUES	54.3	56.9	+ 5%

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 calls on different types of profile: operators, operations analysts (support, operation and 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 (Patrol) tools 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.

Some operations teams implement DevOps tool chains (e.g., Git, Jenkins, Nexus, XL Deploy, etc.), other profiles are integrated in mixed teams ("pizza teams") blending Dev and Ops profiles, working in DevOps mode, so new versions of applications can be released almost continuously. Often, these teams provision the middleware resources themselves and even the hardware (data, servers) they need. Usually, only one part of the legacy applications is eligible for the cloud and DevOps.

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

Businesses linked to digital transformation:

- DevOps: supply of infrastructure services and tools.

IT Service Management, information system governance, automation

(in millions of euros)	2017	2018	18/17
REVENUES	14.9	19.2	+ 29%

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 their quality and user satisfaction with the information system.

There are various types of assignments:
- consulting: defining organization and setting up ITIL processes, benchmarking,
- providing assistance to contracting authorities: defining projects, drafting specifications, managing change,
- operational IT process management and IT project management,
- implementing ITSM software solutions and managing project portfolios (partnerships with ServiceNow, HP Software, EasyVista and others),
- Third-Party Application Maintenance, either on client premises or provided through the Group's shared service center.

The line of services was recently enriched in the following complementary domains:
- applications life cycle management (ALM): set up availability, performance and load testing tools for applications (HP Load Runner, etc.),
- IT operations management (ITOM): set up provisioning orchestration and automation tools for IT operations.
- certificate training courses for ITIL (EXIN accreditation).

Service centers for the infrastructures segment

- 1 remote workstation management platform: mastering, packaging, remote software distribution,
- 7 remote operation centers for servers and applications
- 10 hosting centers: two internal centers in Nanterre and Lyon as well as spaces reserved with four "Tier 3+" third-party hosters in eight different centers,
- 6 service desks in Nanterre, Angers, Lille, Nantes, Tunis and Timisoara.

Core businesses of the Application Services segment

SAP integration and outsourcing

(in millions of euros)	2017	2018	18/17
REVENUES	43.9	43.4	- 1%

The Group's SAP activities can be broken down as follows:
- integration: functional design and then installation and deployment of new modules or versions, especially SAP S/4 HANA,
- 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 (Basis Components) 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 assignments:
- split-up or merger of SAP systems (data conversion),
- country roll-out: a core model is rolled out in different European countries,
- set up latest generation SAP user interfaces (Fiori, etc.), porting SAP screens on laptops and tablets,
- SAP Utilities module ("IS-U" Industry-Specific Solution for the Utilities Industry),
- management of licenses with Optiuse® ("in-house tool" for measuring licenses actually used).

Content management (ECM, EDM), business process management (BPM, RPA) and paperless processes

(in millions of euros)	2017	2018	18/17
REVENUES	26.3	29.6	+ 13%

Enterprise Content Management (ECM) uses unstructured information in electronic form (letters, contracts, invoices, emails, miscellaneous electronic documents, photos, films, etc.), as opposed to information stored in databases.

It concerns all management and formatting of the mass 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. Robotic Process Automation (RPA) refers to the automation of routine tasks through the integration of software robots, which perform the tasks automatically. These tasks include inputting transactions and managing automated assistants.

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 sizable market segment, on a par with ERP (Enterprise Resource Planning), CRM (Customer Relationship Management) and SCM (Supply Chain Management) applications.

Businesses linked to digital transformation:

- complex applications that use several modules,
- different applications (website, SAP, send and receive SMS, paperless processes, etc.) and multichannel management,
- distribution applications for text, audio and video content.

IT consulting for the finance, big data and DevOps activities

(in millions of euros)	2017	2018	18/17
REVENUES	33.1	35.8	+ 8%

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 project ownership assistance, 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.

Some of its teams control the tools and development in DevOps mode.

This entity invested in a startup creating a software program for the finance sector (risk management and real-time transaction analysis) based on big data technologies. In September 2018, this vendor raised €3 million from a specialized venture capital fund. After this operation, the "market finance" entity holds a stake on the order of 10% of this vendor's capital.

Businesses linked to digital transformation:

- roll-out of big data architectures (Hadoop, Hbase),
- data scientist services,
- DevOps.

IT and digital project management, analytics services

(in millions of euros)	2017	2018	18/17
REVENUES	4.6	5.2	+ 13%

With the Chief Digital Officers (CDO) of corporate accounts as contacts, this firm helps corporations define and implement their digital strategy:

- management of Web & Mobile projects subject to requirements of high visibility, big volumes and high availability: study of user practices and patterns (UX/UI), project design and then implementation,
- digital marketing and CRM: implementation of solutions to improve client knowledge (CRM),
- data analysis (Analytics): measure website performance (tag management, behavioral data analysis, A/B testing methods, etc.), roll-out new decision-making architectures for structured or unstructured corporate data (data analysts, data scientists), formalize dashboards based on data visualization solutions.

Businesses linked to digital transformation:

- all activities set out above.

Mobile applications and infrastructure management

(in millions of euros)	2017	2018	18/17
REVENUES	3.8	6.2	+ 63%

Using agile methods and a shared development platform, this entity works in the following fields of expertise:

- applications design (Product Owners, Scrum Masters, UX/UI services, mobile security),
- development and TPAM for mobile applications predominantly from a Service Center (Nantes),
- development of applications for connected devices (IoT) included in the Group's IoT line of services,
- management of mobile infrastructures (MDM – Mobile Device Management) based on Airwatch, Intune, LookOut, Okta and other solutions.

Businesses linked to digital transformation:

- all activities set out above.

IT training and change management

(in millions of euros)	2017	2018	18/17
REVENUES	9.1	9.4	+ 3%

This business encompasses consulting on the organization of training plans (educational engineering, management of training plans and courses, communication plans), the actual delivery of training (traditional training sessions, e-learning, Mooc, quick-learning, long curriculum, reconversion actions including POE and CQP, etc.), the design and then management of "IT stores" or "IT counters" on client premises, and finally support and assistance when rolling out office or business applications 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. The entity has a digital studio to produce educational tools. These tools are disseminated through LMS (Learning Management Systems) platforms.

Service centers for the applications segment

- 5 service centers for application support and TPAM in Nanterre, Levallois, Angers, Nantes and Orléans..

Consulting business segment

Management, organization and digital transformation consulting

(in millions of euros)	2017	2018	18/17
REVENUES	20.9	22.4	+ 7%

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

Digital marketing consulting

(in millions of euros)	2017	2018	18/17
REVENUES	2.5	2.3	- 8%

With scoping or operational type interventions, this activity covers the following fields of expertise:
- coordinating innovation workshops,
- managing marketing data on DMP (Data Management Platforms) and managing cookies and their historization, with tools 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, Optimzly, etc.),
- omni-channel models 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,
- omni-channel (Abode Campaign and Next Best Action tools),
- sales outlets connected with sensors.

Businesses 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 (EBIT) was as follows:

Operating profit *(in millions of euros)*	2016		2017		2018	
	EBIT	EBIT/ Revenues	EBIT	EBIT/ revenues	EBIT	EBIT/ revenues
Infrastructure Services	26.4	8.6%	27.1	8.2%	29.5	8.8%
Application Services	13.1	11.2%	14.1	11.1%	13.3	10.3%
Management Consulting	3	13.6%	3.7	13.3%	3.2	12.8%
TOTAL	42.5	9.5%	44.9	9.3%	46	9.4%

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 (more than 90%) and managed services (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.

However, in managed services and TPAM where the billing is based on the completed activity units, 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 specification policy

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 Advanced Partner - CA - Cisco Select Partner - Citrix Gold Partner - Centreon Gold Partner - Datadog - Dynatrace - ExtraHop - F5 – Fortinet – IPlabel Gold Partner – Ivanti – Microsoft Gold Partner – NetApp - Newrelic Reseller – Nutanix - Oracle Gold Partner – OVH Partner – RedHat Premier

Partner – Riverbed – Rubrik - Simplivity – Velostrata Platinum Partner – Vmware (Enterprise, Vcloud Air Network) – Zerto.

Managed services for servers and applications in cloud computing mode, IT security:

Arjel - Carbon Black – Checkmarks - Checkpoint - Cisco – Fortinet Platinum Partner - IBM Global Partner World Service Provider - Imperva Silver Partner - Juniper - Microsoft Gold Partner Hosting - Microsoft Silver Cloud Platform - Oracle Gold Partner - Passi - Splunk Premier - Stormshield Silver Partner - Varonis - VMware: Service Provider Program, vCloud Air Network Service Provider, vCloud Powered - Qualys Value Added Services Program - Zimbra Gold Partner.

Big Data:

Amazon Web Services - Cloudera – Confluent – Data Artisans - Docker - HortonWorks - Scaled Risk.

Connected devices:

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

Service desk/Telephony/CTI:

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

ERP, CRM, BPM, EDM, RPA:

SAP Gold - SAP Partner Center Of Expertise - SAP REx Hana - Alfresco Strategic Partner - Automation Anywhere - BonitaSoft Open Solutions – Blueprism - Confluent - Contextor Docusign Partner – Denodo - Dictao - DocuSign Partner - EMC Captiva Partner - Ephesoft Partner - IBM Partner Analytics & Social (CMOD, Datacap Insight, ECM FileNet) - IBM Tririga - Kofax Platinum Partner – OpenText - Power BI - Readsoft - Tableau software - Tibco Software - UiPath - YouSign.

Mobility:

Apperian - LookOut - VMware AirWatch – Okta.

Training:

Ato Prince2 - AutoDesk Training Center - Datadock - Cisco – Citrix – ITIL Authorized Training Center & Authorized Certification Center (Peoplecert by Axelos) - Microsoft Partner Gold Learning - Microsoft Partner Silver Devices & Deployment - OPQF – PECB Platinum - SAP End-User Education - SAP Partner – TOSA (Centre de test) – 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 fiscal year, as in previous years, the number one client is a major group whose many decision centers and subsidiaries order services independently of each other and from different Group entities.

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

In 2018, the top 20 clients were (in alphabetical order): Accor, Auchan, Axa, Banque de France, BNP-Paribas, Bouygues, BPCE, Carrefour, Chanel, Conseil Départemental des Hauts-de-Seine, Crédit Agricole, EDF, Engie, Fromageries Bel, Groupe Avril, 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 of euros)*	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Top 20 clients										
• In value	109.3	128.9	160.6	174	198.7	211.4	225.6	260.5	285.7	294.8
• As % of consolidated revenues	50.5%	53.8%	56.7%	55.2%	57.9%	59.5%	56.5%	58.3%	58.9%	60.1%
Top 10 clients										
• In value	77.7	96.3	119.3	129.1	147.6	161.8	175	206.4	224.1	235.67
• As % of consolidated revenues	35.9%	40.2%	42.1%	40.9%	43.0%	45.6%	43.8%	46.2%	46.2%	48.1%
Top 5 clients										
• In value	55.4	70	86.4	89.3	102.3	116.6	127.2	146.1	161	169.8
• As % of consolidated revenues	25.6%	29.2%	30.5%	28.3%	29.8%	32.8%	31.8%	32.7%	33.2%	34.6%
Share of the no. 1 client										
• In value	19.9	25.9	30.8	30.6	31.9	34.4	37.6	42	40.7	48
• As % of consolidated revenues	9.2%	10.8%	10.9%	9.7%	9.3%	9.7%	9.4%	9.4%	8.4%	9.8%

At December 31, 2018, client receivables represented 98 days of revenue. They were up regularly, especially due to the increase in unbilled revenue:

	2014	2015	2016	2017	2018
Trade receivables	86 d	86 d	90 d	94 d	98 d
of which unbilled revenue	13 d	16 d	16 d	19 d	22 d

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

Subcontracting

Upstream subcontracting

A small portion of the revenues (roughly 2.1% in 2018) is generated by acting as a subcontractor for a manufacturer, vendor or fellow company.

Downstream subcontracting

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 assignments may be (notably outside of the Paris region and abroad). Subcontracting covers varied realities: hosting companies and technical services for private and public clouds, expertise, regular or occasional operations with fellow or independent companies. The amount of subcontracting purchases, in proportion to the Group's revenues, is growing primarily due to an increasing desire of consultants and IT technicians for the independent or freelance status and recruitment pressures:

2014	2015	2016	2017	2018
15.6%	17.2%	19.3%	20.7%	22%

The rate of subcontracting exceeds 25% in the following activities: training, IT operations, market finance and SAP.

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

The software and IT services market is thought to represent revenues on the order of €56.3 billion, making it twice as large as the pharmaceutical industry in terms of revenues. It can be broken down into three subsectors as follows:

Size of the French market *(in € billions)*	2018	%
IT consulting and services	34.1	61%
Technology consulting	9.6	17%
Software publishing	12.6	22%
TOTAL	56.3	100%

Source: Syntec Numérique & IDC.

The sector is thought to represent 2.5% of the salaried employment, representing in employees a market twice as large as the aeronautical and aerospace sector. There are around 725,000 salaried IT technicians in France (excluding approximately 55,000 freelancers) divided roughly as follows:
- two thirds, or 475,000 in DSC (SSII), the technology consulting sector and the software industry, and
- one third would be employees at end clients.

Since 1999, the compound annual growth rate of investments in IT services is reported to be 2.5 to 3 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 3.3% in 2018 (estimate of December 2018). The growth forecast for 2019 is slightly lower:

Change in the French market	2014	2015	2016	2017	2018(e)	2019(e)
IT consulting and services	+ 1.0%	+ 2.0%	+ 2.7%	+ 3.2%	+ 3.3%	+ 3%
Technology consulting	- 1.5%	+ 1.6%	+ 3%	+ 5%	+ 5.5%	+5.2%
Software publishing	+ 1.8%	+ 3.4%	+ 3.4%	+ 5.2%	+ 5.3%	+5.1%
WEIGHTED AVERAGE	+ 0.9%	+ 2.2%	+ 2.9%	+ 3.9%	+ 4.1%	+ 3.9%

Source: Syntec Numérique – December 2018.

Growth in the sector is supported by projects related to digital transformation, grouped under the term "SMACS" (Social, Mobility, Analytics, Cloud, Security), which would represent 90% of the growth (approximately 15% growth per year for the SMACS"). In 2018, it would account for 24.5% of the software and services market. In 2019, due to their higher growth rate, the proportion of "SMACS" should grow at approximately 28.5%.

The "SMACS" acronym 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),
- Analytics and big data,
- Cloud computing: streamlining and modernization of infrastructures (public and private cloud computing, hybrid cloud, DevOps chains, containers, etc.),
- Security: strengthening security as IT systems become increasingly open.

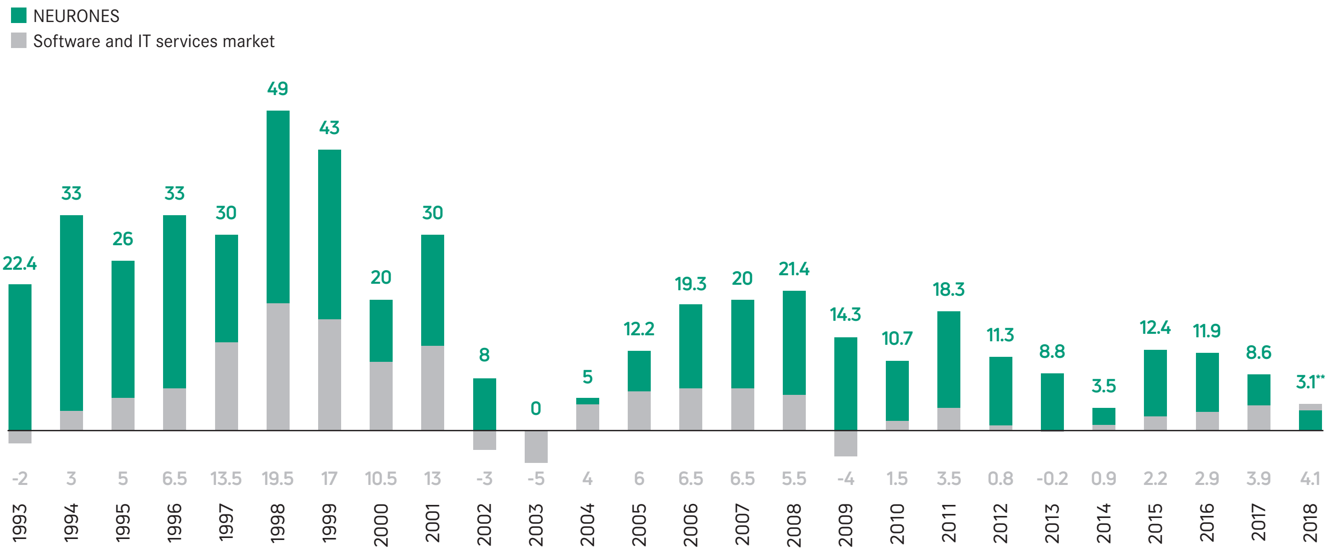
Regulatory compliance projects, especially the General Data Protection Regulations (GDPR), would constitute another growth factor. They generated € 1 billion of IT Consulting and Services expenditures in 2018.

The investments in Artificial Intelligence amounted to € 186 million in 2018 versus € 125 million in 2017 (source IDC Syntec).

Recruitment needs are increasing and growth is restrained by the difficulties in finding the appropriate skills. At the beginning of 2018, 81% of the sector's companies said they had difficulties recruiting and securing employee loyalty (versus 61% in mid-2017).

The weight of offshore is still estimated at 8 to 9% of the French market for digital services.

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



* Source: Syntec Numérique.
** Total growth of 3.1% on a comparable scope (IFRS 15) and 5% organic growth.

Competition

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

	Revenues of main digital services companies/ SSII in France*	French market share** (approximate share)	Nationality
1	Capgemini	7.7%	France
2	Atos	5.6%	France
3	Sopra Steria	5.3%	France
4	IBM	5%	United States
5	Accenture	3.8%	United States
6	Orange Business Services	3.8%	France
7	CGI	3.1%	Canada
8	HP DXC Technology	2.7%	United States
9	GFI	2.3%	France
10	Econocom	2.2%	Belgium
11	NEURONES	1.5%	France
	Total top 11	42.8%	

* Excluding technology consulting companies: Altran, Alten, Akka Technologies, Assystem.
** Sources: 2017 revenues in France according to PAC (2018 figures unavailable when this report was prepared), market in France estimated at €33 billion in 2017 and €34.1 billion in 2018 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, in each of its business lines, up against different competitors of varying sizes rather than overall competitors.

Infrastructures management, IT operations, hosting and outsourcing in cloud mode (IaaS)

This is a highly fragmented market made up of departments of some larger digital service companies and dedicated companies of various sizes. With the arrival of DevOps and the widespread use of the cloud, the digital services companies are adapting their skills to this new reality.

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 players focused on providing support to the public cloud (Amazon Web Services, Microsoft Azure, etc.) are growing.

User support

The Group's specialized entity is the leader in its market. Its main competitors are outsourcers' support centers and medium-size fellow companies.

Cyber security

The IT security specialists are small companies (about 30), departments of large digital services companies, "captives" of industrial groups (Thalès, Airbus, etc.) or even auditing firms.

SAP Integration and Outsourcing, ECM/BPM/EDM

The competitors here are either small or medium-sized specialized services companies or specialized departments of large digital services companies.

IT consulting for finance

The challengers in this business tend to be mid-size specialized services companies.

Big data, data analysis, mobile applications, digital projects

The major digital services 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. 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 two and three hundred).

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,
- client relations management for select 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: 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,
- 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:

2014	2015	2016	2017	2018
89.8%	89.8%	89.9%	88.9%	89%

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 set up, and 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 there is 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 uses its collaborative tools to manage its technical knowledge.

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 is structured around two processes:
- establishing forecasts: annual budget in November of year N-1, sometimes followed by another forecast in September of year N,
- performance monitoring: 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 60% 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. The entity dedicated to hosting and managed services in the cloud is certified ISO 27001.

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

1.6. DEVELOPMENT AND INVESTMENT STRATEGY

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 particular 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 services companies. NEURONES' organization into autonomous profit centers, with their own operating statements and resources, has accustomed it to dealing with shareholder-entrepreneurs. The Group makes available its tools, structure, databases and dense sales network. It respects the personality of entrepreneurs and its teams and recognizes the distinctive attributes of those who join the Group;
- play an active role in the slow but steady concentration of the sector. The main criteria for partnerships are as follows:
  - growing and profitable companies (or subsets of companies),
  - management has a proven track record,
  - operations increase earnings per share;
- take advantage of the major trend towards outsourcing digital 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, primarily to satisfy clients' requests, the proportion of the business generated in French regions and outside France is becoming significant (19% of staff in regions outside of Paris and 11% of staff outside France).

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 2018, the eligible research programs generated Research Tax Credits (RTC) of € 1 million:

(in millions of euros)	2014	2015	2016	2017	2018
Research Tax Credit	0.5	0.9	1.2	1.6	1

Financial investments

Over the 18 fiscal years since it was listed on the stock exchange in May 2000, the Group has made a number of acquisitions, 11 of which were of a significant size, for a total disbursement of €74.8 million at December 31, 2018 (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 (€230.3 million).

Cash flow statement* *(in millions of euros)*	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	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	31.6	29.6	282.3
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	9.6	8.7	81.3
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	41.2	38.3	363.6
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)	(15)	(5.6)	(59.9)
Net capital expenditures	(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)	(8.9)	(6.9)	(73.4)
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	17.3	25.8	230.3
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)	(7.5)	(3.4)	(74.8)
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	6.5	0.8	44.9
Dividend and 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)	(3.1)	(2.7)	(29)
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	+13.2	+20.5	+171.4
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	154.1	174.6	-

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

Net capital expenditures

In 2018 "capital" expenditures amounted to €8.9 million. They primarily concern computer hardware and software (especially for 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 (34,200 m^2 at December 31, 2018) from external owners who have no connection whatsoever with shareholders in NEURONES or its subsidiaries.

1.7. RECENT DEVELOPMENTS AND OUTLOOK

Quarterly growth and operating profit

(in millions of euros)	T1	T2	T3	T4	2018
2018 revenues	124.1	119	116.9	130.1	490.1
Growth on a comparable scope (IFRS 15*)	+ 1.9%	+ 1.4%	+ 4.1%	+ 4.8%	+ 3.1%
Organic growth**	+ 5.8%	+ 4.3%	+ 5.2%	+ 4.6%	+ 5%
Operating profit	8.2%	8.8%	9.7%	10.8%	9.4%

* IFRS 15 was applied for the first time in 2018.
** in 2017, the Group made a net transfer of € 18 million of revenues, effective in 2017 and 2018, hence organic growth greater than total growth in 2018.

2019 Forecasts

When it met with financial analysts on March 14, 2018, NEURONES stated that the Group:
- noted that growth in 2018 was based more on subcontracting than on increased staff,
- had nevertheless increased its staff slightly in 2018 (+2.6% between the beginning and end of 2018),
- consequently benefitted at the end of 2018 from “embedded” growth,
- had experienced even tighter recruiting conditions in 2018,

Factors potentially affecting the market and the Company in 2019 were also reported.

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

Unfavorable factors:
- extremely tight recruitment
- 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 2019 will be announced, as usual, when it posts its 1st quarter revenues (May 9, 2019).

Provisional calendar of financial events

Shareholders’ Meeting:
- Thursday, June 6, 2019.

Revenue announcements*:
- Wednesday, May 15, 2019 (Q1 2019),
- Thursday, August 1, 2019 (HY1 2019),
- Wednesday, November 6, 2019 (Q3 2019).

Profit announcements*:
- Wednesday, September 11, 2019 (HY1 2019),

* at the close of trading.

2 Statement of non-financial performance (CSER report)

2.1. BUSINESS MODEL

A client's expectations vis-à-vis a DSC are primarily:

- mastery of the latest technologies and a range of consulting to enlighten its investment choices (return on investment evaluation and choice of timing). Currently, the demand is especially strong in the following technologies: Agile methods (Project Owners, Scrum Masters), DevOps in general (including tools), all forms of the Cloud, Big Data and Analytics, infrastructure automation, mobile applications, UX/UI design, IoT, Cyber security;
- the operational availability of resources trained in the most recent and stable tools;
- the ability to produce managed services with a guaranteed-performance commitment and to have a size proportional to the undertakings.

At the top of the cycle, clients, like service providers, encounter substantial problems to ensure the stability of project teams. At the bottom of the cycle, they are more inclined to entrust broad scopes to digital services companies (DSC) as part of contracts with contractual commitments to service levels.

Among the current trends, we note the boom in telecommuting and the success of freelancing with IT specialists.

A DSC devotes as much energy working on its ability to attract and retain its employees (its No. 1 asset) as it does with clients.

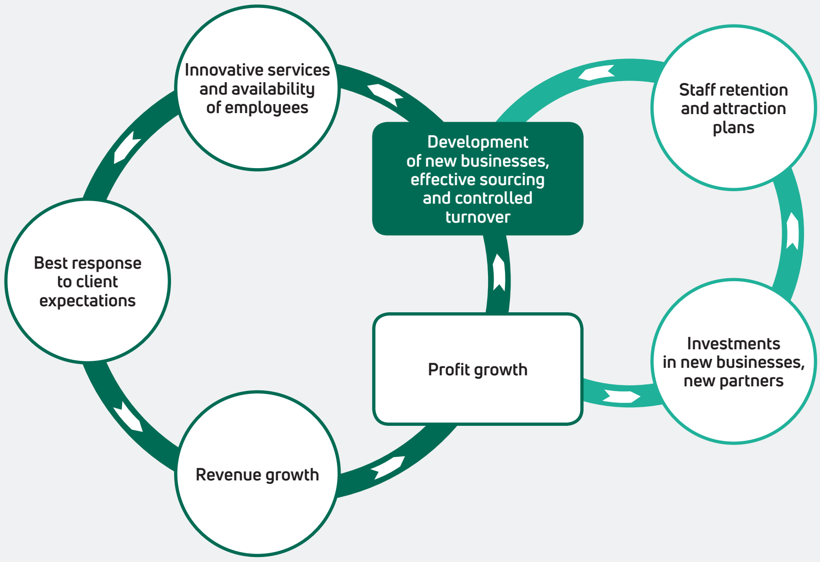
This is the case for NEURONES, which, given its organization into business units with bosses who have a stake in the capital, also has the particularity of constantly searching for new entrepreneurs who will provide its long-term growth (through mergers, spin-offs or starting new structures). NEURONES' value creation is illustrated by the graph on the next page.

The details of the Group's different core businesses are described in part "1.3 Activity - Core businesses in detail" of this report.

NEURONES' business model can be diagrammed as follows:

Resources	Strategy	Value creation
Human capital • 5,200 employees in 7 countries • 10,800 training days annually • More than 30 shareholder-directors • Subcontractors including independents: 1,250 people, full-time equivalents **Line of services capital** • 26% of revenues on innovative services related to digital (SMACS, etc.) • Equilibrium between recurrent services with commitments (46%), projects (16%) and simple technical assistance (38%) • Satisfactory distribution between very specialized niche services and generalist services **Organizational capital** • Service centers • Managed services contract management teams • Prepurchase service, internal audit teams, General Data Protection Regulations, Quality **Financial capital** • Shareholders' equity at end of 2018: €296 million • Net cash and cash equivalents at end of 2018: € 175 million • Group management holds a majority shareholding	• Act to develop employees' loyalty and increase the Group's attractiveness to applicants (turnover restrains growth) • Work with new shareholder entrepreneurs who, if possible, join the Group with their company • Continue, through acquisitions or spin-offs, to invest in new innovative services • Maintain a diversified portfolio of services to resist the economic uncertainties • Expand by extending geographical coverage • Increase the size of projects	**Human capital** • Net creation of 145 jobs in 2018, excluding acquisitions • "Great Place to Work" consulting firm • History of participation in the share capital **Line of services capital** • Launch in 2017 of the Public Cloud service • Minority participation in a Big Data startup in finance **Organizational capital** • €6.9 million of capital expenditures (Capex) in 2018 for private Clouds and service centers **Financial capital** • Operating profit: 9.4% of revenues • 95% of profits placed in reserves

NEURONES' value creation model can be illustrated as follows:



2.2. MAIN CSER RISKS IDENTIFIED

The analysis of CSER risks was developed based on NEURONES' risk map and with the same calculation method (impact in case a risk occurs and probability of occurrence). The Board of Director reviews this document annually, generally during the meeting in September.

It is evident from this analysis that the potential CSER risks identified as priority are as follows:
- difficulties retaining staff, which would turn up in excessive turnover,
- recruitment problems, which would be the consequence of a lack of attractiveness,
- departures of key staff if the motivation systems were insufficient: variables, bonus shares, performance shares
- training gaps (impact on turnover and attractiveness),
- absenteeism too high (precursory signal of turnover).

Concerning the priority risks, the key performance indicators (KPI) were defined. They are indicated by KPI in the rest of the text.

The following potential CSER risks were deemed as important, but are not among the main risks:
- ethics, prevention of corruption,
- health and safety,
- insufficiently proactive attitude on the following themes: gender equality, diversity, accommodation of disabled persons and amount of sponsorship (lack of responses to the need for meaning in the workplace with, ultimately, an impact on turnover),
- insufficient dialogue between management and employees (impact on turnover and attractiveness, potential labor movements),
- poor anticipation on the following themes: carpooling, use of bicycle transportation, mugs, waste sorting, lack of response to the need for meaning in the workplace with, ultimately, an impact on turnover,
- hone/workplace commutes too long,
- insufficient attention paid to datacenters' consumption.

Due to its consulting and digital services activity, NEURONES did not deem the following themes represent a material stake:
- 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,
- animal well-being,
- responsible, equitable and sustainable power supply,
- fight against food waste as well as against food insecurity.

2.3. CSER STRATEGY

Governance

A Sustainable Development Committee leads the Group's CSR initiative. 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, define their initial and target value,
- regularly review the progress made (continuous improvement),
- monitor developments in CSR,
- manage the selected indicators over time.

The Group regularly submits the data collected and project progress reports to the Committee. It follows the example of its subsidiaries' best CSER practices.

Timeline

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

2011: NEURONES is included in the Gaia 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 listed companies. Since it entered the index, NEURONES has always been part of it.

2012: the Sustainable Development Committee is set up and the first CSER report.

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

2014: monitoring of datacenters' electrical power consumption is implemented.

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

2016: NEURONES signs the UN Global Compact

2017: a corruption prevention system (Sapin II law) is implemented, especially a code of conduct.

2018: the CSER report evolves and becomes the Statement of Non-Financial Performance (SNFP).

2.4. SOCIAL POLICY

Employees

Over the past ten fiscal years, the number of employees (year-end) has almost doubled:

2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
2,665	3,036	3,471	3,704	4,065	4,082	4,580	5,044	5,028	5,160

Their geographic distribution is as follows: Greater Paris region 70%, other French regions 19% and outside France 11%.

In France, 92.5% of the staff have permanent employment contracts. The remaining employees have fixed-term contracts, primarily professionalization and apprenticeship contracts. Part-time workers (1.3% 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 "Sage").

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, excluding acquisitions and disposals) has changed as follows:

KPI

2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
700	1,100	1,400	1,240	1,248	1,142	1,647	1,695	1,857	2,012

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

At the end of 2018, 145 young people were working under a professionalization contract and 35 were doing an apprenticeship. In the course of 2018, we received 100 people doing internships.

Turnover

In 2018, staff turnover (number of resignations during the year relative to the average staffing level of the year), was at the top of the cycle. It is at the same level as it was in 2000 (225) or 2008 (21%):

2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
10%	12%	16%	14%	11%	13%	13%	13%	17%	20%

KPI

This increase would have been even higher without the many retention actions and actions to increase the attractiveness to applicants:
- training actions up 20%, especially due to Agile/DevOps "reskilling,"
- some entities transferred to easier-to-access locations and in buildings with services (gym, porter service, etc.),
- "lounges", rest areas and a Group multimedia room were created to increase well-being at work,
- increased presence on social networks (more community managers) and development of employer brands: films like "Welcome to the Jungle," followed by Glassdoor,
- more employee events: afterwork events, running, sea outings on a Multi 50 trimaran, inter-entities futsal (indoor soccer) tournament, etc.
- fewer levels of authority, favoring initiatives empowerment, and
- attempts to satisfy young graduates' "need for meaning:" higher environmental requirements and skills sponsorships.

It should be noted that 70% of the Group's employees work in the Paris region, where turnover is traditionally higher than in other parts of France.

In 2018, staff arrivals and departures can be broken down as follows:

Detailed figures concerning staffing	2014	2015	2016	2017	2018
New hires	**1,142**	**1,647**	**1,695**	**1,857**	**2,012**
Changes in scope (acquisitions)	4	50	131	14	-
Changes in scope (disposals)	-	-	-	185	13
Departures:					
Resignations	522	551	654	867	1,050
End of trial periods	152	203	246	298	321
End of fixed-term, apprenticeship and prof. contracts	188	167	182	243	231
Mutual-agreement terminations	85	108	136	150	133
Layoffs	156	135	133	128	114
Miscellaneous	26	35	11	16	18
Total departures	**1,129**	**1,199**	**1,362**	**1,702**	**1,867**
NET CHANGE IN HEADCOUNT	17	498	464	- 16	132

Working hours

More than 98.7% of the workforce in France work full time. The bulk of the part-time staff work 4/5th of a workweek. Thus, only 0.4% of employees are part-time less than 4/5th. 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 based on employees' profile, experience and occupation. It includes variable parts when relevant and can be supplemented by employee profit-sharing and incentive plans.

In 2018, gross remuneration increased 1% to €199.1 million (€197.1 million in 2017). 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, nor 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 5,114 people in 2018 (5,049 in 2017), the average headcount is up 1.3%. The average gross salary came to €38,900 per year (€39,000 in 2017 and 38,100 in 2016).

Continuous in-house training

Each subsidiary decides its training actions. They primarily concern advanced technical training, but also management and language training courses. Special effort was devoted to the new technologies related to digital transformation (DevOps, Python, Ansible, Terraform, etc.).

The presence of a training activity within the Group is an asset: it simplifies enrollment and cancellation procedures and allows us to provide training materials and in-house certifications (the Group is certified to conduct certain technical certifications). Staff are encouraged to sit for these qualifying exams. This entity conducts a significant share of the Group training actions, including long degree programs for future employees.

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

Training plan (days x participants):

KPI

2014	2015	2016	2017	2018
8,100	8,600	8,600	9,100	10,800

Eligible training courses within the continuing professional development system in France and courses of the same type completed abroad. Online training courses not included. 75,600 hours of training in 2018 (i.e., 10,800 days x 7 hours).

Actions designed to develop loyalty among senior managers and key managers

Since 1999, six NEURONES stock option plans and seven bonus-share plans were implemented. Since 2015, nine subsidiaries launched bonus-share plans with their own shares. The schemes that reached maturity were heavily subscribed. The plans that have yet to mature concern approximately 2% of the Group's staff.

The expense related to the bonus-share plans in the consolidated financial statements is as follows (in thousands of euros):

KPI

2014	2015	2016	2017	2018
682	711	1,185	2,000	1,236

NEURONES and subsidiary plans.

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 the end of 2018 (compared to 36 years at the end of 2017), broken down as follows:

Workforce breakdown by age bracket	2014	2015	2016	2017	2018
less than 25 years	8%	8%	8%	8.5%	10%
25 to 29 years	22%	22%	21.5%	20.5%	20%
30 to 34 years	24%	23.5%	22.5%	21%	20%
35 to 39 years	19%	18.5%	18%	19%	18%
40 to 44 years	14%	14.5%	15%	14.5%	14%
45 to 49 years	8%	8%	8.5%	9%	10%
50+ years	5%	5.5%	6.5%	7.5%	8%
TOTAL	100%	100%	100%	100%	100%

Company-wide agreements and action plans for employees past the age of 50 were introduced at the end of 2009. They have paid off since, at the end of 2018, the share of past 50s has increased and now represents 8% of the staff.

Diversity

NEURONES wants to promote diversity in all its forms – gender, age, background, disability, etc. – to make its teams more innovative, more productive and more competitive. Four Group entities have signed the Diversity Charter. Concerning the staff in France, 9% of employees are non-French nationals, representing 61 different nationalities:

	2014	2015	2016	2017	2018
% foreigners	7.7%	7.8%	8.6%	9.3%	9%
Number of nationalities represented	48	46	53	63	61

"Sage" scope.

Gender equality

Although women are not well represented in engineering schools' IT courses, they make up 19.4% of the Group's workforce in France ("Sage" scope). The salaries earned by women and men in the Group's two largest entities (which together represent 65% of total staff) are compared by level of qualification each year in preparation for the mandatory annual negotiations. These comparisons may also be extended to other NEURONES entities. Pursuant to the law on actual gender equality, the Group entity with more than 1,000 employees published its gender equality index on March 1, 2019. It stands at 92 out of a maximum of 100.

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 more "disabled-friendly." At the end of 2018, 1.15% of its workforce were disabled people. This proportion is quite insufficient even if it is probably situated in the top half of DSCs. 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 amounted to €104,000 in 2018 (€59,000 in 2017).

Labor-management relations

In France, there is regular dialog with the employee representative bodies (works council and CSE members, employee representatives, workplace health, safety and welfare committee (CHSCT) members, union representatives and Group Committee members). Because of NEURONES' decentralized structure built around line-of-business subsidiaries, there are many collective agreements. Each of the two largest entities (65% of the staff) has signed the following agreements: night work and on-call duty, 35-hour week, statutory profit sharing and employee savings schemes. Every year the entities concerned organize the Mandatory Annual Pay Negotiation process, which results in an agreement, a partial agreement or a disagreement.

Company-wide agreements

The service desk entity has implemented specific additional agreements. Two remunerated half-day absences per year are granted for employees who give blood. Two additional days off for sick children are provided for employees who have a disabled child. The "right to disconnect" has been clarified. The following agreements have also been set up: the regional fuel bonus, the meal voucher subsidy, the increase in the Company Works Council's social and cultural activities budget and the start of the 4-day workweek trial.

In Tunisia, a staff consultation commission has been created. 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 (40 employees at the end of 2018), the law does not provide for a staff representative body.

Health and safety at work

In France, the Occupational Health and Safety Committees (OHSC) (then CSER) 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	2014	2015	2016	2017	2018
Absenteeism rate* KPI	4.2%	4.1%	4.2%	3.8%	4%
Number of incidents at work resulting in lost time (of one day or more)	39	28	29	39	56
Corresponding number of days absent	1,147	416	664	811	1,353
Lost-time injury frequency rate (number of accidents at work resulting in lost time per million hours worked)	7.0	4.8	4.7	7.2	8.9
Lost-time injury severity rate (number of days of paid sick leave per thousand hours worked)	0.21	0.07	0.11	0.15	0.21

* 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 "Sage" scope. Absences, spanning two fiscal years, are not included in the calculation of days absent.

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. This declaration concerns the national and local labor regulations on the following subjects; minimum age for entering the workforce, the refusal of forced or compulsory labor or abusive 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 workweek 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

Since June 1, 2017, NEURONES has implemented the eight measures provided for by the Sapin II law concerning the fight against corruption and influence peddling. In particular, a code of conduct has been disseminated and integrated in the policies and procedures of the Group entities. An internal warning system has been created with a specific email address distributed to all staff. This email address is shown on the contracts signed with subcontractors and other suppliers, as well as on certain client contracts. A risk map has been drawn up and an e-learning system has been developed. Every year the Ethics and Compliance Committee presents to the Board of Directors the process' state of progress and a report on the warnings.

Fight against tax evasion

For each Research Tax Credit, NEURONES has a specialized firm verify its eligibility before filing the claim and all of the documentation produced after the claim is filed.

Each time a subsidiary is created abroad, NEURONES, assisted by a leading specialized firm, defines and documents the rules used to fix the internal transfer prices.

2.5. 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 many projects to switch to paperless processes for incoming and outgoing documents. Consequently, they limit paper consumption 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 2018, purchases of subcontracted services for the Group as a whole amounted to €107.7 million, or 22% of revenues, a ratio which likely puts us slightly above the average for our big contemporaries.

The Group strives to make responsible purchases. Outsourcers who join NEURONES' project teams are considered 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 is a key issue for NEURONES, which continues to invest in building its reputation 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, the Group primarily channels its apprenticeship tax to the following schools: 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"

For the sixth time, one of the Group's companies was rated a "Great Place to Work" in March 2018 (after 2012, 2013, 2015, 2016 and 2017). *"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, co-founder of "Great Place to Work".

Volunteering with civil society

Initiatives are encouraged by shareholders and staff who wish to get involved in their local community or the voluntary sector (Handigolf, co-funding a skipper for the Route du Rhum yacht race, etc.), or give their time or creativity.

Indicator *(in thousands of euros)*	2014	2015	2016	2017	2018
Budget devoted to partnerships and sponsorships	58	49	130	72	158

Skills sponsorships, a scheme that 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. Under this scheme, the Group's Consulting business provides assistance to an association that helps social entrepreneurs scope and implement their projects (consultants coach entrepreneurs) and to an association that supports young people from deprived neighborhoods in their first job search (sponsorship by experienced employees).

"Non-profit" consulting firm

Drawing on the success of the skills sponsorship, the Group Management Consulting firm helped create a non-profit structure devoted to supporting associations, along with three fellow companies. Since then, every year this non-profit firm benefits from a full-time consultant for approximately 6 months.

Personal data security

The Group works on client applications that 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.

Since May 2018, the Group applies Europe's General Data Protection Regulations. These also concern client and employee (CRM) data.

2.6. 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 more than 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 the energy consumption of 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 source, etc.).

Reducing travel costs (business travel and commuting)

Based on a common scale (metric 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 datacenters.

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 favored Eco2 company cars, which emit less than 120g of CO_2 per kilometer,
- set up a carpooling system (at the Angers service center),
- encouraged and facilitated the various videoconferencing systems.

Indicator	2014	2015	2016	2017	2018
Share of employees in the Greater Paris region using public transport to commute to work	57%	62%	65.5%	64.5%	N/A
Emissions for commuter journeys by car or motorbike *(in metric tons CO_2 equivalent)*	n/a	3,010	3,295	3,395	3,471
Emissions from NEURONES' vehicle fleet *(metric tons CO_2 equivalent)*	411	430	464	478	470
Emissions for work travel reimbursed on expense accounts *(metric tons CO_2 equivalent)*	206	199	209	245	220

Scope: France. The rate of employees in the Greater Paris region using public transport was not reassessed in 2018.

The distribution of employees' place of residence in the Paris region (70% of the total staff) is as follows:

Île-de-France Region	92	75, 78	77, 91, 93, 94, 95
% place of residence by department	20%	15%	10% on average

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

Carpooling project and cyclist bonuses

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, approximately 15 pairs take part in this system (30 people). Furthermore, a bonus is paid to some 50 employees who come to work by bicycle.

To evaluate the consumption by commuter journeys, NEURONES carried out an internal survey in July 2015 (scope: France) on the modes of transport used. The results of this survey are considered as still relevant today:

Mode of transport for work commute	Ile-de-France	Other French regions	Total France
Public transit	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%
Carpooling	0.1%	0.5%	0.2%
Working from home	0.2%	0.2%	0.2%
TOTAL	100%	100%	100%

Scope: France.

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 206 vehicles in NEURONES' fleet was calculated based on an average consumption per vehicle of 6 liters/100 km and 15,000 km traveled per year. For business journeys, 1,900 km are reimbursed on average per year and per employee concerned. Consumption for visitor travel and public transit was not estimated.

Videoconferencing and remote job-applicant interviews

Around ten rooms have been equipped for videoconferencing (using Polycom). Each room is used an average of eight times per month. Staff are encouraged to use the Webex online meeting system. The proportion of remote job applicant interviews (Skype) continues to grow regularly. The Consulting segment has also equipped meeting rooms with a state-of-the-art videoconferencing system (Chromebox for meeting), in order to improve the quality of remote meetings and avoid travel.

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	2017	2018
Electricity consumption per m^2 and per year (apart from datacenters) *(in kWh/m²)*	139	126	133	124	N/A
Average floor area *(in m²)*	20,300	23,000	27,500	31,100	33,200
CO_2 Emissions *(metric tons CO_2 equivalent)*	277	363	496	522	557

Electricity consumption per m² was not reassessed in 2018. 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 and 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

Electricity consumption per m² in a datacenter 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 nine different data centers (seven in France, two in Tunisia).

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). NEURONES strives to give priority to latest generation datacenters, which normally offer better PUEs, and tries to regularly increase the load rates of its cabinets.

Indicators	2013	2014	2015	2016	2017	2018
Number of cabinets "switched on" (entire Group)	n/a	106	120	161	227	210
Real average power per cabinet *(in kW)*	n/a	2.35	2.42	2.44	2.56	2.69
Average PUE	n/a	1.66	1.72	1.66	1.67	1.65
Total consumption in MWh (after PUE) *(in MWh)*	n/a	3,600	4,426	5,705	8,504	8,172
CO_2 Emissions *(metric tons CO_2 equivalent)*	n/a	n/a	483	588	858	830

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 datacenters' consumption is presented for information purposes, based on approximate information provided by these datacenters.

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").

Furthermore, printers and copiers are set up to print two-sided in black and white. 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. All of these actions reduced the printing volumes by 60% in 5 years.

Indicator	2014	2015	2016	2017	2018
Quantity of paper used per m^2 and per year *(in g/m^2)*	710	570	447	384	311
CO_2 Emissions *(metric tons CO_2 equivalent)*	19	17	11	11	9.5

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, cardboard, cans and paper cups. The entity with the most employees is gradually expanding the use of "mugs", thereby saving 90,000 single-use paper cups per year for 3 sites and 530 employees.

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 fewer CO_2 emissions (e.g., by eating less meat). It is included in a handbook of eco-friendly initiatives and is often referred to by companies that manage intercompany restaurants frequented by the employees.

2.7. METHODS USED

Reporting scopes

Three scopes have been defined for producing detailed indicators:
- the so-called "Sage" scope covering all France subsidiaries managed in the ADP-GSI HR software, namely 81% of the workforce,
- the "France" scope, which covers 89% of the workforce,
- the entire Group scope ("Group").

Indicators were produced for the following scopes:
- "Sage" 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 and 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 and fuel consumption,
- "Group" scope: staff, arriving/departing employees, turnover, payroll, average salary, subcontracting purchases, training hours and days, sponsorship and partnership budgets, energy consumption in offices and datacenters and weight of paper consumed per m2 of office space.

The outputs by type are available in detail in the "Sage" scope. An extrapolation was performed based on this sample to determine the outputs by type for the entire Group.

For training days, the scope studied concerns 9% of the workforce.

The energy consumption indicator for buildings (excluding datacenters) is calculated on the areas that were used for 12 consecutive months. During the previous year, this indicator was calculated on 92% of the spaces occupied by the Group (88% in 2016). The total consumption was extrapolated based on the average consumption noted for these premises. This indicator was not recalculated in 2018.

Energy consumption in the data centers was obtained using available data, which differed according to the infrastructures concerned:
- for the Group's datacenters, the estimates of kWh consumed after 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. These PUE assessments were used in this report.

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 "Sage" scope indicators come from the common HR system. The "France" and "Group" scope indicators come from an annual report that consolidates each subsidiary's non-integrated accounting and CSR data.

Consolidation and control methods

A common reference guide (methodological guide with an explanatory sheet per indicator) was sent to the CSR reporting manager for each subsidiary. The Group finance department compiles the results.

2.8. AUDITOR'S REPORT

Report by one of the auditors, appointed independent third party, on the consolidated statement of non-financial performance shown in the Group management report.

Year ended December 31, 2018

To the shareholders,

In our capacity as statutory auditors of your company (hereafter the "entity), appointed independent third party, accredited by COFRAC under number 3-1141 (scope of accreditation available at www.cofrac.fr), we hereby present our report on the consolidated statement of non-financial performance for the year ended December 31, 2018 (hereafter the "Statement"), presented in the Group management report pursuant to the legal and regulatory provisions of articles L. 225 102-1, R. 225-105 and R. 225-105-1 of the French Commercial Code.

1. Company's responsibility

It is the Board of Directors' responsibility to draw up a Statement in accordance with the legal and regulatory provisions, including a presentation of the business model, a description of the main non-financial risks, a presentation of the policies applied in view of these risks as well as the results of these policies, including the key performance indicators.

The Statement was established by applying the entity's procedures (hereafter the "Reference Bases"), whose significant items are presented in the Statement.

2. Independence and quality control

Our independence is defined by the provisions of Article L.822-11-3 of the French Commercial Code, the code of professional conduct and the provisions set out in ISO 17020. 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, the professional doctrine, the applicable legal and regulatory texts and ISO 17020.

3. Responsibility of the auditor appointed independent third party

On the basis of our work, it is our responsibility to express a conclusion of limited assurance on:
- the compliance of the Statement with the provisions set out in article R. 225-105 of the French Commercial Code, and
- the truthfulness of the information provided pursuant to 3° of I and II of article R. 225 105 of the French Commercial Code, namely the results of policies, including the key performance indicators and the actions related to the main risks, hereafter the "Information".

It is not our responsibility however to express an opinion on:
- the respect by the entity of the other applicable legal and regulatory provisions, in particular concerning the fight against corruption and tax evasion, and
- the compliance of the products and services with the applicable regulations.

4. Type and scope of the audit

Our work described hereafter was carried out pursuant to the provisions of articles A. 225 11 et seq. of the French Commercial Code setting out the procedure by which the independent third party performs its assignment and in accordance with the professional doctrine of the National Statutory Auditors Association related to this assignment.

We carried out work that enabled us to assess the compliance of the Statement with the regulatory provisions and the truthfulness of the Information:
- we reviewed the activity of all the companies included in the scope of consolidation, the statement of the main social and environmental risks related to this activity and, where applicable, its effects regarding the respect for human rights and the fight against corruption and tax evasion as well as the resulting policies and their results;
- we judged whether the Reference Bases were suitable (i.e., relevant, exhaustive, accurate, neutral and understandable) based on industry best practices, where appropriate;
- we verified that the Statement covers each category of information provided for in III of article L.225 102 1 concerning social and environmental matters as well as respect for human rights and the fight against corruption and tax evasion;
- we verified that the Statement includes an explanation for the reasons warranting the absence of certain information required by the 2nd paragraph of III of article L. 225-102-1;
- we verified that the Statement presents the business model and the main risks related to the activity of all the entities included in the scope of consolidation, including, when relevant and proportionate, the risks created by its business relationships, its products or its services as well as the policies, actions and results, including the key performance indicators;
- we verified that the Statement presents the information provided for in II of article R. 225-105, when it is relevant in view of the main risks or policies presented;
- we assessed the selection and validation process for the main risks;
- we asked about the internal control and risk management procedures implemented by the entity;
- we assessed the coherence of the results and the key performance indicators retained in view of the main risks and policies presented;
- we verified that the Statement covers the consolidated scope, namely all of the companies included in the scope of consolidation, pursuant to article L.233-16 with the limits specified in the Statement;
- we assessed the collection process put in place by the entity to ensure the Information is exhaustive and truthful;
- we applied for the key performance indicators and the other quantitative results (1) that we considered the most important:
  - analytical procedures involving verifying that the collected data was consolidated correctly and that they were updated consistently;
  - tests of details based on samplings, which involved checking that the definitions and procedures were applied correctly and reconciling the data with the supporting documents. This work was carried out with a selection of contributing entities (2) covering between 35% and 100% of the key performance indicators' consolidated data and results selected for these tests;
- we consulted the documentary sources and conducted interviews to corroborate the qualitative information (actions and results) that we considered the most important (3);
- we assessed the consistency of the entire Statement by comparison

with our knowledge of all of the companies included in the scope of consolidation.

We believe that the work we carried out based on our professional judgment allow us to form a conclusion of limited assurance; a higher level of assurance would have required a more extensive audit.

5. Means and resources

The work was carried out by four people between December 2018 and April 2019 for a total working time of two weeks.

We conducted six interviews with the people responsible for preparing the Statement, representing in particular the Group's senior management, the administrative and finance department and the human resources department.

6. Conclusion

Based on our audit, we did not find any significant anomaly that could invalidate the fact that the Statement of non-financial performance complies with the applicable regulatory provisions and that the information, as a whole, is presented truthfully and in accordance with the Reference bases.

7. Comment

Without calling into question the aforementioned conclusion and pursuant to the provisions of article A. 225-3 of the French Commercial Code, we make the following comment: the lack of objectives concerning the main risks does not make it easy to interpret the Group's non-financial performance.

The Statutory Auditor

Signed in Paris, on April 25, 2019

BM&A

Marie-Cécile Moinier
Partner

(1) For the 2018 key performance indicators: turnover rate, recruitment (number of new employees), number of training days, expense related to the bonus share plans, absenteeism. For the other 2018 quantitative results: workforce, diversity (% of foreigners, number of nationalities represented), gender equality (% of women in the workforce).

(2) Helpline, Arondor, AS Group, Codilog, Colombus, Intrinsec Sécurité, RS2i, Scaled Risk and NEURONES S.A.

(3) Qualitative information: active recruitment policy (procedure), diversity (diversity charter), gender equality (index), dialogue between management and employees (Helpline agreements), corruption prevention (code of conduct).

❸ Consolidated financial statements

3.1. CONSOLIDATED FINANCIAL SITUATION (AT MONDAY, DECEMBER 31, 2018)

ASSETS *(in thousands of euros)*	**Notes**	**12/31/2017**	**12/31/2018**
NON-CURRENT ASSETS			
Intangible assets	*Notes 1 / 2*	41,390	40,602
Tangible assets	*Note 3*	16,231	16,211
Financial assets	*Note 4*	5,815	6,673
Other financial assets valued at fair value		-	-
Deferred tax credits	*Note 5*	1,834	2,191
TOTAL NON-CURRENT ASSETS		65,270	65,677
CURRENT ASSETS			
Inventory	*Note 6*	891	278
Deferred tax credits due		9,874	11,401
Trade accounts and notes receivable	*Note 7*	181,053	196,751
Cash and cash equivalents	*Note 8*	154,606	174,949
TOTAL CURRENT ASSETS		346,424	383,379
TOTAL ASSETS		411,694	449,056

SHAREHOLDERS' EQUITY AND LIABILITIES *(in thousands of euros)*	**Notes**	**12/31/2017**	**12/31/2018**
SHAREHOLDERS' EQUITY			
Share capital		9,698	9,714
Additional paid-in capital		31,424	31,407
Consolidated reserves and profits		201,851	225,710
TOTAL SHAREHOLDERS' EQUITY ATTRIBUABLE TO PARENT COMPANY SHAREHOLDERS	*Note 9*	242,973	266,831
Minority equity investments		25,080	29,045
SHAREHOLDERS' EQUITY		268,053	295,876
NON-CURRENT LIABILITIES			
Non-current provisions	*Note 10*	1,275	1,441
Non-current financial liabilities	*Note 8*	240	2
Other non-current liabilities		-	-
Deferred tax liabilities		-	1
TOTAL NON-CURRENT LIABILITIES		1,515	1,444
CURRENT LIABILITIES			
Current provisions	*Note 11*	1,767	1,391
Taxes due		1,308	2,899
Trade and other accounts payable	*Note 12*	137,795	146,953
Current financial liabilities and bank overdrafts	*Note 8*	1,256	493
TOTAL CURRENT LIABILITIES		142,126	151,736
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		411,694	449,056

3.2. CONSOLIDATED INCOME STATEMENT (FOR THE YEAR ENDED MONDAY, DECEMBER 31, 2018)

(in thousands of euros)	Notes	2017	2018
Sale of goods		10,859	2,213
Sale of services		474,155	487,862
REVENUES		485,014	490,075
Purchases consumed		(9,087)	(4)
Salaries and related costs	*Note 13*	(289,838)	(292,088)
External expenses	*Note 14*	(134,427)	(143,286)
Taxes and duties		(7,112)	(7,798)
Allocations to amortization and depreciation	*Note 15*	(8,423)	(7,900)
Allocations to provisions	*Note 15*	19	216
Other income	*Note 16*	8,648	7,010
Other expenses	*Note 16*	(377)	(354)
Other operating income	*Note 17*	1,320	244
Other operating expenses	*Note 17*	(872)	(153)
OPERATING PROFIT		44,865	45,962
– as percentage of revenue		*9.3%*	*9.4%*
Financial income		3,202	2,151
Financial expenses		(286)	(559)
Net financial profit (loss)	*Note 18*	2,916	1,592
PRETAX PROFIT		47,781	47,554
– as percentage of revenue		*9.9%*	*9.7%*
Income tax	*Note 19/20*	(16,168)	(17,977)
PROFIT FOR THE PERIOD FROM ONGOING ACTIVITIES		31,613	29,577
– as percentage of revenue		*6.5%*	*6.0%*
PROFIT FOR THE PERIOD		31,613	29,577
Including:			
• Profit attributable to parent company shareholders (group share)		27,310	25,959
• Profit attributable to minority equity investments (minority interests)		4,303	3,618

Undiluted earnings per share - Group share (in €)	1.13	1.07
Number of shares*	24,243,862	24,267,662
Diluted earnings per share - Group share (in €)	1.12	1.07
Number of shares*, stock options & exercisable free shares allocated	24,286,862	24,274,162

* Number of shares weighted over the period.

3.3. OTHER CONSOLIDATED FINANCIAL ITEMS

Statement of consolidated comprehensive income for the year ended Monday, December 31, 2018

(in thousands of euros)	2017	2018
Profit for the year	**31,613**	**29,577**
Other items in comprehensive income: translation adjustments (activities outside France)	(1,196)	(733)
Comprehensive income	**30,417**	**28,844**
Including:		
• share attributable to parent company shareholders (group share)	26,355	25,399
• share attributable to minority equity investments (minority interests)	4,062	3,445

Consolidated statement of cash flows for the year ending Monday, December 31, 2018

(in thousands of euros)	2017	2018
Consolidated income before minority interests	**31,613**	**29,577**
Elimination of non-monetary items:		
• Net allocations to amortization, depreciation and provisions	8,227	7,724
• Expenses/(Income) related to stock options and similar items	1,580	980
• Effect of discounting receivables and debts maturing in more than one year	234	218
• Capital losses/(gains) from disposals, net of tax	53	(64)
• Capital losses/(gains) from disposals of consolidated securities, net of tax	(533)	(140)
Cash flows from operating activities after net financial income and tax	**41,174**	**38,295**
• Net financial profit	(2,916)	(1,592)
• Taxes due	16,168	17,977
Cash flows from operating activities before net financial income and tax	**54,426**	**54,680**
Cash variation in:		
• Working capital requirement for operations	(11,048)	(5,401)
• Taxes paid	(20,110)	(18,217)
CASH FLOW FROM OPERATIONAL ACTIVITIES	23,268	31,062
Acquisitions of intangible and tangible assets	(8,956)	(6,949)
Disposals of fixed assets, net of tax	61	89
Revenue from sales of financial assets	517	137
Acquisition of financial assets	(1,108)	(1,370)
Acquisition of companies, net of the acquired cash	(3,077)	(381)
Securities bought from minority shareholders of subsidiaries	(3,792)	(1,777)
Subscriptions to capital increases by minority interests of subsidiaries	486	907
Disposal of consolidated securities, net of tax	6,001	(90)
CASH FLOW FROM INVESTMENT ACTIVITIES	(9,868)	(9,434)
Capital increase	-	-
Company buy-back and sale of its own securities	-	-
Dividends paid to parent company shareholders	(1,454)	(1,457)
Dividends paid to minorities of subsidiaries	(58)	(336)
Increase in financial liabilities	87	10
Reimbursement of financial debts	(1,311)	(852)
Net financial interest	2,916	1,592
CASH FLOW FROM FINANCING ACTIVITIES	180	(1,043)
NET CHANGE IN CASH AND CASH EQUIVALENTS	13,580	20,585
Effect of foreign exchange variations on the cash held	(299)	(147)
CASH AND CASH EQUIVALENTS AT OPENING	140,860	154,141
CASH AND CASH EQUIVALENTS AT CLOSING	154,141	174,579

Statement of changes in consolidated shareholders' equity for the year ended Monday, December 31, 2018

SHAREHOLDERS' EQUITY (in thousands of euros)	Share 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 12/31/2016	9,698	31,424	150,004	967	(252)	25,199	217,040	21,415	238,455
Movements for FY 2017									
• Consolidated profit for the year	-	-	-	-	-	27,310	27,310	4,303	31,613
Translation adjustments	-	-	(954)	-	-	-	(954)	*(242)*	(1,196)
• Total of other items in comprehensive income	-	-	(954)	-	-	-	-	(242)	(1,196)
Comprehensive income	-	-	*(954)*	-	-	*27,310*	*26,356*	*4,061*	*30,417*
• IFRS 2 restatements - stock options & bonus shares	-	-	-	1,482	-	-	1,482	87	1,569
• Capital transactions (stock options exercised)	-	-	-	-	-	-	-	-	-
• Variations in treasury share	-	-	-	-	-	-	-	-	-
• Allocation of 2016 profit	-	-	26,166	(967)	-	(25,199)	-	-	-
• Dividends paid by the parent company (€0.06 per share)	-	-	(1,455)	-	-	-	(1,455)	-	(1,455)
• Buy-back commitment vis-à-vis minority shareholders	-	-	2,410	-	-	-	2,410	-	2,410
• Change in scope	-	-	(2,860)	-	-	-	(2,860)	(425)	(3,285)
Total transactions with shareholders recognized directly in shareholders' equity	-	-	*24,261*	*515*	-	*(25,199)*	*(423)*	*(338)*	*(761)*
Minorities' share in subsidiaries' dividend distributions	-	-	-	-	-	-	-	*(58)*	*(58)*
SHAREHOLDERS' EQUITY AT 12/31/2017	9,698	31,424	173,311	1,482	(252)	27,310	242,973	25,080	268,053
Movements for FY 2018									
• Consolidated profit for the year	-	-	-	-	-	25,959	25,959	3,618	29,577
Translation adjustments	-	-	(557)	-	-	-	(557)	(170)	(727)
• Total of other items in comprehensive income	-	-	*(557)*	-	-	-	-	*(170)*	*(727)*
Comprehensive income	-	-	(557)	-	-	25,959	25,402	3,448	28,850
• IFRS 2 restatements - stock options & bonus shares	-	-	-	888	-	-	888	88	976
• Capital transactions (bonus shares exercised)	16	(17)	-	-	-	-	(1)	-	(1)
• Variations in treasury share	-	-	-	-	323	-	-	-	-
• Allocation of 2017 profit	-	-	28,792	(1,482)	-	(27,310)	-	-	-
• Dividends paid by the parent company (€0.06 per share)	-	-	(1,457)	-	-	-	(1,457)	-	(1,457)
• Buy-back commitment vis-à-vis minority shareholders	-	-	31	-	-	-	31	-	31
• Change in scope	-	-	(1,328)	-	-	-	(1,328)	712	(616)
Total transactions with shareholders recognized directly in shareholders' equity	*16*	*(17)*	*26,038*	*(594)*	*323*	*(27,310)*	*(1,544)*	*853*	*(691)*
Minorities' share in subsidiaries' dividend distributions	-	-	-	-	-	-	-	*(336)*	*(336)*
SHAREHOLDERS' EQUITY AT 12/31/2018	9,714	31,407	198,792	888	71	25,959	266,831	29,045	295,876

* Including currency translation reserve (-€1,352,000 at December 31, 2018).
** 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 Wednesday, March 13, 2019, the Board of Directors closed the 2018 consolidated financial statements presented in this document, to be presented for approval at the Shareholders Meeting of Thursday, June 6, 2019.

NEURONES' consolidated financial statements for the year ended December 31, 2018 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 – Consolidated financial statements

The new IFRS 9 concerning the recognition and valuation of financial instruments took effect for years beginning from January 1, 2018. The Group is concerned by this new standard for commercial receivables, considered as "traditional" financial instruments. No significant modification of the classification and valuation of financial assets was identified, given the nature of the operations carried out.

IFRS 15 – "Normal operating income earned on contracts concluded with clients"

IFRS is the new standard governing the accounting principles for revenue. Its application at January 1, 2018 did not significantly call into question the model for recognizing revenues from sales of services.

Concerning revenues from the "trade" of goods (hardware and licenses), the analyses performed have led the Group to consider that it was acting as an "agent" (and not a "principal") in this type of transaction. Consequently, from January 1, 2018, only the gross profit of these operations has been recognized, thereby reducing on a comparable basis the revenues without impacting the operating profit. The impact of IFRS 15 on the financial statements at December 31, 2017 would have reduced the revenues by €9.5 million.

Concerning the non-significant impacts of the standard, the Group has opted for the "simplified cumulative adjustment" transition method without restatement of the 2017 comparative period.

IFRS 16 - Lease contracts

IFRS 16 modifies how lessees recognize lease contracts. It will replace the IAS 17, IFRIC 4, SIC 15 and SIC 27 standard and interpretations. Whereas according to the provisions of IAS 17, the accounting treatment of lease contracts is determined based on an assessment of the transfer of risks and benefits related to the ownership of the asset, IFRS 16 imposes a unique recognition method for contracts, impacting the balance sheet in a similar way as a direct financing lease. It will take effect on January 1, 2019. The potential impacts on the financial statements is in the process of being assessed.

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, 2017 and 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 results in 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 carrying amounts 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 concern: forecast costs on fixed-price service contracts monitored on a completion basis, 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 Company 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. Their accounting principles have been modified, if necessary, to ensure homogeneity with NEURONE's accounting methods.

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 include those held in affiliated companies or in a joint venture.

Affiliated entities are companies where NEURONES has significant influence over their 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 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, 2018, all companies included in the scope of consolidation were subsidiaries.

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

4.4. Tangible 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 annual impairment test or more frequently in case there are signs of impairment (see hereafter "4.7. Impairment of fixed assets").

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 hereafter "4.7. 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	Accelerated and straight-line 3 to 5 years
Office equipment	Straight-line 5 to 10 years

Case of business leasing 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 in progress

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 hereafter "Note 4.23. 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.

An asset's carrying amount 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 carrying amount 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 6.5% after tax, based on the risk-free rate, the risk premium and beta.
- the length of the explicit period is 5 years,
- the growth assumptions retained for revenues, operating margin, working capital requirements and capital expenditures are specific to each company, based on their size and business sector,
- 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 carrying amount, increased due to the write back of impairment, should not exceed the carrying amount 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 case of recognition at fair value, any normal variation in fair value (positive or negative) is recognized directly in shareholders' equity.

In case of recognition at acquisition cost and 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%.

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

4.9. Deferred tax assets and liabilities

Pursuant to IAS 12, deferred tax assets and liabilities 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 ending 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 carrying amount 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 vesting 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 income, 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 non-significant 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 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 other non-current liabilities were identified at Monday, December 31, 2018.

4.20. Trade and other accounts payable

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

4.21. Recognition of revenues (IFRS 15)

The method of recognizing revenues and costs depends on the nature of the services:

Fixed price projects

Contracts based on deliverables generally include fixed-price services, such as system integration or the design and development of personalized computer systems and related processes.

Revenues are recognized based on stage of completion, because at least one of the following conditions is respected: (i) the service improves an asset for which the client obtains control as the service is completed or (ii) the completed asset has no alternative use (e.g., it is specific to the client) and there is an enforceable right to payment for performance completed to date, in case the client terminates the contract.

The Group applies the costs incurred method to evaluate the progress. The percentage of completion is based on the costs incurred at the date in question compared to the total estimated costs when the contract is finished.

The Group contractually acquires the right to bill as specified milestones are achieved or upon the client's acceptance of the work performed. The difference between the cumulative billing and the cumulative revenues recognized is reflected in the consolidated financial situation as unbilled revenue – Note 7 (revenues greater than the billing) or prepaid income – Note 12 (billing greater than the revenues).

Contracts based on resources

The revenues earned on contracts based on resources are recognized as the Group acquires the right to bill, since the billed amount corresponds directly to the value of the service performed at the date in question. Each service obligation is recognized as income as the contract progresses because the client continuously receives and consumes the benefits of the services. The price of the services is based on the number of hours spent on the contract.

Software sales and trade

The Group sells licenses assigned to the end client and hardware. When an asset or service is distinct from the other services provided, the Group acts as an agent and the transaction is recognized on a net basis (the amounts billed by suppliers are recognized as a reduction of revenues).

Long-term 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. This phase is treated as a distinct service obligations if it transfers to the client the control of an asset or if the client can benefit from these initial activities, independently of the operating services. Thus the corresponding revenues are generally recognized based on the stage of completion;
- routine operations: this involves infrastructures management, applications management and business services. The fees are billed monthly, based on a fixed price per activity unit consumed or based on the monthly fixed prices, adjustable for variations in volumes or scope. Revenues for service-based contracts are recognized as the Group acquires the right to bill.

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 free 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 free 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 either provides a specific service (business segment) or provides a service in an environment (geographic segment) exposed to risks and generates different profitability than the profitability in other segments. It is identified and managed separately, 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 fails 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 accounting for less than 10% of the consolidated revenues. This client is a major banking 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 in honoring its commitments and paying 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. This allocation represented approximately €2 million at year end.

Capital management

By design, managers hold 71.5% 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, 2018, applied without impact on the Group's financial statements at December 31, 2018

- IFRS 9 – Financial instruments;
- IFRS 2 amendments – clarifications of classification and measurement of share-based payment transactions;
- IFRS 4 amendments – interactions between IFRS 9 and IFRS 4;
- IAS 40 amendments – Transfers of investment property;
- IFRIC 22 – Foreign Currency Transactions and Advance Consideration.

Mandatory implementation provisions after December 31, 2018, not applied in advance

- IFRS 16 – Lease contracts;
- IFRS 17 – Insurance contracts;
- IFRS 9 amendment – Prepayment clauses with negative compensation;
- IFRS 10/IAS 28 amendments – Sales or contributions of assets between an investor and its associate/joint venture;
- IAS 28 amendments – Long-term interests in associates and joint ventures;
- IAS 19 amendments – Plan amendments, curtailments, and settlements;
- IFRS 3 amendment – Definition of a business;
- Amendments to IAS 1 and IAS 8 – Definition of materiality;
- IFRIC 23 – Uncertainty over income tax treatments.

5. SCOPE OF CONSOLIDATION

5.1. List of consolidated companies

Companies consolidated by full consolidation	Registered head office	12/31/2017			12/31/2018		
		% 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	86%	100%	FC
Arondor	24-26, rue de la Pépinière - 75008 PARIS	50%	50%	FC	50%	50%	FC
Arondor Capture	24-26, rue de la Pépinière - 75008 PARIS	50%	100%	FC	-	-	-
Arondor Tunisie	Imm. City, centre urbain Nord - 1082 TUNIS	-	-	-	34%	67%	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	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
Brains	27, rue des Poissonniers - 92200 NEUILLY-SUR-SEINE	40%	52%	FC	40%	52%	FC
C2L2 Consulting	6, passage de la Tenaille - 75014 PARIS	74%	83%	FC	89%	100%	FC
Cloud Temple	215, av. Georges Clemenceau - 92024 NANTERRE	83%	100%	FC	86%	100%	FC
Cloud Temple Tunisia	Gp1 Km 12 - EZZAHRA	42%	50%	FC	43%	50%	FC
Codilog	205, av. Georges Clemenceau - 92024 NANTERRE	74%	74%	FC	72%	72%	FC
Colombus Consulting	138, avenue des Champs-Elysées - 75008 PARIS	88%	88%	FC	86%	86%	FC
Colombus Consulting Shift	138, avenue des Champs-Elysées - 75008 PARIS	63%	71%	FC	61%	71%	FC
Colombus Consulting SA	Route de Crassier 7 - 1262 Eysins - NYON	45%	51%	FC	44%	51%	FC
Colombus Consulting Tunisie	Complexe Rosalys, A2 - 1053, les Berges du Lac 2 TUNIS	44%	50%	FC	43%	50%	FC
DataQuantic	205, av. Georges Clemenceau - 92024 NANTERRE	-	-	-	60%	60%	FC
Deodis	2, place de la Défense CNIT - 92800 PUTEAUX	89%	96%	FC	89%	96%	FC
Dragonfly	215, av. Georges Clemenceau - 92024 NANTERRE	83%	83%	FC	86%	86%	FC
Edugroupe	205, av. Georges Clemenceau - 92024 NANTERRE	98%	98%	FC	100%	100%	FC
Edugroupe MP	205, av. Georges Clemenceau - 92024 NANTERRE	98%	100%	FC	100%	100%	FC
Everience	Berliner Allee 65 - 64295 DARMSTADT	94%	100%	FC	93%	100%	FC
Experteam	171, av. Georges Clemenceau - 92024 NANTERRE	-	-	-	93%	100%	FC
Finaxys	27, rue des Poissonniers - 92200 NEUILLY-SUR-SEINE	77%	77%	FC	77%	77%	FC
Helpline	171, av. Georges Clemenceau - 92024 NANTERRE	93%	93%	FC	93%	93%	FC
Helpline Romania	10/D rue Coriolan Brediceanu - 300011 TIMISOARA	93%	100%	FC	93%	100%	FC

Companies consolidated by full consolidation	Registered head office	12/31/2017 % Stake	12/31/2017 % Control	12/31/2017 Consolidation method	12/31/2018 % Stake	12/31/2018 % Control	12/31/2018 Consolidation method
Helpline Tunisia	21, rue de Jérusalem - 1002 Belvédère - TUNIS	93%	100%	FC	93%	100%	FC
Iliade	1, rue de la Pépinière - 75008 PARIS	52%	70%	FC	51%	70%	FC
Iliade Tunisie	Rue du Lac Windermere - 1053, les Berges du Lac – TUNIS	52%	100%	FC	51%	100%	FC
Iliade Belgium	4, rue de la Presse - BE-1000 BRUXELLES 1	52%	100%	FC	51%	100%	FC
Intrinsec Sécurité	215, av. Georges Clemenceau - 92024 NANTERRE	81%	97%	FC	81%	94%	FC
Lib Consulting SD	16, rue Matel - 75010 PARIS	52%	70%	FC	72%	100%	FC
Lib Consulting SD Suisse	Rue des Vollandes - 71, c/o M. Brito - 1207 GENÈVE	45%	86%	FC	55%	76%	FC
MobiApps	6, rue Rose Dieng-Kuntz - 44300 NANTES	68%	70%	FC	68%	70%	FC
Neurones Consulting	205, av. Georges Clemenceau - 92024 NANTERRE	100%	100%	FC	100%	100%	FC
Neurones IT	205, av. Georges Clemenceau - 92024 NANTERRE	97%	97%	FC	97%	97%	FC
Neurones IT Asia Pte Ltd	Tampines Central 1, 02-05 Tampines Plaza 529541 SINGAPORE	97%	100%	FC	97%	100%	FC
Neurones IT India	Vatika Business Centre - 11, O Shaughnessy Road - Langford Town - 560025 BANGALORE	97%	100%	FC	97%	100%	FC
NG Cloud	121-123, rue Edouard Vaillant - 92300 LEVALLOIS-PERRET	100%	100%	FC	100%	100%	FC
Pragmateam	205, av. Georges Clemenceau - 92024 NANTERRE	85%	56%	FC	85%	85%	FC
RS2i	121-123, rue Edouard Vaillant - 92300 LEVALLOIS-PERRET	100%	100%	FC	100%	100%	FC
Scaled Risk	71, bd de Sébastopol - 75002 PARIS	36%	47%	FC	10%	12%	NC
Viaaduc	205, av. Georges Clemenceau - 92024 NANTERRE	97%	100%	FC	100%	100%	FC
WeeFin	27, rue des Poissonniers - 92200 NEUILLY-SUR-SEINE	-	-	-	50%	65%	FC

FC = Consolidation by full consolidation – NC = Non-consolidated securities

5.2. Significant events

Impact of variations in scope on shareholders' equity

(in thousands of euros)	Stake at 12/31/2017 (%)	Stake at 12/31/2018 (%)	Variation (%)	Impact on shareholders' equity attributable to parent company shareholders.	Impact on minority equity investments
Scaled Risk	35.7	9.5	(26.2)	-	-
Codilog	74.5	72.3	(2.1)	89	404
DataQuantic	-	60.0	60.0	-	100
Arondor	50.1	50.4	0.3	(12)	521
C2L2 Consulting	74.3	89.5	15.2	(116)	(131)
Dragonfly	83.1	86.0	2.9	(192)	(455)
Edugroupe	97.7	99.7	2.0	(203)	(72)
Colombus Consulting	88.3	86.0	(2.3)	(299)	297
Finaxys	76.6	76.6	-	59	394
Lib Consulting	52.1	72.3	20.3	(592)	(471)
Others < +/- €100 million)	-	-	-	(62)	125
TOTAL	-	-	-	(1,328)	712

Changes in percentage stakes

During FY 2018 various transactions were carried out with certain minority shareholders of subsidiaries. They resulted in slight changes in percentage stakes.

After different share transfers between shareholders, on September 28, 2018 Scaled Risk completed a capital increase in favor of a specialized investment fund that Finaxys did not participate in. At this date, Scaled Risk was removed from the scope of consolidation. After these operations, NEURONES held 9.5% of the capital of Scaled Risk, which became a simple financial investment.

Company	Date removed from the scope of consolidation	2018 revenue contribution (in millions of euros)	Fair value of shareholders' equity (in millions of euros)
Scaled Risk	September 30, 2018	0.3	(0.6)

Items concerning the contribution to the Group's consolidated financial statements

ASSETS *(in thousands of euros)*	Scaled Risk (removed from the scope of consolidation)
Intangible assets	-
Tangible assets	9
Financial assets	31
Deferred tax credits	-
TOTAL NON-CURRENT ASSETS	40
Inventory	-
Deferred tax credits due	-
Trade accounts and notes receivable	216
Cash and cash equivalents	113
TOTAL CURRENT ASSETS	329
TOTAL ASSETS	369

SHAREHOLDERS' EQUITY AND LIABILITIES *(in thousands of euros)*	Scaled Risk (removed from the scope of consolidation)
TOTAL SHAREHOLDERS' EQUITY ATTRIBUABLE TO PARENT COMPANY SHAREHOLDERS	(142)
Minority equity investments	(562)
SHAREHOLDERS' EQUITY	(704)
Non-current provisions	-
Non-current financial liabilities	218
TOTAL NON-CURRENT LIABILITIES	218
Current provisions	-
Taxes due	-
Trade and other accounts payable	855
Other financial liabilities	-
TOTAL CURRENT LIABILITIES	855
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	369

6. NOTES TO THE BALANCE SHEET

Note 1 – Intangible assets

(in thousands of euros)	12/31/16	+	−	12/31/17	Change in Scope	+	−	12/31/18
Goodwill (details in Note 2)	42,972	857	3,237	40,592	-	-	120	40,472
Patents and licenses	6,653	105	218	6,540	(12)	121	8	6,641
Contracts and contractual relationships	341	-	-	341	-	-	-	341
GROSS TOTAL	49,966	962	3,455	47,473	(12)	121	128	47,454
Amortization, depreciation	(4,510)	(882)	(218)	(5,174)	12	(781)	-	(5,943)
Impairment	(909)	-	-	(909)	-	-	-	(909)
NET TOTAL	44,547	80	3,237	41,390	-	(660)	128	40,602

The contracts and contractual relationships recorded in assets are related to technical assistance contracts for an indefinite useful life (refer to "4. Accounting principles"). They amount to €341,000 and are fully depreciated. No intangible assets have been pledged as security.

Note 2 – Goodwill

(in thousands of euros)	12/31/16	+	−	12/31/17	+	−	12/31/18
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)	-	-	-	-
Iliade	2,959	-	-	2,959	-	-	2,959
Codilog	2,587	-	-	2,587	-	-	2,587
Arondor	1,480	-	-	1,480	-	-	1,480
Lib Consulting	1,239	-	-	1,239	-	-	1,239
Netixia	1,126	-	(1,126)	-	-	-	-
Cloud Temple	-	1,126	-	1,126	-	-	1,126
Advim	809	245	-	1,054	-	-	1,054
Others (< €1 million)	1,635	612	-	2,247	-	120	2,127
GROSS TOTAL	42,972	857	(3,237)	40,592	-	120	40,472
Impairment	(568)	-	-	(568)	-	-	(568)
NET TOTAL	42,404	857	(3,237)	40,024	-	120	39,904

Method and key assumptions used for impairment tests

Impairment tests are performed once a year at closing on December 31.

The sensitivity analysis (variation of +1% in the discount rate) did not reveal a situation by which the recoverable value of the CGUs would fall below their net carrying amount.

Note 3 – Tangible assets

(in thousands of euros)	12/31/16	+	Reclass.	−	12/31/17	Change in Scope	+	Reclass.	−	12/31/18
Land and buildings	-	-	-	-	-	333	-	-	-	333
Fixtures and installations	9,252	1,507	390	297	10,852	-	1,586	-	-	12,438
Transportation equipment	2,868	401	-	471	2,798	-	688	(8)	536	2,942
IT and office equipment	28,435	6,124	41	751	33,849	(36)	4,432	9	546	37,708
Fixed assets under construction	479	(43)	(429)	-	7	-	35	(9)	-	33
GROSS TOTAL	41,034	7,989	2	1,519	47,506	297	6,741	(8)	1,082	53,454
Amortization, depreciation	(26,539)	(6,136)	(2)	(1,402)	(31,275)	(39)	(6,971)	-	(1,042)	(37,243)
NET TOTAL	14,495	1,853	-	117	16,231	258	(230)	(8)	40	16,211

The investments correspond to:
- equipment used for the cloud computing activity,
- computer hardware used in our service centers or at client sites, as part of outsourcing contracts or for internal uses,
- improvements of premises,
- company cars.

The decreases correspond primarily to scrapping.

Note 4 – Financial assets

(in thousands of euros)	12/31/16	Change in Scope	+	−	12/31/17	Change in Scope	+	−	12/31/18
Non-consolidated securities	720	(48)	21	146	547	(107)	230	-	670
Loans	2,949	(208)	475	10	3,206	-	524	6	3,724
Other financial assets	2,290	(36)	378	468	2,164	(31)	397	138	2,392
GROSS TOTAL	5,959	(292)	874	624	5,917	(138)	1,151	144	6,786
Impairment	(94)	-	(8)	-	(102)	-	(11)	-	(113)
NET TOTAL	5,865	(292)	866	624	5,815	(138)	1,140	144	6,673

Financial assets correspond primarily to deposits paid in the form of loans as part of the 1% housing aid contribution plus security deposits (related to leases).

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

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 assets

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

(in thousands of euros)	12/31/2017	12/31/2018
Employee statutory profit sharing	728	1,070
Present value of receivables maturing in more than one year	613	669
Other temporary differences	(12)	20
Provision for retirement benefits	326	356
Tax losses deferrable indefinitely	179	76
DEFERRED TAXES CALCULATED	1,834	2,191
Compensation by tax entity	-	-
TOTAL DEFERRED TAXES	1,834	2,191

Note 6 – Inventory

(in thousands of euros)	12/31/2017	12/31/2018
Goods for resale	893	278
GROSS TOTAL	893	278
Impairment	(2)	-
NET TOTAL	891	278

No inventory has been pledged as security.

Note 7 – Trade accounts and notes receivable

(in thousands of euros)	12/31/2017	12/31/2018
Trade receivables	126,820	133,885
Unbilled revenue	31,404	37,244
Suppliers: credit notes receivable	293	310
VAT and other taxes	16,618	17,769
Other receivables	603	989
Prepaid expenses	6,262	7,631
GROSS TOTAL	182,000	197,828
Impairment	(947)	(1,077)
NET TOTAL	181,053	196,751

The due date for these items is less than one year.

The trade receivable aging breaks down as follows:

(in thousands of euros)	Due				Not due	Total
	More than 1 year	Between 6 and 12 months	Between 3 and 6 months	Less than 3 months		
Trade receivables	1,867	1,987	3,731	37,308	88,992	133,885
Impairment	(616)	(180)	(78)	(62)	0	(936)
Net value	1,251	1,807	3,653	37,246	88,992	132,949
TOTAL	0.9%	1.4%	2.7%	28.0%	66.9%	100%

Note 8 – Net cash and cash equivalents

ASSETS *(in thousands of euros)*	12/31/2017	Maturities / Dates			12/31/2018
		More than 2 years	Between 1 and 2 years	Less than 1 year	
Term deposits	75,373	33,002	-	42,293	75,295
Other marketable securities	7,216			3,295	3,295
Available funds	70,615			95,193	95,193
Accrued interest	1,402			1,166	1,166
TOTAL ASSETS	154,606	33,002	-	141,947	174,949
LIABILITIES					
Non-current loans	240	-	2	-	2
Current loans	679	-	-	2	2
LOAN SUBTOTAL	919	-	2	2	4
Bank overdrafts	465	-	-	371	371
Security deposits received	112	-	-	120	120
OTHER CURRENT FINANCIAL LIABILITIES	577	-	-	491	491
TOTAL LIABILITIES	1,496	-	2	493	495
CASH AND CASH EQUIVALENTS NET OF FINANCIAL DEBT	153,110	33,002	(2)	141,454	174,454

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 10 European banks with rates ranging from 0.1% to 2.3%. Maturities less than one year represent: €42.3 million and those more than two years: €33 million.

The marketable securities are primarily comprised of financial products indexed to the major French and European indexes. Their valuation is obviously market driven.

The available funds correspond to the uninvested cash and cash equivalents, given the near absence of current remuneration of short-term liquidities.

Note 9 – Shareholders' equity

Note 9.1 – Capital

At December 31, 2018, the share capital amounted to €9,714,344.80; comprised of 24,285,862 fully paid-up shares of the same class with a face value of €0.40.

The increase in the number of shares in circulation during FY 2018 was related to the new shares issued in order to deliver a bonus shares plan (plan F).

Number of shares in circulation at 1/1/2018	Increase	Decrease	Number of shares in circulation at 12/31/2018
24,243,862	42,000	-	24,285,862

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.

Bonus share attribution plan

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 Shareholders' meeting of Thursday, June 14, 2018 authorized the Board of Directors to allocate a bonus share plan for up to 242,000 common shares. At this same date, the Board of Directors used part of this authorization, valid for a period of twenty-four months, by allocating 13,000 bonus shares (Plan G).

The different bonus share plans approved by the Board of Directors, still in their vesting and/or holding period in 2018, have the following characteristics:

	Bonus share plan F	Bonus share plan G
Date of the Shareholders' Meeting	6/9/2016	6/14/2018
Date of the Board of Directors meeting	6/9/2016	6/14/2018
Vesting period term	6/10/2018	6/15/2021
Holding period term	6/10/2020	6/15/2023
Number of beneficiaries	14	6
- including managers	-	-
Number of bonus shares allocated	43,000	13,000
Number of canceled shares at 12/31/2017	-	-
Number of shares in the vesting period at 1/1/2018	43,000	-
Number of shares expired during the vesting period throughout the year	1,000	-
Number of shares in the vesting period at 12/31/2018	-	13,000
Number of shares in the holding period at 1/1/2018	-	-
Number of shares in the holding period at 12/31/2018	42,000	-
Potential dilution (excluding canceled options) - % of capital at 12/31/2018	-	0.05%
TOTAL POTENTIAL DILUTION	-	0.05%

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 F	Bonus share plan G
Life	2 years	3 years
Volatility	19%	17%
Risk-free rate	0%	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 euros)*	Date of definitive allocation	Exercise price	Fair value	Price at the allocation date (in euros)
June 9, 2016 (plan F) – Bonus shares	6/10/2018	-	20.89	24.70
June 14, 2018 (plan G) – Bonus shares	6/15/2021	-	23.90	-

The expenses related to the stock option plans are presented in Note 13 hereafter.

Note 9.3 – Earnings per share

	2017	2018
Number of shares at the beginning of the year	24,243,862	24,243,862
Average number of shares issued	-	23,800
Average number of treasury shares	-	-
Average number of shares in circulation during the year	24,243,862	24,267,662
Average number of dilutive instruments	43,000	6,500
Average number of shares in circulation after dilution	24,286,862	24,274,162
Net profit – Group share (in €)	27,309,553	25,959,451
Earnings per share, Group share – undiluted (in €)	1.13	1.07
Earnings per share, Group share – diluted (in €)	1.12	1.07

Note 10 – Non-current provisions

(in thousands of euros)	12/31/2016	Allocation for the year	Write-backs for the year (provision used)	12/31/2017	Change in scope	Allocation for the year	Write-backs for the year (provision used)	Write-backs for the year (provision not used)	12/31/2018
Provision for retirement benefits	1,069	207	(1)	1,275	-	188	(22)	-	1,441
TOTAL	1,069	207	(1)	1,275	-	188	(22)	-	1,441
Impact (net of expenses incurred)	-	-	-	-	-	-	-	-	-
Operating profit	-	(207)	1	-	-	(188)	22	-	-
Net cost of financial debt	-	-	-	-	-	-	-	-	-

Note 11 – Current provisions

(in thousands of euros)	12/31/2016	Allocation for the year	Write-backs for the year (provision used)	Write-backs for the year (provision not used)	12/31/2017	Change in Scope	Allocation for the year	Write-backs for the year (provision used)	Write-backs for the year (provision not used)	12/31/2018
Provisions	2,239	399	(590)	(281)	1,767	-	643	(1,019)	-	1,391
TOTAL	2,239	399	(590)	(281)	1,767	-	643	(1,019)	-	1,391
Impact (net of expenses incurred)	-	-	-	-	-	-	-	-	-	-
Operating profit	-	(399)	590	281	-	-	(643)	1,019	-	-
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 completion date is less than 12 months.

Note 12 – Trade and other accounts payable

(in thousands of euros)	12/31/2017	12/31/2018
Trade and related accounts payable	29,384	31,250
Employee statutory profit sharing and optional profit sharing	2,215	2,926
Payroll taxes & general taxes	87,319	88,807
Other debts	8,213	8,695
Prepaid income*	10,664	15,275
TOTAL	137,795	146,953

* See 4.21 above: "Recognition of revenues (IFRS 15)"

All operating debts are due in less than one year.

7. OPERATING SEGMENTS

The Group has not identified any operating segments (see 4.23 above: "Operating segments").

8. NOTES TO THE INCOME STATEMENT

Note 13 – Salaries and related expenses

(in thousands of euros)	2017	2018
Salaries	197,118	199,093
Payroll taxes	88,213	88,202
Employee statutory profit sharing	2,257	3,391
Bonus shares	2,000	1,236
Provision for retirement benefits	250	166
TOTAL	289,838	292,088

Note 14 – External expenses

(in thousands of euros)	2017	2018
Subcontracting purchases	100,279	107,693
Purchases of materials and supplies not stored	862	439
Outside personnel	868	1,200
Other outside services	32,418	33,954
TOTAL	134,427	143,286

Note 15 – Allocations to amortization, depreciation, provisions and impairment of assets

(in thousands of euros)	2017	2018
Amortization of intangible assets	1,199	792
Depreciation of tangible assets	7,224	7,108
ALLOCATIONS TO AMORTIZATION AND DEPRECIATION	**8,423**	**7,900**
Net contingency provisions	(429)	(334)
Net provisions for current assets	410	118
NET ALLOCATIONS TO PROVISIONS	**(19)**	**(216)**

Note 16 – Other income and expenses

(in thousands of euros)	2017	2018
Operating subsidies	8,145	6,597
Miscellaneous income	503	413
OTHER INCOME	**8,648**	**7,010**
Miscellaneous expenses	(377)	(354)
OTHER EXPENSES	**(377)**	**(354)**
NET OTHER INCOME/OTHER EXPENSES	8,271	6,656

The details of the operating grants are as follows:

(in thousands of euros)	2017	2018
Competitiveness and Employment Tax Credit (CICE)	6,033	5,063
Research Tax Credit (CIR)	1,631	1,034
Other grants	481	500
TOTAL	8,145	6,597

The tax credits were recorded as other income because they are considered as a grant offsetting related costs incurred by the companies concerned.

Note 17 – Other operating income and expenses

(in thousands of euros)	2017	2018
Capital gain/(loss) on disposal of assets	555	154
Impairment of goodwill	-	-
Other	(107)	(63)
TOTAL	448	91

These totals correspond to the sum of “Other non-recurring income” and “Other non-recurring expenses” on the consolidated income statement.

Note 18 – Analysis of the net cost of financial debt

(in thousands of euros)	2017	2018
Dividends received (non-consolidated equity investments)	-	105
Other interest and similar income	3,011	2,071
Capital gains on disposal of cash equivalents	191	(25)
Capital gain on disposal of financial assets	-	-
Write-backs of provisions	-	-
TOTAL FINANCIAL INCOME	**3,202**	**2,151**
Interest and similar expenses	278	548
Allocations to provisions	8	11
TOTAL FINANCIAL EXPENSES	**286**	**559**
FINANCIAL PROFIT (LOSS)	2,916	1,592

Financial interest corresponds primarily to expenses deducted directly by the bank as part of the cash centralization system (established between NEURONES and some of its subsidiaries).

Note 19 – Income tax

(in thousands of euros)	2017	2018
Corporate income tax	11,391	13,515
Company Value Added Contribution (CVAE)	4,637	4,819
Taxes due	**16,028**	**18,334**
Deferred tax assets and liabilities	**140**	**(357)**
TOTAL	16,168	17,977

The corporate income tax takes into account the consequences of a revaluation of transfer prices.

Note 20 – Proof of tax

	2017			2018		
(in thousands of euros)	Base	Rate	Tax	Base	Rate	Tax
Pre-tax income, capital gain on sale of consolidated shares	47,780	34.43%	16,451	47,554	34.43%	16,373
Non-deductible calculated expenses	1,580	34.43%	544	982	34.43%	338
Impact of definitively non-deductible expenses	84	34.43%	29	1,086	34.43%	374
Impairment of goodwill	-	34.43%	-	-	34.43%	-
Generation/(Use) of tax losses not activated	630	34.43%	217	517	34.43%	178
Tax credits	-	-	(2,920)	-	-	(1,079)
CVAE impact on tax	-	-	3,041	-	-	3,160
Rate difference between parent company and subsidiaries	-	-	(1,194)	-	-	(1,367)
EFFECTIVE TAX EXPENSE	-	-	16,168	-	-	17,977
Average tax rate	-	-	33.8%	-	-	37.8%

A €1.427 million adjustment related to transfer prices was deducted from “Tax Credits”.

Note 21 – 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 payment of the annual dividend).

Officers

The total and overall remuneration of directors amounted to €440,000 gross for FY 2018 (fixed and variable). It was €400,000 for 2017. The directors do not collect any other remuneration.

9. MISCELLANEOUS INFORMATION

9.1. Security given

No guarantees were given at December 31, 2018.

9.2. Off-balance sheet commitments

There were no off balance sheet commitments at December 31, 2018.

9.3. Auditors' fees

	BM&A				KPMG				Autres			
	Amount		%		Amount		%		Amount		%	
(in thousands of euros)	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018
Audit												
Statutory auditors' examination of separate and consolidated financial statements												
- parent company	24	25	17%	16%	24	25	14%	14%	-	-	-	-
- subsidiaries	112	124	82%	84%	142	145	82%	86%	14	14	100%	100%
Accessory missions (due diligence, etc.)	-	2	1%	-	-	6	4%	-	-	-	-	-
Subtotal	**136**	**151**	100%	100%	**166**	**176**	100%	100%	**14**	**14**	100%	100%
Other services	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL	136	151	100%	100%	166	176	100%	100%	14	14	100%	100%

9.4. Average number of employees

	2017	2018
Managers	2,744	2,592
Non-managers	2,305	2,521
TOTAL	5,049	5,113

9.5. Subsequent events after the closing at Monday, December 31, 2018

All of Brains' shares were sold on January 22, 2019, which will generate a capital gains of €4.6 million for FY 2019. Brains contributed €5.2 million to 2018 revenues and the fair market value of its shareholders' equity was €2.7 million at December 31, 2018.

Brains' share in the consolidated financial situation at December 31, 2018 was as follows:

ASSETS *(in thousands of euros)*	Brains
Tangible assets	4
Other financial assets	5
Elimination of intra-group securities	(104)
TOTAL NON-CURRENT ASSETS	**(95)**
Trade accounts and notes receivable	906
Deferred tax credits	31
Other current assets	4
Available funds	3,021
TOTAL CURRENT ASSETS	**3,962**
TOTAL ASSETS	3,867

SHAREHOLDERS' EQUITY AND LIABILITIES *(in thousands of euros)*	Brains
Retained earnings	1,003
TOTAL SHAREHOLDERS' EQUITY ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDERS	**1,003**
Minority equity investments	1,613
SHAREHOLDERS' EQUITY	**2,616**
Commitments to personnel	1
TOTAL NON-CURRENT LIABILITIES	**1**
Trade and other accounts payable	1,438
Elimination of intercompany accounts and other debts	(233)
Taxes due	10
Other current liabilities	35
TOTAL CURRENT LIABILITIES	**1,250**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	3,867

9.6. Distribution of dividends

In its meeting on March 13, 2019, the Board of Directors decided to propose to the Ordinary Shareholders' meeting called to approve the financial statements for the year ended December 31, 2018, to pay a dividend of €0.06 per share.

3.5. AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MONDAY, DECEMBER 31, 2018

To the Shareholders' Meeting of NEURONES S.A.,

Opinion

In accordance with the terms of our appointment at your Shareholders' Meetings, we have audited the accompanying consolidated financial statements of NEURONES S.A. for the fiscal year ended December 31, 2018.

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, 2018 and of the results of its operations for the year then ended in accordance with IFRS as adopted for use in the European Union.

The opinion expressed above is consistent with our report to the Audit Committee.

Basis for opinion

Audit framework

We conducted our work in accordance with the professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the "Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements" section of our report.

Independence

We conducted our audit in compliance with the rules of independence applicable to us, for the period from January 1, 2018 to the date of our report and specifically we did not provide any services prohibited in Article 5, paragraph 1 of (EU) regulation No. 537/2014 or in the French Code of Ethics for statutory auditors.

Observation

Without qualifying our opinion expressed above, we draw your attention to Note 3 in the notes to the consolidated financial statements, which describes a change in accounting method related to your company's first application of IFRS 15 and IFRS 9 concerning respectively the recognition of revenues and financial assets.

Basis of our assessments – Key points of the audit

In accordance with the provisions of Articles L. 823-9 and R. 823-7 of the French Commercial Code concerning the basis of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were the most significant in our audit of the consolidated financial statements for the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon. We do not provide a separate opinion on specific items of the consolidated financial statements.

Recognition of "service" revenues

Description of the identified risk

The NEURONES group operates in the professional IT services market and in particular provides long-term services.

As indicated in note 4.21 of the notes to the consolidated financial statements, revenues from fixed-price projects and long-term outsourcing contracts are recorded as the service is provided, based on the stage of completion method. The stage of completion is calculated based on the costs incurred compared to the total updated forecast costs. According to this method, revenues are recognized in the period the service is rendered in, independently of the billing cycle.

Given the high degree of judgment exercised by management in determining the stage of completion on fixed-price and long-term outsourcing projects, especially in the context of the first application of the new IFRS 15 on the recognition of revenues, we considered that the recognition of revenues related to these services constitutes a key point of our audit.

Our response to risk

Our audit approach on the recognition of revenues includes both an internal control test and substantive procedures tests.

Our work on internal control concerned in particular formalization by contract, invoicing and recognition of service revenues. We reviewed the internal control procedures implemented by the group and tested the design and effectiveness of the key controls identified.

Our substantive procedures tests consisted in particular of examining, based on a sampling of contracts, the determination of the stage of completion by:

- assessing the agreement between the costs incurred obtained from the operational project monitoring and the accounting information;
- assessing the reasonableness of the outstanding costs to incur based on interviews with the project managers and by comparison with similar contracts;
- comparing the profit margin on these contracts with that recognized on similar past contracts;
- verifying the arithmetic exactness of the revenues to be recognized over the period.

Specific procedures and disclosures

In accordance with professional standards applicable in France, we have also performed the specific procedures and disclosures required by the legal and regulatory texts regarding the Group information provided in the Board of Directors' management report.

We have no matters to report regarding its fair presentation and consistency with the consolidated financial statements.

We hereby certify that the consolidated statement of non-financial performance provided for by article L. 225-102-1 of the French Commercial Code is included in the annual financial report, it being noted that, in accordance with the provisions of article L. 823-10 of this Code, we have not verified the fair presentation or consistency with the consolidated financial statements of the information contained in this statement, which should be reported on by an independent third party.

Report on other legal and regulatory obligations

Appointment of the statutory auditors

We were appointed statutory auditors of NEURONES S.A. by the Shareholders' Meeting of June 25, 2004 for KPMG S.A. and of June 30, 1997 for BM&A.

At December 31, 2018, KPMG S.A. was in the 15th uninterrupted year of its assignment and BM&A in the 22nd year, thus respectively 15 and 19 years since the Company's securities were listed on a regulated stock exchange.

Responsibilities of management and the people charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risk management systems and, where applicable, its internal audit regarding the accounting and financial reporting procedures.

The Board of Directors has approved the consolidated financial statements.

Statutory auditors' responsibilities for the audit of the consolidated financial statements

Audit objectives and approach

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance that the consolidated financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when there is one. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As specified in Article L. 823-10-1 of the French Commercial Code, our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit. Furthermore, the statutory auditor:

- identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control;
- reviews the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;
- evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management in the consolidated financial statements;
- assesses the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or are inadequate, to modify the opinion expressed therein;
- evaluates the overall presentation of the consolidated financial statements and assesses whether these statements represent the underlying transactions and events in a manner that provides a fair presentation;
- obtains sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. The statutory auditor is responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed on these consolidated financial statements.

Report to the Audit Committee

We submit a report to the Audit Committee, which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report any significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the financial statements for the current period and which are therefore the key audit matters that we are required to describe in this report.

We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) No. 537-2014, confirming our independence within the meaning of the rules applicable in France as defined in particular by Articles L. 822-10 to L. 822-14 of the French Commercial Code and in the French Code of Ethics for statutory auditors. Where appropriate, we discuss with the Audit Committee the risks that may be reasonably thought to bear on our independence and the related safeguards.

The Statutory Auditors

Paris La Défense, Thursday, April 25, 2019	Paris, April 25, 2019
KPMG Audit -- Department of KPMG S.A.	BM&A
Philippe Saint-Pierre	Jean-Luc Loir
Partner	*Partner*

4 Parent company financial items

4.1. PARENT COMPANY BALANCE SHEET AND INCOME STATEMENT

Parent Company Balance Sheet

ASSETS (in euros)	12/31/2017 Net	12/31/2018 Gross Amount	12/31/2018 Amortization, depreciation and provisions	12/31/2018 Net
Franchises, patents and licenses	11,759	88,007	83,924	4,083
Intangible assets under construction	-	-	-	-
INTANGIBLE ASSETS	**11,759**	**88,007**	**83,924**	**4,083**
Fixtures and installations	2,850	389,827	29,766	360,061
Transportation equipment	1,706	-	-	-
IT and office equipment	3,989	102,089	24,688	77,401
TANGIBLE ASSETS	**8,545**	**491,916**	**54,454**	**437,462**
Financial interests	72,709,668	74,617,858	317,266	74,300,592
Loans	33,020	29,443	-	29,443
Other financial assets	-	-	-	-
FINANCIAL ASSETS	**72,742,688**	**74,617,858**	**317,266**	**74,330,035**
TOTAL FIXED ASSETS	**72,762,992**	**75,227,224**	**455,644**	**74,771,580**
Trade and related accounts receivable	33,480,159	34,291,372	-	34,291,372
Other receivables	23,270,603	22,456,785	-	22,456,785
Marketable securities	54,495,298	52,236,123	-	52,236,123
Available funds	21,595,872	20,964,290	-	20,964,290
TOTAL CURRENT ASSETS	**132,841,932**	**129,948,570**		**129,948,570**
Prepaid expenses	366,805	421,063		421,063
TOTAL ASSETS	**205,971,729**	**205,596,857**	**455,644**	**205,141,213**

LIABILITIES (in euros)	12/31/2017	12/31/2018
Share capital	9,697,545	9,714,345
Additional paid-in capital	30,634,621	30,617,821
Legal reserve	969,754	969,754
Retained earnings	60,787,168	60,488,284
PROFIT FOR THE YEAR	**1,158,268**	**5,727,198**
TOTAL SHAREHOLDERS' EQUITY	**103,247,356**	**107,517,402**
Contingency provisions	320,000	-
TOTAL CONTINGENCY AND LOSS PROVISIONS	**320,000**	**-**
Loans and debts with lending institutions	-	-
Trade and related accounts payable	38,075,748	29,369,051
Outstanding payroll & payroll taxes	6,525,985	7,401,493
Debts on fixed assets and related accounts	-	-
Other debts	57,662,640	60,809,721
TOTAL DEBTS	**102,264,373**	**97,580,265**
Prepaid income	140,000	43,546
TOTAL LIABILITIES	**205,971,729**	**205,141,213**

Parent Company Income statement

INCOME STATEMENT *(in euros)*	2017	2018
Sales of goods	255,510	1,442,859
Services provided	*116,985,541*	*121,368,160*
Incidental income	*4,477,874*	*4,733,384*
Sale of services	121,463,415	126,101,544
NET REVENUES	**121,718,925**	**127,544,403**
Operating subsidies	-	-
Write-backs on provisions, amortization and depreciation, expense transfers	-	320,000
Other income	(1,692)	20,872
OPERATING INCOME	121,717,233	127,885,275
Goods purchased	255,510	1,442,859
Variation in inventory	-	-
Other purchases and external charges	119,052,299	123,314,308
Taxes, duties and similar payments	266,900	284,898
Salaries and wages	1,623,406	1,618,457
Payroll taxes	929,774	749,953
Allocations to amortization and depreciation on fixed assets	24,592	28,343
Provisions for current assets	-	-
Contingency and loss provisions	-	-
Other expenses	970	7,272
OPERATING EXPENSES	122,153,451	127,446,090
OPERATING PROFIT/(LOSS)	(436,218)	439,185
Financial income from equity investments	1,438,575	4,641,885
Other interest and similar income	1,485,796	1,492,142
Write-backs on provisions for financial contingencies and expense transfers	-	-
Positive foreign exchange variations	1,052	814
FINANCIAL INCOME	2,925,423	6,134,841
Net financial allocations to amortization, depreciation and provisions	-	47,706
Interest and similar expenses	547,625	476,018
Negative foreign exchange variations	4,904	4,035
FINANCIAL EXPENSES	552,529	530,759
FINANCIAL PROFIT (LOSS)	2,372,894	5,604,082
PRETAX INCOME FROM ORDINARY BUSINESS	1,936,676	6,043,267
Non-recurring income from management operations	-	-
Non-recurring income from capital operations	5,600,000	27,333
Write-backs on provisions and expense transfers	-	-
NON-RECURRING INCOME	5,600,000	27,333
Non-recurring expenses on management operations	52,000	16,380
Non-recurring expenses on capital operations	6,121,225	969
NON-RECURRING EXPENSES	6,173,225	17,349
NON-RECURRING PROFIT/(LOSS)	(573,225)	9,984
Statutory employee profit sharing	-	-
Corporate income tax	205,183	326,053
TOTAL INCOME	**130,242,656**	**134,047,449**
TOTAL EXPENSES	**129,084,388**	**128,320,251**
PROFIT/(LOSS)	1,158,268	5,727,198

4.2. INFORMATION ON EQUITY INVESTMENTS

COMPANY *(in thousands of euros)*	Share capital	Other sharehol-ders' equity*	Share of capital held *(as %)*	Book value of securities held – Gross	Book value of securities held – Net	Loans & advances granted	Guarantees and security given	Revenues	Net profit	Dividends received by the parent company
I – SUBSIDIARIES (More than 50% owned)	-	-	-	-	-	-	-	-	-	-
Arondor	233	5,389	50.39%	2,614	2,614	-	-	17,045	1,023	72
AS International Group	557	15,302	98.02%	12,006	12,006	-	-	7,992	7,628	1,960
Codilog	6,158	11,543	72.33%	4,357	4,357	-	-	28,353	926	0
DataQuantic	250	-39	60.00%	150	150					
Edugroupe	4,186	3,363	99.74%	5,247	5,247	-	-	7,002	1,821	2,505
Finaxys	438	10,487	76.55%	2,785	2,785	-	-	35,673	1,721	0
Helpline	1,096	68,206	92.98%	4,901	4,901	-	-	132,438	7,711	0
DragonFly	1,036	14,764	86.00%	2,872	2,872	-	-	849	119	0
Neurones Consulting	40	3,748	100.00%	40	40	-	-	0	- 35	0
Neurones IT	33,013	34,574	97.17%	29,873	29,873	-	-	72,423	3,627	0
Pragmateam	55	571	84.86%	849	531	-	-	0	-8	0
RS2i	687	12,035	98.94%	8,924	8,924	-	-	12,398	1,895	0
II – EQUITY INVESTMENTS (10 to 50% held)	-	-	-	-	-	-	-	-	-	-
III – OTHER SECURITIES	-	-	-	-	-	-	-	-	-	-
TOTAL	-	-	-	74,618	74,301	-	-	-	-	4,537

* Before distribution but after allocation of 2018 earnings.

5 Combined Shareholders' Meeting on Thursday, June 6, 2019

5.1. MANAGEMENT REPORT PRESENTED BY THE BOARD OF DIRECTORS TO THE COMBINED SHAREHOLDERS' MEETING ON JUNE 6, 2019

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, 2018 and to inform you of future prospects.

1. CONSOLIDATED FINANCIAL STATEMENTS

Comments on the Group's business during FY 2018.

The consolidated financial statements are presented according to IFRS, pursuant to the provisions adopted by the European Union.

In 2018, NEURONES continued profitable growth. Revenues amounted to €490.1 million compared to €485 million the previous year (overall growth of 1% and organic growth of 5% on a comparable accounting method).

Operating profit increased from €44.9 million to €46 million, an increase of 2.4% from 2017. As a percentage, this represents 9.4% of revenues.

Financial profit amounted to € 1.6 million. It corresponds to interest on short-term investments in term deposits. In 2017, the financial profit was higher because NEURONES had constituted a more profitable equity portfolio.

The corporate income tax expense (including the Company Value Added Contribution of €4.8 million) amounted to € 18 million compared to € 16.2 million the previous year. An adjustment of € 1.5 million, resulting from a revaluation of the transfer prices in FY 2015 to 2017, was recognized in the year. Restated for this non-recurring item, the average corporate income tax rate was 34.8%.

The net income was €29.6 million (€31.6 million in 2017).

Net income attributable to the parent company owners was €26 million in 2018 (€27.3 million in 2017).

Comments on the consolidated financial situation

Assets

Intangible assets were €40.6 million, compared to €41.4 million the previous year.

Net tangible assets remain stable at € 16.2 million. Capital expenditures concern primarily computer hardware and improvements of new premises.

Financial assets (€6.7 million) are comprised primarily of 1% housing loans and security deposits.

The deferred tax credit is €2.2 million. It is comprised primarily of temporary tax differences.

At € 196.8 million, trade and other accounts receivable increased 8.7%. Overall, trade receivables (accounts receivable and unbilled revenue) represent 98 days of revenue (including 21 days of unbilled revenue).

Liabilities

Long-term provisions correspond to provisions for payments due on retirement while short-term provisions correspond primarily to social risks.

The trade and other accounts payable item increased 6.7% to € 147 million.

Cash flow

Cash flows from operating activities, after net financial income and taxes, amounted to €38.3 million in 2018.

The increase in trade receivables explains the increase in the operating working capital requirements (+ €5.4 million).

Productive investments consumed €6.9 million, compared to €9 million in 2017. 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 €25.7 million compared to € 17.3 million in the previous year.

After the long-term financing transactions (earn out payments, dividend payments, disposals, share buybacks from minority shareholders in subsidiaries, capital increases, etc.) the Group generated €20.6 million of additional cash in 2018 compared to € 13.6 million in 2017.

At December 31, 2018, cash and cash equivalents (net of borrowing) amounted to € 174.5 million (€ 153.1 million in 2017).

Note on the debt situation of the Company and the Group

The Group has a positive cash position of € 175 million and borrowing of €0.5 million. The borrowing situation, in light of the business volume, clearly poses no 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.

Moreover it 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 abroad, it nonetheless influenced the decision of clients 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. 2018 follows this pattern (+5% of organic growth compared to 3.3% growth for the Consulting and IT Services market). The Group's potential is real since its French market share is only on the order of 1.4%. Thanks to its "multi-specialist" model, NEURONES should grow faster than the market (+3%) in 2019.

Equity participation, movements of securities, capital operations and other legal operations

During FY 2018, NEURONES carried out the following operations:
- acquired 2% of Edugroupe's capital from one of the company's executives,
- issued 42,000 new common shares in order to deliver a bonus shares plan;
- created a new subsidiary, DataQuantic SAS, of which it holds 60% of the capital;
- subscribed to a capital increase for cash at Arondor in order to maintain the majority stake. The subscription represented approximately 6.5% of the post-increase capital;
- acquired slightly less than 3% of the capital of Dragonfly from eight employees and former employees of this company.

During FY 2018, NEURONES' subsidiaries and sub-subsidiaries carried out the following acquisitions and disposal operations:
- Edugroupe acquired less than 0.5% of the capital of Viaaduc and became the sole shareholder;
- Deodis acquired 17% of the capital of C2L2 Consulting, thereby becoming the sole shareholder;
- Codilog Eliance acquired 30% of the capital of Lib Consulting SD, thereby becoming the sole shareholder;
- Finaxys sold most of its stake in the capital of Scaled Risk and then was diluted by a capital increase reserved for a specialized fund and managers, keeping just 12% of the capital at the end of these operations;
- Lib Consulting SD sold slightly more than 13% of the capital of Lib Consulting Suisse to its manager, who holds 32% after the operation.

They also carried out the following operations:
- Helpline contributed its "information technologies" branch to Experteam SAS, effective January 1, 2018.
- Dragonfly subscribed a capital increase at Kamidocity, thereby becoming the majority shareholder (50.5% of the capital);
- Colombus Consulting reduced its capital by cancelling treasury shares representing 1% of the capital;
- Arondor carried out a capital increase for cash, representing 12.5% of the post-increase capital that NEURONES and 11 of the company's employees subscribed to;
- Finaxys participated in the creation of Weefin SAS, in which it holds 65%;
- Colombus Consulting carried out a capital increase for cash, representing slightly less than 1% of the capital and reserved for subscribers of the company's savings plan;
- Arondor participated in the creation of Arondor Tunisia SARL, incorporated under Tunisian law, in which it holds approximately 67%;
- Colombus Consulting delivered two bonus share plans, one by issuing new shares and the other by treasury shares representing respectively slightly more than 0.9% and 0.7% of the capital;
- Codilog Eliance carried out a capital increase for cash by debt set-off to settle part of the sum owed for the acquisition of 30% of Lib Consulting SD;
- Codilog Eliance delivered a bonus share plan by issuing new shares representing about 0.9% of the capital;
- RS2i delivered a bonus share plan by issuing new shares representing slightly less than 0.8% of the capital;
- Intrinsec Sécurité delivered a bonus share plan by issuing new shares representing slightly less than 3% of the capital;
- AS International Group participated in the creation of Henko Consulting SAS, in which it holds 60% of the capital;
- Dragonfly decided to transfer all of Advim's assets and liabilities to itself, effective January 1, 2019;
- Codilog Eliance decided to transfer all of Lib Consulting SD's assets and liabilities to itself, effective January 1, 2019;
- Deodis transferred all of C2L2 Consulting's assets and liabilities to itself, effective January 1, 2019;

Some of these operations resulted in a change in stake percentages of NEURONES S.A. in some Group companies.

Main business activity of operational entities

The contributions* to the Group's main consolidated aggregates are summarized hereafter:

(in thousands of euros)	Company	Contribution to 2018 revenues *	Contribution to 2018 operating profit *	Contribution to 2018 net profit*
Parent company	NEURONES	-	396	69
Subsidiaries	Arondor	16,887	1,114	809
	AS International Group	56,881	6,293	4,048
	Brains	5,177	929	644
	Codilog	43,397	3,159	1,976
	Colombus Consulting	24,689	3,152	1,916
	Deodis	19,198	1,906	1,255
	Edugroupe	9,361	1,736	1,176
	Finaxys	35,814	2,783	1,627
	Helpline	145,449	9,850	5,933
	Intrinsec	47,865	5,501	4,188
	Neurones IT	72,679	6,082	3,999
	RS2i	12,678	3,061	1,937
TOTAL		490,075	45,962	29,577

*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 2018

Revenues amounted to € 127.5 million compared to € 121.8 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 contracted with the parent company (thereby fulfilling the role of unique point of billing).

Operating profit amounted to €0.4 million. After including the dividends from subsidiaries, the net financial income was €5.6 million. The Company's net income was a profit of €5.7 million.

Future outlook

Since January 1, 2000, NEURONES S.A. is a holding company that combines the following functions: Group management, finances, 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 €60,488,284 and profit for the year of €5,727,198 plus € 1,680 posted to the legal reserve, the distributable income stands at €66,213,802.

A motion will be put to the Shareholders' Meeting to approve the distribution of a dividend of €0.06 per share, for a total* of € 1,457,152. Retained earnings will then stand at €64,756,650.

* Calculation made based on the number of shares in circulation at December 31, 2018 (i.e., 24,285,862), which will be adjusted if necessary.

The dividend payment date will be Friday, June 14, 2019.

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:
2015: €0.06 per share,
2016: €0.06 per share,
2017: €0.06 per share.

3. OTHER FINANCIAL INFORMATION

Subsequent events

All of Brains' shares were sold on January 22, 2019, generating a capital gain of €4.6 million for FY 2019. No known events at March 13, 2019 had a significant impact on the Group's financial structure.

Vendor payment terms (statutory financial statements)

The vast majority (>95%) of NEURONES S.A.'s purchases are made with Group companies. At December 31, 2018, the outstanding trade payables of NEURONES S.A. (parent company) were as follows:

Outstanding trade payables at 12/31/2018 by maturity date *(in thousands of euros, taxes incl.)*	Past due invoices				Invoices not due	Total
	> 90 d	60 to 90 d	30 to 60 d	0 to 30 d		
Intra-Group	72	81	29	48	27,388	27,618
Third parties	42	-	43	36	1,579	1,700
TOTAL	114	81	72	84	28,967	29,318
Number of invoices concerned	43				1,499	1,542
% of the value of purchases for the year					19.3%	

The term of payment used to calculate late payments is: net 60, date of invoice, or net 45 end of month.

For intra-Group suppliers, past due invoices not settled correspond to situations where adjustments are necessary with the end clients. The outstanding invoices not yet settled concerning non-Group suppliers correspond to disputes.

At December 31, 2017, the outstanding trade payables of NEURONES S.A. (parent company) were as follows:

Outstanding trade payables at 12/31/2017 by maturity date *(in thousands of euros)*	Past due invoices				Invoices not due	Total
	> 90 d	60 to 90 d	30 to 60 d	0 to 30 d		
Intra-Group	1,454	339	1,490	6,863	25,708	35,854
Third parties	50	- 5	26	170	1,706	1,947
TOTAL	1,504	334	1,516	7,033	27,414	37,801

Client payment terms (statutory financial statements)

At December 31, 2018, the outstanding trade payables of NEURONES S.A. (parent company) were as follows:

Outstanding trade payables at 12/31/2018 by maturity date *(in thousands of euros, taxes incl., excl. unbilled revenue)*	Past due invoices				Invoices not due	Total
	> 90 d	60 to 90 d	30 to 60 d	0 to 30 d		
Third parties	1,414	406	1,093	2,691	27,979	33,583
Intra-Group	3	1	175	69	460	708
TOTAL	1,417	407	1,268	2,760	28,439	34,291
Number of invoices concerned	371				1,802	2,173
% of the value of sales for the year					18.6%	

The term of payment used to calculate late payments is: net 60 (date of invoice) or net 45 end of month.

Late payments by corporate clients are related to the complexity of their accounts payable channels (payment authorization, etc.). The share of past due invoices corresponding to disputes is in the minority. Most often they involve requests to correct details (number of half-days, overtime hours, etc.). They are generally settled out of court in consultation with clients' accounts payable departments.

Research and development activity

Research and development investments are made in each Group company. The costs, 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.

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

All authorizations granted by different Shareholders' Meetings on this subject plus all plans decided based on these authorizations expired over the previous reporting periods.

6. SPECIAL REPORT ON THE BONUS SHARE ATTRIBUTIONS

Pursuant to the provisions of article L.225-197-4 of the French Commercial Code, the purpose of this report is to provide information about the attributions of bonus shares during FY 2018 decided by the Company or affiliated companies, to the benefit of personnel of the Company or affiliated companies and executive officers.

Attributions of bonus shares of NEURONES

On June 14, 2018 the Board of Directors decided to attribute 13,000 bonus shares (plan G).

The following table presents the two bonus share plans in a vesting and/or holding period at December 31, 2018.

	Bonus share plan F	Bonus share plan G
Date of the Shareholders' Meeting	6/9/2016	6/14/2018
Date of the Board of Directors meeting	6/9/2016	6/14/2018
Vesting period duration and term	2 years - 6/10/2018	3 years - 6/15/2021
Holding period duration and term	2 years - 6/10/2020	2 years - 6/15/2023
Number of employee beneficiaries (NEURONES and affiliated companies)	14 (9 and 5)	6 (6 and 0)
Number of executive officer beneficiaries (NEURONES and affiliated companies)	-	-
Number of bonus shares attributed	43,000	13,000
Number of canceled shares at 12/31/2017	-	-
Number of shares in the vesting period at 12/31/2017	43,000	-
Number of shares expired during the vesting period throughout the year	1,000	-
Number of shares in the vesting period 12/31/2018	-	13,000
Number of shares in the holding period at 1/1/2018	-	-
Number of shares in the holding period at 12/31/2018	42,000	-

Attributions of bonus shares of companies affiliated with NEURONES

Note that no executive officer of NEURONES has ever been allocated bonus shares of subsidiaries due to the duties and functions performed in the Company. Nor have they benefited from bonus shares of controlled companies as defined in article L.233-16 of the French Commercial Code due to the duties and functions they might perform in them.

The bonus shares decided during FY 2018 by the companies affiliated with NEUORNES are described hereafter.

Attribution of bonus shares by Helpline

On January 3, 2018 the President of Helpline decided to attribute free of charge 4,745 bonus shares, representing approximately 0.11% of the capital at the decision date, to 10 beneficiaries.

The definitive attribution date was set at January 4, 2020, provided that each beneficiary remains an employee or executive officer of the Company or an affiliated company throughout the vesting period.

Attribution of bonus shares by Codilog Eliance

On June 21, 2018 the President of Codilog Eliance decided to attribute free of charge 1,254 bonus shares, representing approximately 0.3% of the capital at the decision date, to six beneficiaries.

The definitive attribution date was set at June 22, 2020, provided that each beneficiary remains an employee or executive officer of the Company or an employee an affiliated company throughout the vesting period.

Attribution of bonus shares by Colombus Consulting

On October 26, 2018 the President of Colombus Consulting decided to attribute free of charge 2,4800 bonus shares, representing slightly less than 0.6% of the capital at the decision date, to three beneficiaries.

The definitive attribution date was set at October 26, 2019, provided that each beneficiary remains an employee of the Company or an affiliated company throughout the vesting period.

On October 26, 2018 the President of Colombus Consulting also decided to attribute free of charge 2,230 bonus shares, representing slightly more than 0.5% of the capital at the decision date, to 11 beneficiaries.

The definitive attribution date was set at October 26, 2022, provided that each beneficiary remains an employee of the Company or an affiliated company throughout the vesting period.

Attribution of bonus shares by Arondor

On June 25, 2018 the President of Arondor decided to attribute free of charge 1,550 bonus shares, representing slightly less than 0.7% of the capital at the decision date, to eight beneficiaries.

The definitive attribution date was set at June 26, 2019, provided that each beneficiary remains an employee or executive officer of the Company or an employee an affiliated company throughout the vesting period.

	Helpline	Plan Codilog Eliance	Plan 1 Colombus Consulting	Plan 2 Colombus Consulting	Plan Arondor
Date of the Shareholders' Meeting	7/20/2017	5/22/2018	10/25/2018	10/25/2018	5/28/2018
Date of attribution by the President	1/3/2018	6/21/2018	10/26/2018	10/26/2018	6/25/2018
Value of a share at the attribution date	€22.35	€62.88	€67.91	€67.91	€38.52
Number of bonus shares attributed	4,745	1,254	2,400	2,230	1,550
Vesting period term	1/4/2020	6/22/2020	10/26/2019	10/26/2022	6/26/2019
Holding period term	N/A	N/A	10/26/2020	N/A	6/26/2020
Total number of beneficiaries	10	6	3	11	8
Number of executive officer beneficiaries of the Company or an affiliated company	1	2	-	-	-
Number of bonus shares attributed to this executive officer or officers	224	552	-	-	-
Number of employee beneficiaries of the Company or an affiliated company	9	4	3	11	8
Number of bonus shares attributed to these employees by category	Managers: 4,521	Managers: 702	Managers: 2,400	Managers: 2,230	Managers: 1,550
Number of bonus shares attributed to each of the 10 employees of the Company who are not executive officers, whose number of bonus shares is the highest	1: 1,800 2: 895 3: 671 4: 259 5-7: 224 8-9: 112	1: 209 2-3: 190 4: 113	1-2: 1,000 3: 400	1: 400 2: 320 3: 260 4-5: 200 6-10: 150	1-3: 250 4: 200 5-8: 150

Noted below are the plans attributed by affiliated companies in years prior to FY 2018 and which were still in their vesting period at December 31, 2018:

	Colombus Consulting Plan 2016 (1)	AS International Group Plan 2017	Colombus Consulting Plan No. 2	Helpline Plan 2017
Date of the Shareholders' Meeting	7/19/2016	5/31/2016	7/19/2017	7/20/2017
Date of attribution by the President	7/20/2016	6/30/2017	9/9/2017	7/20/2017
Vesting period term	7/20/2020	7/1/2019	9/9/2021	7/21/2019
Number of bonus shares attributed	550	17,344	1,000	32,550
- of which to the Company's executive officers	-	3,716	-	9,000
Total number of beneficiaries	5	8	11	12
- of which to the Company's executive officers	-	1	-	1
Number of shares expired between the attribution and Monday, December 31, 2018	-	-	-	-
Number of shares in the vesting period at December 31, 2018	550	17,344	1,000	32,550
Percentage of the capital of the company concerned at December 31, 2018	(0.13%)	(1.15%)	(0.25%)	(0.74%)

7. TREASURY STOCK - HELD BY THE COMPANY

The Company doesn't hold any of its own shares.

8. EMPLOYEE STATUTORY PROFIT SHARING

We inform you that the employees don't hold any Company shares through a Company Savings Plan, a Company Mutual Fund or covered by the period of unavailability provided for in article L.3324-10 of the French Labor Code.

9. AUTHORIZATION FOR THE COMPANY TO ACQUIRE ITS OWN SHARES AND TO REDUCE THE CAPITAL BY CANCELLING TREASURY SHARES

Implementation of a 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 Thursday, June 8, 2017 authorized the Company to buy-back its own shares subject to the main terms below:

- authorization validity period: 18 months from the date of the meeting (i.e., up to 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.

The Board of Directors has not launched an actual program based on this authorization.

The Shareholders' Meeting held on Thursday, June 14, 2018 renewed the Company's authorization to repurchase its own shares. This new authorization rendered invalid the aforementioned prior authorization. The main characteristics of the authorization in force are:

- authorization validity period: 18 months from the date of the meeting (i.e., up to December 14, 2019),
- maximum share of the capital to be acquired: 10%,
- maximum purchase price: €30 per share,
- maximum share acquired with a view to the subsequent delivery of shares in exchange or as payment: 5% of the capital.

The Board of Directors has not launched an actual program based on this authorization. At December 31, 2018, no share buyback program was in effect and the Company did not hold any treasury 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 executives, 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 on the occasion of an acquisition.

Consequently, a motion will be put to the Shareholders' Meeting on Thursday, June 6, 2019 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:

- the authorization is valid for a period of 18 months from the date of the 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 €30 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, 2,428,586 shares, based on share capital at December 31, 2018) representing a maximum purchase amount of €72,857,580, 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, if needed, be 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.

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 Thursday, June 14, 2018.

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 French financial markets authority (AMF), following which the program will be rolled out.

The authorization given by the Shareholders' Meeting of June 5, 2014 to the Company to reduce its capital by cancelling treasury shares ends in June 2019. Since the Company wants to retain this option at any time, a motion will be put to the Shareholders' Meeting of June 6, 2019 to renew the authorization given to the Board of Directors to reduce the capital by cancelling treasury shares. The capital can be reduced once or several times by cancelling all or part of the treasury shares A maximum of 10% of the shares comprising the share capital could be cancelled per 24-month period pursuant to the authorization. The authorization is requested for a period of five years.

10. ATTRIBUTIONS OF BONUS SHARES

The Board of Directors wants to retain the ability to attribute bonus shares, a successful mechanism that can be used to strengthen beneficiaries' motivation and loyalty by associating them directly with the Company's performances.

Nevertheless a motion will not be put to the Shareholders' Meeting of June 6, 2019 to renew the authorization given to the Board of Directors to grant one or more attributions of bonus shares of the Company from existing shares or shares to be issued by the Company because the authorization given by the Shareholders' Meeting of June 14, 2018 is valid for two years and only 13,000 of the 242,000 potential shares available under this authorization have been attributed to date.

The Board of Directors shall inform shareholders, according to the conditions defined by the current regulations, in a special report containing the information set out in article L.225-197-4 of the French Commercial Code, of the bonus shares attributed pursuant to the authorizations granted.

11. STATUS OF THE CUMULATIVE DILUTION FOR THE DIFFERENT CAPITAL OPERATIONS

	Situation at 12/31/2018	Treasury shares	Dilutive instruments Stock options	Dilutive instruments Bonus shares	Total
Number of shares	24,285,862	-	-	13,000	24,298,862
% dilution	-	-	-	0.05%	0.05%

12. SECURITIES TRANSACTIONS CARRIED OUT BY OFFICERS

Pursuant to the provisions of articles L.621-18-2 of the French Monetary and Financial Code and 223-26 of the AMF's General Regulations, note that no one, mentioned in the aforementioned article of the French Monetary and Financial Code, has reported an operation on the Company's securities in 2018.

13. RISK FACTORS

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 below.

Financial risks

Financial risk under IFRS 7

Financial risk management (IFRS 7) is described in the appendix to the consolidated financial statements (see 4.24. above "Management of financial risk"). It covers:

- credit risk,
- liquidity risk,
- market risk,
- capital management.

Country risks

Because NEURONES generates around 90% 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 leases: standard 3, 6 and 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 2018 consolidated financial statements at €1 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 a critical 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 highly 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

In 2018, the largest client represented 9.8% of 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 (e.g., training activities) have subscribed contracts with information banks about companies' solvency.

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

Apart from Consulting, which is considered to be a 100% project activity, non-recurrent fixed-price project activities for the Digital 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 off-target performance, 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, they 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 to 9% of the IT services in France in 2018 (40% of services provided by French digital 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 Digital 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.

14. INSURANCE

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

- professional civil liability: €15 million per calendar year (all damages combined: bodily injury, material and immaterial damage, whether consequential or not),
- operational liability: €15 million per claim (all damages combined: bodily injury, material and immaterial damage, whether consequential or not),
- civil liability for senior managers and directors: €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.

15. INTERNAL CONTROL AND RISK MANAGEMENT PROCEDURES RELATED TO THE PREPARATION AND TREATMENT OF ACCOUNTING AND FINANCIAL INFORMATION

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.

One of the objectives of the internal control system related to the preparation and treatment of accounting and financial information is to prevent and control the risks that could generate errors or fraud. 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 the potential risks and assess them (probability of occurrence, impact),
- 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),
- cash.

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, accounting for 29% of the revenues and 42% 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 accounting and payroll in particular) whose main processes are interfaced (business, sales and payroll management).

Sub-unit No. 2

Two legal entities located in Nanterre and Paris-La Défense, accounting for 14% of the revenues and 12% of the personnel.

This unit has an autonomous management team. The information system is built around standard software packages (Sage X3 accounting and payroll 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 generation experts connect and Sage X3 payroll in particular) whose main processes are interfaced (business, sales and payroll management).

Sub-units No. 4 to 14

38 legal structures located in the Greater Paris region and abroad.

These sub-units have an autonomous management team, sometimes assisted by an outside CPA. The payroll is generally processed in the Sage X3 payroll system. 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 the information system

The objective of upgrading the accounting and finance information system is to satisfy the requirements of reliability, availability and relevance of the information. This continuous upgrading is done based on needs. The priority has been given to hardware and harmonizing front-office applications (business management) and the interfacing with payroll and accounting.

Role of players performing control activities related to the preparation and treatment of accounting and financial information

The Group's administrative and finance 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 can be heard by the Audit Committee at the Board's request. 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.

The Group Administrative and Finance Director is responsible for internal control, whose effectiveness is monitored by the Audit Committee, in collaboration with the finance managers and directors, assisted by the management controllers of the Group companies.

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 fiscal year for each operating unit. A budget revision is organized when necessary.
- the monthly "reporting" process. This 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 at the half-year 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.

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: deliver a payment authorization / issue a payment instrument / sign the payment instrument (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.

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 control that the rules are applied. The Audit Committee monitors its effectiveness. 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 led to periodically audit its risk management, either internally or externally, and to formalize regular improvement action plans.

16. CONCLUSION

In conclusion, we ask you to approve the financial statements for the year ended Monday, December 31, 2018, 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 euros)	2014	2015	2016	2017	2018
Capital at year-end					
• Share capital	9,592,704	9,692,551	9,697,545	9,697,545	9,714,345
• Number of common shares outstanding	23,981,759	24,231,378	24,243,862	24,243,862	24,285,862
• 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)	95,957,486	98,234,529	115,325,747	121,718,925	127,544,403
• Pre-tax income, employee profit sharing and allocations to depreciation and provisions	4,333,776	6,684,884	3,494,403	1,388,043	5,809,299
• Corporate income tax	(68,450)	(166,455)	(432,912)	(205,183)	(326,053)
• Employee statutory profit sharing due for the year	-	-	-	-	-
• After tax income, employee profit sharing and allocations to depreciation and provisions	3,768,010	6,364,499	3,194,842	1,158,268	5,727,198
• Income distributed	1,438,906	1,453,883	1,454,632	1,454,632	1,457,152
Earnings per share					
• After tax income, employee profit sharing, but before allocations to depreciation and provisions	0.18	0.27	0.13	0.05	0.24
• After tax income, employee profit sharing and allocations to depreciation and provisions	0.16	0.26	0.13	0.05	0.24
• Dividend attributed to each share	0.06	0.06	0.06	0.06	0.06*
Personnel					
• Average salaried personnel employed during the year	21	19	18	18	19
• Payroll for the year	1,690,940	1,658,371	1,505,986	1,623,406	1,618,457
• Sums paid for fringe benefits for the financial year (Social Security, social services, etc.)	711,090	696,103	649,553	929,774	749,953

* Subject to approval by the Shareholders' Meeting (third resolution) of Thursday, June 6, 2019.

5.2. REPORT ON CORPORATE GOVERNANCE

Pursuant to the provisions of articles L.225-37 et seq. of the French Commercial Code, we present our report on corporate governance. It should be noted that 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.

1. CAPITAL AND SHARES

Disposal and transmission of shares

There are no statutory provisions restricting share transfers.

Double voting right

Each member of the Shareholders' Meeting has as many votes as he owns or represents. 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, in case of a capital increase by incorporation of reserves, profits or additional paid-in capital, to registered 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.

Stripping

As provided for in article L.225-10 of the French Commercial Code, in a société anonyme (limited company), the voting right attached to a split-ownership share belongs to the usufructuary in ordinary shareholders' meetings and to the bare owner in extraordinary shareholders' meetings.

The Shareholders' Meeting of June 14, 2018 decided to override this rule, as authorized by law, by adopting an amendment of the bylaws whose purpose is to limit the voting rights of a usufructuary to decisions concerning the allocation of profits.

Changes in the distribution of capital and voting rights during the past three years

	Situation at December 31, 2016				Situation at December 31, 2017				Situation at December 31, 2018			
	Number of shares	% of share capital	Number of voting rights	% of votes	Number of shares	% of share capital	Number of voting rights	% of votes	Number of shares	% of share capital	Number of voting rights	% of votes
Officers												
Host Développement	11,158,683	46%	22,127,366	52.8%	11,158,683	46%	22,127,366	52.6%	11,158,683	46%	22,127,366	53.1%
Luc de Chammard and children	4,803,103	19.8%	9,596,206	22.9%	4,753,003	19.6%	9,496,006	22.6%	4,747,003	19.5%	9,484,006	22.8%
SUBTOTAL JOINTLY CONTROLLED SHARES	15,961,786	65.8%	31,723,572	75.7%	15,911,686	65.6%	31,623,372	75.2%	15,905,686	65.5%	31,611,372	75.9%
Bertrand Ducurtil and children	839,167	3.5%	1,608,334	3.8%	817,000	3.4%	1,604,000	3.8%	817,000	3.4%	1,604,000	3.8%
Other officers (managers) with registered shares	1,049,589	4.3%	1,805,266	4.3%	852,280	3.5%	1,631,547	3.9%	629,177	2.6%	1,170,344	2.8%
SUBTOTAL OFFICERS (MANAGERS)	17,850,542	73.6%	35,137,172	83.8%	17,580,966	72.5%	34,858,919	82.9%	17,351,863	71.5%	34,385,716	82.5%
Employees with registered shares	341,239	1.4%	414,639	1%	232,070	1%	364,110	0.9%	202,370	0.8%	315,710	0.8%
Treasury shares	-	-	-	-	-	-	-	-	-	-	-	-
Public*	6,052,081	25%	6,370,614	15.2%	6,430,826	26.5%	6,822,967	16.2%	6,731,629	27.7%	6,961,163	16.7%
TOTAL	24,243,862	100%	41,922,425	100%	24,243,862	100%	42,045,996	100%	24,285,862	100%	41,662,589	100%

* Registered shares (other than Group officers and employees) and bearer shares.

Share lock-up undertakings / Shareholder agreements / Jointly controlled shares

Lock-up undertakings concluded during the year

In the context of article 787 B of the French General Tax Code, a collective share lock-up undertaking was concluded in July 2018 between Luc de Chammard, Host Développement SAS, Bertrand Ducurtil and a Group executive.

At December 31, 2018, 10,094,000 shares held by Luc de Chammard and Host Développement are subject to a collective share lock-up undertaking until July 2020 and then an individual undertaking until July 2024.

Shareholder agreements

None

Jointly controlled shares

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 1.56% of the capital. This pledge was granted in April 2016 for a period of 5 years.

2. SHAREHOLDERS' MEETINGS

Terms of participation and procedures

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 according to the legal and regulatory conditions. 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 and copies are certified and issued as required by law.

Summary of delegations of authority and powers granted by the shareholders' meeting to the Board of Directors

Delegations of authority granted by the Shareholders' Meetings to the Board of Directors	Period of validity / End date of validity	Conditions and ceilings	Use during the year
Shareholders' Meeting of 6/8/2017 (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 2019 Replaces the authorization granted by the Shareholders' Meeting of 6/4/2015 (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 6/8/2017 (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 2019 Replaces the authorization granted by the Shareholders' Meeting of 6/4/2015 (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 6/8/2017 (extraordinary resolution): Increase the amount of issues in the case of excess demands for the issues decided pursuant to the two previous delegations (article L.225-135-1 of the French Commercial Code)	26 months/August 2019 Replaces the authorization granted by the Shareholders' Meeting of 6/4/2015 (extraordinary resolution)	-	Not used
Shareholders' Meeting of 6/8/2017 (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 2019 Replaces the authorization granted by the Shareholders' Meeting of 6/4/2015 (extraordinary resolution)	Maximum total face value of the shares issued: 10% of the capital,	Not used
Shareholders' Meeting of 6/8/2017 (ordinary resolution): Company acquisition of its own shares (article L.22-209 of French Commercial Code)	18 months/December 2018 Replaced by the authorization granted by the Shareholders' Meeting of 6/14/2018 (ordinary resolution)	10% of the total number of shares Maximum purchase price: 27 euros Proportion of shares given as payment as part of acquisitions limited to 5% of the share capital	Not used
Shareholders' Meeting of 6/14/2018 (ordinary resolution): Company acquisition of its own shares (article L.22-209 of French Commercial Code)	18 months/December 2019 Replaces the authorization granted by the Shareholders' Meeting of 6/8/2017 (ordinary resolution)	10% of the total number of shares Maximum purchase price: 30 euros Proportion of shares given as payment as part of acquisitions limited to 5% of the share capital	Not used
Shareholders' Meeting of 6/9/2016 (extraordinary resolution): Allocations of bonus shares, existing or to be issued (articles L.225-197-1 et seq. of the French Commercial Code)	24 months/June 2018 Replaced by the authorization granted by the Shareholders' Meeting of 6/14/2018 (extraordinary resolution)	Maximum: 242,000 shares (the Board of Directors meeting of 6/09/2018 used this authorization by attributing free of charge 43,000 shares)	Not used
Shareholders' Meeting of 6/14/2018 (extraordinary resolution): Allocations of bonus shares, existing or to be issued (articles L.225-197-1 et seq. of the French Commercial Code)	24 months/June 2020 Replaces the authorization granted by the Shareholders' Meeting of 6/9/2016 (extraordinary resolution)	Maximum: 242,000 shares	The Board of Directors meeting of 6/14/2018 used this authorization by attributing free of charge 13,000 shares
Shareholders' Meeting of 6/5/2014 (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

All of the resolutions are available on the Company website (www.neurones.net – Investors – Regulated information – Documents regarding Shareholders' Meetings).

3. BOARD OF DIRECTORS

Composition and independence

At present 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.

Director	Independent director	Date of first appointment	End of current term of office
Luc de CHAMMARD Chairman and CEO	No	December 5, 1984*	SM of June 6, 2019
Bertrand Ducurtil Executive Vice-President	No	June 30, 1999	SM of June 6, 2019
Jean-Louis Pacquement	Yes	December 5, 1984*	SM of June 6, 2019
Hervé Pichard	No	Oct. 15, 2004	SM of June 6, 2019
Marie-Françoise Jaubert	Yes	June 9, 2011	SM of June 6, 2019
Host Développement SAS, represented by Daphné de Chammard	No	June 9, 2016	SM of June 6, 2019

* NEURONES' founding date.

The powers of the Chairman and CEO and the Executive Vice-President are those provided for by law. The bylaws stipulate that the Board of Directors can limit these powers as an internal measure, which can't be enforced against third parties. This option has not been used.

The obligations regarding equal representation of men and women in the Board of Directors are respected. 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.

Marie-Françoise Jaubert and Jean-Louis Pacquement are considered as independent directors based on the MiddleNext Code that NEURONES adheres to. 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 ties 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.

These directors' term of office expires at the end of the Shareholders' Meeting called to approve the financial statements for the year ended, Monday, December 31, 2018. Accordingly, this Meeting will be asked to approve the renewal of their term of office for one year, pursuant to the bylaws.

Furthermore, it is noted that the Shareholders' Meeting of June 14, 2018 approved an amendment of the bylaws to add to them the terms of appointing a director representing the employees, pursuant to article L.225-27.1 of the French Commercial Code. Acting on a proposal from the Board of Directors, the meeting opted to have the Group works council appoint this director. Thus on November 14, 2018 the Group works council appointed a director representing the employees. Since this director resigned from his office in February 2019, without having had an occasion to participate in a Board of Directors meeting, the Group works council must appoint a new director to replace the resigning director.

Other offices held by the directors

The main function and other duties performed by the members of the NEURONES Board of Directors are described below.

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: Neurones Consulting SAS – 205, Avenue Georges Clemenceau – 92000 Nanterre – Nanterre Register of Commerce No. 509 152 468.
  - CEO: NG Cloud SAS – 121-123, rue Édouard Vaillant, 92300 Levallois-Perret – Nanterre Register of Commerce No. 801 244 492.
  - CEO: RS2i SAS – 121-123, rue Édouard Vaillant, 92300 Levallois-Perret – Nanterre Register of Commerce No. 385 166 640.
  - CEO: Digitalists.io SAS – 121-123, rue Édouard Vaillant, 92300 Levallois-Perret – Nanterre Register of Commerce No. 820 588 994.
- 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, Senior Advisor for Lazard Frères Gestion Privée.
- Other offices held outside the Group:
  - CEO: JLP et Associés Conseil SAS – 9, place du Palais Bourbon – 75007 Paris – Paris Register of Commerce No. 820 223 543.

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.

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.

Frequency

Beyond the two annual sessions closing the annual and half-yearly financial statements that the statutory auditors participate in and the meeting held at the end of the annual Shareholders' Meeting, 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 in any case at least four times per year.

The Board of Directors met four times in 2018:

Date	Agenda
March	• Audit Committee report • Approve the regulated agreements • Year-end closing of the corporate statutory and consolidated financial statements for the 2017 fiscal year. • Officers' remuneration • Approve the Chairman's report on internal control and corporate governance. • Call Shareholders' Meeting, establish the agenda and finalize draft resolutions. • Succession of officers
June	• Delivery of a bonus share plan (plan F)
June (at the end of the Shareholders' Meeting)	• Appoint the Chairman of the Board of Directors and establish his powers • Renew the Executive Vice-President's term of office • Compensation of the CEO and Executive Vice-President in view of the vote of the Shareholders' Meeting • Deliberations on external growth opportunities and strategy • Implementation of a bonus share plan (plan G)
September	• Close the half-year consolidated financial statements • Monitor the measures and procedures to prevent and detect cases of corruption or influence peddling • Review potential conflicts of interest • Professional gender and salary equality policy • Review of the risk map

In 2018, the attendance rate of members of the Board of Directors was 83%.

Operation

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 many executives and managers of the parent company and its subsidiaries.

Consequently:

- all major decisions are taken in collegial discussions among managers and then with the Board of Directors,
- arrangements have been 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. This plan was reconfirmed recently during the Board of Directors meeting of March 7, 2018 during which the succession of officers was on the agenda. Moreover, during this meeting the Board of Directors indicated that the successor of the Executive Vice-President, if necessary, could be selected among certain executive officers of subsidiaries, in the Group for a long time with excellent knowledge of its operations and its lines of business,
- supervisory authority is exercised as described in this chapter,
- 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.

To date there is no formal self-assessment of the Board's work as mentioned by the MiddleNext Code. Nevertheless, it is envisaged to implement this mechanism soon.

The Board of Directors has implemented two specialized committees (Audit Committee and Ethics and Compliance Committee), whose roles are specified below. There are no plans to establish other specialized committees (compensation, strategy, etc.). The Board of Directors believes that, given the collegiality that reigns over all decision making, the size of the Group, its highly decentralized operation, the geographic proximity of the main subsidiaries, the association of managers in the capital, the operational role of two of the six members of the Board of Directors and their high stake in the capital, the implementation of committees reporting to the Board of Directors, apart from the Audit Committee and the Ethics and Compliance Committee, would present more disadvantages than advantages. 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.

Due to the legal provisions concerning the age limit for exercising corporate officer duties – Director, Chairman of the Board of Directors, CEO and Executive Vice-President – in a public limited company, it would appear necessary to complete the bylaws, which don't stipulate anything on this subject. Thus, for lack of express stipulations, the number of directors more than 70 years old cannot exceed one third of the directors holding office. Furthermore, the age limit to exercise an appointment as Chairman of the Board of Directors, CEO or Executive Vice-President is set at 65 years old. Thus a motion will be presented to the Shareholders' Meeting of June 6, 2019 to fix in the bylaws the limit for all corporate officers, at 85 years old.

Audit Committee

The Committee is comprised of two directors, Hervé Pichard and Jean-Louis Pacquement, who chairs the committee.

Jean-Louis Pacquement, independent director, and Hervé Pichard have considerable experience and proven skills in financial and accounting matters. The Audit Committee met once in 2018, a meeting that both members attended. The Board of Directors followed the recommendations of the Audit Committee. Concerning the statutory auditors' supplementary report for FY 2018, the discussions between the members of the Audit Committee and the statutory auditors took place before the report's submission.

The main objective of the Audit Committee is to monitor the questions concerning the preparation and control of the accounting and financial information. It acts under the collective responsibility of the members of the

Board of Directors. The committee does not relieve the Board of Directors of its decision-making power, but refers and reports to it. Neither does it supersede the officers' prerogatives.

Without prejudice to the competences of the Board of Directors and senior management, the Audit Committee is responsible in particular for the following assignments:
- monitor the process of preparing the financial information and, where necessary, formulate recommendations to guarantee its integrity,
- monitor the effectiveness of the internal control and risk management systems related to the preparation and treatment of accounting and financial information,
- update the risk map concerning the preceding points, reviewed and approved once a year by the Board of Directors,
- issue a recommendation about the auditors proposed for appointment by the Shareholders' meeting or in case of a proposal to renew their appointment,
- monitor the statutory auditors' performance on their assignment and take into account the conclusions of the Haut Conseil du Commissariat aux Comptes (French High Counsel of Statutory Auditors) following controls carried out pursuant to the regulations,
- make sure the statutory auditors comply with the independence criteria under the conditions and according to the methods provided for by the regulations,
- approve in advance the "Services Other than the Certification of the Financial Statements" (SACC) supplied by the statutory auditors, it being noted that the total amount of these services over a fiscal year cannot exceed 70% of the average amount of auditor fees over the past three fiscal years for the legal certification of the financial statements,
- report regularly to the Board of Directors on its assignments and immediately inform the Board of Directors of any problems encountered It also reports regularly the results of the financial statements certification assignment, how this assignment contributed to the integrity of the financial information and the role it played in this process.

The Audit Committee has made sure that the statutory auditors are independent.

It may, if the conditions and situation warrant it, rely on special training courses and experts. However, the Board of Directors must first approve such uses. The Audit Committee can, any time it senses the need, meet with the statutory auditors as well as all members of the Group's finance departments.

Board of Director's work (closing financial statements)

The financial statements (balance sheet, income statement and notes) are terminated in general 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:
- 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. The external directors then have several days to ask the two other directors or the finance department any questions they deem necessary. Furthermore, the members of the Audit Committee may meet with the statutory auditors or the finance department,
- to the statutory auditors, who continue with 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 statutory auditors. The statutory auditors share their observations and, if necessary, any requested adjustments. These points are discussed and, with the statutory auditors' agreement, the financial statements are presented to the Board of Directors. Before the Board of Directors meeting, the statutory auditors submit their supplementary report to the Audit Committee. On this occasion, the statutory auditors report to the Audit Committee on the scope and conclusions of their assignments as well as their comments. The Audit Committee may then ask the statutory auditors to provide more information on a key question addressed in the report. The objective of the supplementary report is to strengthen the value of the legal audit of the financial statements by improving the communication between the statutory auditors and the members of the Audit Committee.

During the Board of Directors meeting, the Audit Committee presents to the other directors the conclusions of its assignments, starting with the follow-up of questions concerning the preparation and control of the accounting and financial information. Where necessary, it formulates recommendations to ensure the integrity of these processes and to improve the review of the internal control work.

It then presents to the Board of Directors:
- the accounting principles and methods used,
- the main accounting options adopted,
- the impacts of any changes of method,
- the changes in the scope of consolidation,
- the main facts and figures (income items, presentation of the balance sheet and financial situation).

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.

Ethics and Compliance Committee

In 2017, pursuant to law No. 2016-1691 concerning transparency, the fight against corruption and the modernization of economic life of December 9, 2016 (known as the Sapin II law), the Board of Directors approved the measures and procedures implemented in the Group to prevent and fight against corruption and influence peddling.

In particular the Board of Directors approved implementation of an Ethics and Compliance Committee, comprised of the Finance and Administrative Director and the Group Legal Officer, whose assignment is to collect, where applicable, the reports of Group employees, clients, subcontractors and suppliers in case of a potential or proven failure to comply with the Code of Conduct. This committee specifies the measures in force, the inappropriate behaviors and the best practices. A warning system appears to be the most effective procedure when a failure to comply is detected. Protection is guaranteed for anyone who would report any proven failure to comply or any suspect or ambiguous situation. It is also guaranteed for members of the Committee who cannot be sanctioned by their employer for fulfilling this assignment. In addition to the role of handling potential reports received, investigating and forming an opinion on the compliance of the reported practices with the Group's Code of Behavior, the Committee:
- reviews, controls and monitors all Group practices concerning ethics and compliance,
- updates and assesses at least once a year the risk mapping concerning ethics and compliance, potentially modified and approved annually by the Board of Directors,
- implements action plans following this assessment,
- advises the Group on the relations with the stakeholders concerning any ethics- or compliance-related question.

From 2019, the Ethics and Compliance Committee presents to the Board of Directors the process' state of progress and a report on the warnings. Thus, at the Board of Directors meeting of March 13, 2019, the Committee stated in particular that it had not received from an employee, client or supplier any report of suspect behavior or of an actual or potential situation of corruption or influence peddling.

In general the Committee will be heard by the Board of Directors whenever the news warrants it.

Related-party agreements

NEURONES S.A. carries some pooled expenses for its subsidiaries: Group financial, legal and marketing plus general Group expenses. 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 2019 budget and the costs are distributed based on the 2019 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.

4. OFFICERS' REMUNERATION

No NEURONES executives, directors 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 or management bodies.

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 remuneration details, on a gross pre-tax basis, and options and shares allocated to each executive officer for FY 2016, FY 2017 and FY 2018 are as follows:

	Luc de Chammard (Chairman and CEO)			Bertrand Ducurtil (Executive Vice-President)		
(in euros)	2016	2017	2018	2016	2017	2018
Fixed remuneration	174,000	200,000	220,000	135,000	200,000	220,000
Variable remuneration	26,000	-	-	65,000	-	-
Exceptional remuneration	-	-	-	-	-	-
Directors fees	-	-	-	-	-	-
Benefits in kind	-	-	-	-	-	-
Options	-	-	-	-	-	-
Shares	-	-	-	-	-	-
TOTAL	200,000	200,000	220,000	200,000	200,000	220,000

Since FY 2017, the remunerations of the executive officers no longer include a variable part. Exceptional items have never been paid to these officers and they don't receive any benefits in kind. Thus the two officers' remuneration is only comprised of a fixed part.

The executive officers' remunerations must be balanced, coherent and measured, taking into account both the Company's short and medium-term performances, its general payroll policy, the remuneration of the other executives of Group companies, the Company's general interest and market practices. Their level and terms of remuneration are based on the following key principles: completeness, balance and comparability to the total remunerations of executives of sector companies of comparable size and/or performance, coherence with the other remunerations in the Company and measurement. Moreover, the remunerations of executives, comprised solely of a fixed part without any variable or exceptional part, are identical.

It should be noted that no directors' fees or any form of remuneration have been paid to the directors since the company began

During the year, no executive officer, director or not, benefited from the attribution of bonus shares or stock options, or exercised any stock options. No corporate officer of NEURONES has benefited from the attribution 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	12/5/1984	6/30/1999
Start date of current appointment	6/14/2018	6/14/2018
End date of current appointment	6/6/2019	6/6/2019
Employment contract	No	No
Supplementary pension plan	No	No
Compensation or benefits owed or likely to be owed due to the cessation or change of duties	No	No
Compensation related to a non-competition clause	No	No

Pursuant to article L.225-37-2 of the French Commercial Code, the shareholders will be asked, during the Shareholders' Meeting on Thursday, June 6, 2019, to approve a resolution (ex-ante "say on pay") covering the principles and criteria for determining, distributing and attributing all of the CEO's remuneration details and a resolution covering the Executive Vice-President's remuneration details. The remuneration policy that the shareholders' will be asked to rule on is presented above.

5. COMPLIANCE WITH THE RECOMMENDATIONS OF THE MIDDLENEXT CODE ON CORPORATE GOVERNANCE

As a medium-sized group, with a majority shareholder among the managers, NEURONES has chosen to refer to the MiddleNext Code on Corporate Governance.

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 is indicated in the Board's rules of procedure. 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. The directors are asked once a year 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 of Directors – Presence of independent members	Y	It has in its ranks two members presumed independent based on the criteria retained by the Code (see the paragraph "Composition and independence" in chapter 3 of this report).
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, directors are provided with the information they should know, if the current situation warrants it. The principles and methods of providing 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 the number of meetings and the participation rate of directors is published in the report on corporate governance, which also describes the composition of the Board. There are at least four meetings (minimum indicated in the rules of procedure revised in 2016) of the Board per year.
R6: Creation of committees	Y	NEURONES has decided, based in particular on its size and needs, to establish an organization with just two specialized committees: an Audit Committee and an Ethics and Compliance Committee (see paragraph "Operation" in chapter 3 of this report).
R7: Introduction of Board rules of procedure	Y	The rules of procedure on the whole comply 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 communicate with shareholders to provide them any information they deem useful, provided that it doesn't constitute inside information.
R13: Definition and transparency of the compensation of executive officers	Y	The level and terms of executives' remuneration are based on the following key principles: completeness, balance and measurement, coherence with market and Group remunerations and based on the Company and Group performances. The annual disclosure of these remunerations to shareholders is completely transparent. There are no variable components in the executives' remuneration (see chapter 4 of this report).
R14: Preparation for the succession of executive officers	Y	The subject of the succession of executives, the CEO and the Executive Vice-President is regularly entered on the agenda of a Board of Directors meeting.
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	The 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	Y	During a Board of Directors meeting in 2017, the directors formally confirmed that they have read and understood the MiddleNext Code's crucial points to monitor. On this occasion, they were asked to review them regularly.

5.3. DRAFT RESOLUTIONS SUBMITTED TO THE COMBINED SHAREHOLDERS' MEETING ON THURSDAY, JUNE 6, 2019

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 timeframes and procedures set out in the laws and bylaws. The rationale for certain resolutions is indicated in the management report or the report on corporate governance.

COMPETENCE OF THE ORDINARY SHAREHOLDERS' MEETING

First resolution

The Shareholders' Meeting, after having reviewed:
- the management report;
- the report on corporate governance,
- the auditors' report on the consolidated financial statements,

1) approve the consolidated financial statements for the year, which show net income attributable to the Group of €25.96 million,
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 management report;
- the report on corporate governance,
- the auditors' report on the statutory financial statements,

1) approve the financial statements for the fiscal year, which show net book income of €5,727,198,
2) approve, in addition, all of the operations and measures reflected in these financial statements or summarized in the management report.

Third resolution

In light of positive retained earnings of €60,488,284.03 and profit for the year of €5,727,197.788 plus €1,680 posted to the legal reserve, the Shareholders' Meeting notes that the distributable income stands at €66,213,801.80.

The Shareholders' Meeting decides to distribute a dividend of €0.06 per share, for a total* of €1,457,151.72. Retained earnings will then stand at €64,756,650.09.

* Calculation made based on the number of shares in circulation at December 31, 2018 (i.e., 24,285,862), which will be adjusted if necessary.

The dividend will be paid on Friday, June 14, 2019.

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:
2015: €0.06 per share,
2016: €0.06 per share,
2017: €0.06 per share,

Fourth resolution

The Shareholders' Meeting approves and ratifies as needed the agreements the auditors reported on in 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 Monday, December 31, 2018.

Sixth resolution

The Shareholders' Meeting decides to renew the Directorship of Mr. Luc de Chammard, for one year, namely until the day of the Shareholders' Meeting called to approve the financial statements for the year ending Tuesday, December 31, 2019, 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 of the Shareholders' Meeting called to approve the financial statements for the year ending Tuesday, December 31, 2019, who has declared that he accepts the renewal of his duties.

Eight resolution

The Shareholders' Meeting decides to renew the Directorship of Mrs. Marie-Françoise Jaubert, for one year, namely until the day of the Shareholders' Meeting called to approve the financial statements for the year ending Tuesday, December 31, 2019, 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 of the Shareholders' Meeting called to approve the financial statements for the year ending Tuesday, December 31, 2019, 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 of the Shareholders' Meeting called to approve the financial statements for the year ending Tuesday, December 31, 2019, 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 of the Shareholders' Meeting called to approve the financial statements for the year ending Tuesday, December 31, 2019, who has declared that she accepts the renewal of her duties.

Twelfth resolution

ex-ante "Say on pay"

The Shareholders' Meeting, having reviewed the report on corporate governance, approves the remuneration policy applicable to the Chairman and CEO, as presented in chapter 4 of said report.

Thirteenth resolution

ex-ante "Say on pay"

The Shareholders' Meeting, having reviewed the report on corporate governance, approves the remuneration policy applicable to the Executive Vice-President, as presented in chapter 4 of said report.

Fourteenth resolution

ex-post "Say on pay"

The Shareholders' Meeting, having reviewed the report on corporate governance, approves the remuneration paid or attributed for FY 2018 to Mr. Luc de Chammard, Chairman and CEO, as shown in paragraph 4 of said report.

Fifteenth resolution

ex-post "Say on pay"

The Shareholders' Meeting, having reviewed the report on corporate governance, approves the remuneration paid or attributed for FY 2018 to Mr. Bertrand Ducurtil, Executive Vice-President, as shown in paragraph 4 of said report.

Sixteenth 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 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 free 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 on the occasion 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 €30 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, 2018 (comprising a total of 24,285,862 shares), the maximum number of shares that can be purchased by the company is 2,428,586, equivalent to a maximum purchase amount of €72,857,580.

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

Seventeenth resolution

Authorization to reduce the capital by cancelling treasury shares (valid 5 years)

The Shareholders' Meeting, after having reviewed the management report and the statutory auditors' special report, authorizes the Board of Directors to reduce the share capital, in one or more times, by cancelling all or part of the shares acquired by the Company itself, pursuant to articles L 225-204 and L 225-209 et seq. of the French Commercial Code.

The maximum number of shares that can be cancelled pursuant to this authorization, per period of 24 months, is 10% of the shares comprising the share capital.

The Shareholders' Meeting grants all powers to the Board of Directors to carry out the share cancellation and capital reduction operation or operations pursuant to this authorization, to allocate the difference between the carrying amount of the cancelled shares and their face value on all reserve and additional paid-in capital items and to modify the bylaws accordingly, the whole in compliance with the legal provisions in effect when using this authorization.

This authorization is granted for a period of 5 years from this Shareholders' meeting and supersedes any previous authorization for the same purpose.

Eighteenth resolution

Amendments to the bylaws concerning the age of directors

The Shareholders' Meeting, having reviewed the report on corporate governance, decides to fix in the bylaws the limit for exercising director duties, at 85 years old.

Consequently, the Shareholders' Meeting decides to add a paragraph 3) to article 11 - Administration - of the current bylaws:

"3) No one can be appointed director or have his directorship renewed if, having passed the age of eighty-five (85) years old, his appointment or the renewal of his directorship has the effect of raising the number of directors who have passed this age to more than one third of the members of the Board of Directors. If, because a director holding office passes this age, the aforementioned proportion of one third is exceeded, the oldest director is deemed to have resigned his office at the end of the next ordinary shareholders' meeting."

Nineteenth resolution

Amendments to the bylaws concerning the age of the Chairman, CEO or Executive Vice-President

The Shareholders' Meeting, having reviewed the report on corporate governance, decides to fix in the bylaws the limit for exercising Chairman, CEO or Executive Vice-President duties, at 85 years old.

Consequently, the Shareholders' Meeting decides to add at the end of article 14 - Chairman, CEO and Executive Vice-Presidents - of the current bylaws: "The Chairman, a CEO or an Executive Vice-President must not be older than eighty-five (85) years old. If the Chairman should pass this age, he is deemed to have resigned his office at the end of the next meeting of the Board of Directors. If a CEO or an Executive Vice-President passes this age, he is deemed to have resigned his office immediately."

JOINT AUTHORITY

Twentieth 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.

❻ General information concerning the company and its capital

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 Registre du Commerce et des Sociétés (French 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 bylaws)

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, and
- 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.

Share capital

At December 31, 2018, the Company's share capital amounted to €9,714,344.80 divided into 24,285,862 fully paid-up shares with a face value of €0.40.

Place where documents and information concerning the company may be consulted

The company bylaws, financial statements and reports, and the minutes of Shareholders' Meetings, can be consulted at its head office.

Statutory distribution of profits (Article 18 of the bylaws)

The profit or loss for the financial year consists of the difference between the income and expenses for the fiscal year, after deducting amortization, depreciation 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 paid in cash or shares.

Identifiable bearer shares (Article 7 of the bylaws)

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, any restrictions on the shares.

The Group's organization

At December 31, 2018, NEURONES is a group comprised of a holding company (NEURONES S.A.) and 50 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, India, Germany, Switzerland, Belgium and Singapore). Five companies whose head offices are in Nanterre or Paris run 12 secondary sites in French regions (2 in Nantes, Angers and Lyon, 1 in Lille, Bordeaux Tours, Caen, Coutances and Orléans).

The legal forms of the subsidiaries and "sub-subsidiaries" are for the most part Simplified Joint Stock Companies (35 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 (11 of them including 10 abroad), and two Limited Companies with a Board of Directors (Tunisia and Switzerland). The executive managers of the subsidiaries hold a minority stake (from less than 1% to slightly more than 49%) of the capital of the company they manage. Although they have the most extensive powers vis-a-vis third parties, these powers are 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.

6.2. CAPITAL AND SHARES

Securities providing access to the capital

There are no current stock options.

In FY 2018, the bonus shares plan F arrived at the end of the acquisition period (42,000 shares delivered). In June 2018 the Board of Directors allocated 13,000 common shares free of charge based on the authorization given by the Shareholders' Meeting of June 14, 2018. At December 31, 2018, 13,000 shares are still in the vesting period, representing slightly more than 0.05% of the capital.

Company buy-back of its own securities

The Shareholders' Meeting held on Thursday, June 8, 2017 authorized the Company to repurchase its own shares. The Board of Directors had not decided to launch a buy-back program based on this authorization.

A new authorization, superseding the aforementioned authorization, was given for the same purpose by the Shareholders' Meeting of Thursday, June 14, 2018. No share buy-back program was launched based on this authorization.

Consequently, at December 31, 2018, there was no active share repurchase program and furthermore, the company does not hold, directly or indirectly, any treasury shares.

Authorized capital

The Shareholders' Meeting of June 8, 2017 authorized the Board of Directors to issue in France or on international markets during the subsequent 26 months (or until August 8, 2019), shares or securities giving access, immediately or at term, to company capital.

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, the nominal amount of the common shares likely to be issued following authorization to increase share capital in order to compensate the contributions in kind with equity securities or financial securities that confer entitlement to the share capital could not exceed 10% of the share capital.

The Board of Directors did not use these authorizations. It wants to keep these options and thus a motion will be presented to the Shareholders' Meeting of June 14, 2019 to renew all of these authorizations with the same characteristics and for the same term (i.e., until June 14, 2021).

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 and the AMF if they end up holding, directly or indirectly, 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. This information is also given under the same conditions when the capital stake or voting rights become less than the aforementioned thresholds.

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. The form of declaration and the methods of filing with the AMF are fixed by the AMF's instructions. The AMF then 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 AMF, no later than before the close of trade on the fifth trading day following the day the threshold was crossed, the objectives it intends to pursue over the next six months. The Autorité des Marchés Financiers (French Financial Markets Regulator) also makes this information public.

In addition, pursuant to Article 16 of the bylaws, every shareholder, acting alone or in concert, has an obligation to inform the Company when he ends up directly or indirectly holding shares representing 2% of the capital or voting rights. This duty of disclosure applies to every 2% fraction of the capital or voting rights.

During FY 2018, the following statutory threshold crossings were declared to the company:
- Sycomore Asset Management crossed below the statutory threshold of 2% of the voting rights on September 17.
- Financière de l'Echiquier crossed above the statutory threshold of 2% of the voting rights on October 18.

Double voting right (Article 17 of the bylaws)

Shareholders have as many voting rights as they have shares, 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.

Stripping (article 8 of the by-laws)

In case Company shares are donated with bare ownership with the donor retaining usufruct, the voting right for these split shares shall belong to the bare owner for all decisions, whether they are ordinary or extraordinary, except for decisions concerning the allocation of profits for which the voting right shall belong to the usufructuary.

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	
					Number of shares	Share capital
December 1984	Company formed	-	-	-	8,000	F800,000
8/15/1985	Capital increase	F210,000	-	2,100	10,100	F1,010,000
6/30/1993	Company buy-back of its own securities and capital reduction	-	-	(4,954)	5,146	F514,600
6/30/1993	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 €1,500	F30,049,320.83	-	-	5,146	€7,719,000
11/29/1999	Share face value divided from €1,500 to€2	-	-	-	3,859,500	€7,719,000
4/5/2000	Share face value divided from €2 to €0.40	-	-	-	19,297,500	€7,719,000
5/23/2000	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
12/31/2017	-	-	-	-	24,243,862	€9,697,544.80
12/31/2018	Capital increase following the delivery of shares to the beneficiaries of the Plan F bonus share allocation	€16,800.00	-	42,000	24,285,862	€9,714,344.80

* €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).

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, CAC Soft & C.S. and SRD mid-cap stock indexes.

The trends in the share price and the volumes traded in 2018 "on the market" and only on the Euronext platform were as follows:

Month	Highest price *(in euros)*	Lowest price *(in euros)*	Average closing price *(in euros)*	Number of shares traded *(in thousands)*	Number of trading sessions
January 2018	29	27.6	28.36	101,638	22
February 2018	28.6	27	28.05	63,441	20
March 2018	28.6	26.4	27.53	74,041	21
April 2018	26.5	24.2	25.6	70,340	20
May 2018	26.2	24.5	25.57	79,835	22
June 2018	25.7	23.3	24.2	123,339	21
July 2018	24	21.9	22.99	101,024	22
August 2018	24.9	22.3	23.46	93,972	23
September 2018	24.9	21.2	23.15	105,224	20
October 2018	23.1	20.3	21.97	44,616	23
November 2018	21.8	19.1	20.41	64,242	22
December 2018	20.3	18.2	19.11	74,565	19
Highest, lowest and average for 2018	29	18.2	24.2	996,277	21

Source: Euronext.

On Euronext, the average volume traded daily during 2018 was slightly less than 4,000 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. EMPLOYEE STATUTORY PROFIT SHARING AND OPTIONAL PROFIT SHARING

In addition to potential bonus share attribution plans, whose information is indicated in the special report provided for in article L.225-197-4 of the French Commercial Code, included in the management report and in Note 9.2 of the notes to the consolidated financial statements of this annual report, 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 of euros)	2014	2015	2016	2017	2018
Statutory profit sharing	2,724	2,127	2,344	2,257	3,391
Optional profit sharing	0	120	193	0	0
TOTAL (statutory + optional profit sharing)	2,724	2,247	2,537	2,257	3,391

6.5. 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 Shareholders' Meeting of June 25, 2004.
Date of current appointment: renewed during the Shareholders' Meeting of June 8, 2017.
End of appointment: appointment expires at the Shareholders' Meeting called to rule on the financial statements for the year ended December 31, 2022.

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

SALUSTRO REYDEL
Tour Eqho – 2, avenue Gambetta – 92066 Paris La Défense cedex
Represented by Mr. Jean-Claude Reydel.
Date of first appointment (current appointment): appointed during the Shareholders' Meeting of June 8, 2017.
End of appointment: appointment expires at the Shareholders' Meeting called to rule on the financial statements for the year ended December 31, 2022.

Mr. Eric 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 impair its full meaning.

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."

6.6. 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 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.
- the consolidated financial statements for FY 2016 established in accordance with the French accounting standards, plus the related statutory auditors' report, shown on pages 69 to 89 of the 2016 annual report filed with the AMF on Thursday, April 27, 2017 under number D.17-0446.
- the consolidated financial statements for FY 2017 established in accordance with the French accounting standards, plus the related statutory auditors' report, shown on pages 67 to 87 of the 2017 annual report filed with the AMF on Tuesday, April 24, 2018 under number D.18-0381.

Publicly available documents

The following documents in particular are available on the company website (www.neurones.net):

- this Registration Document 2018,
- the 2015, 2016 and 2017 Registration Documents.

The company bylaws can be consulted at NEURONES' head offices: 205, Avenue Georges Clemenceau – 92000 Nanterre (France).

The 2015, 2016 and 2017 Registration Documents and this 2018 Registration Document are also available on the AMF website (www.amf-france.org).

AUTORITÉ DES MARCHÉS FINANCIERS
AMF

2018 REGISTRATION DOCUMENT

This registration document was filed with the Autorité des Marchés Financiers (French Financial Markets Regulator) on Friday, April 26, 2019 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, abbreviations and acronyms used in this annual report.

AGILE (AGILE METHODS, SEE ALSO: PRODUCT OWNER, SCRUM MASTER): 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).

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.

TECHNICAL SUPPORT (OR ON A TIME BASIS): 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 early on.

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).

BPM (BUSINESS PROCESS MANAGEMENT): set of methods and application tools that automate and optimize company processes, whether they are internal 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 potential claims, etc. While independent of operational data and business applications, BPM applications draw on the latter, often using Enterprise Application Integration (see below). Leading BPM publishers are: Tibco Software, IBM Websphere Process Server, Webmethods (Software AG) and Weblogic (Oracle).

BPO (BUSINESS PROCESS OUTSOURCING): outsourcing of a function or process, not just IT: accounting, payroll, subscriber management, etc.

BI (BUSINESS INTELLIGENCE): 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. BI is often integrated in the most recent concept of "data analytics."

SERVICE CENTER: structure providing IT services (TPAM, operations, service desk, etc.) for several clients and located in the premises of the service provider Digital Services Company. This term is sometimes used more broadly and can concern non-pooled services (mono client) or even a team based on the client site. In all cases, the Service Center teams are specialized and follow well defined processes.

CERT (COMPUTER EMERGENCY RESPONSE TEAM): center managing the response to an incident or a cyberattack: treatment, confinement and management of the return to normal, prevention by disseminating information about the precautions to take to minimize the risks.

CHATBOT (CONVERSATIONAL AGENT): program that dialogs with a user while trying to reproduce a human conversation. The Internet user is asked to formulate his request in natural language, which will be refined by a friendly exchange. The chatbot is the natural extension of resolution trees, very practical to treat simple incidents efficiently at a high frequency as well as "self-help" solutions. Its implementation requires a "heavy" configuration of the entire knowledge base. The hopes are driven by expectations of chatbots, which are spreading and are able to resolve certain incidents or requests without human intervention.

CI/CD: see Continuous Integration / Continuous Delivery.

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. For infrastructures, we distinguish between the public cloud (e.g., Microsoft Azure, Amazon, Web Services, 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 pay their consumption “on demand” based on a number of server instances (CPU and memory), terabytes of storage and bandwidth. The provider makes a secure infrastructure available 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 multi-cloud or hybrid cloud. Thus companies free themselves from managing all or part of their IT infrastructure (IaaS, PaaS) and/or from managing applications (SaaS). The use of DevOps associated with the widespread use of the cloud profoundly changes IT departments’ ways of doing business (processes, skills, etc.).

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, a good description of an IT system in production isn’t natural: 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 and optimized). Since 2006, the latest model – CMMI (I: Integration) – has been used.

CMS (CONTENT MANAGEMENT SYSTEM): design and dynamic updating of websites or multimedia applications with the following functionalities: ability for several people to work 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, documents, 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 - see hereafter) systems, 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 INTEGRATION/CONTINUOUS DELIVERY (CI/CD): in applications development, all techniques that can be used to produce new versions very frequently or almost continuously (e.g., delivery of new functions or patches on a weekly basis or even more frequently), while reaching such a low number of bugs that a bug tracker or a simple bug inventory monitor 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. In practice, CI/CD is always associated with DevOps, the Cloud and containers.

COOKIE (SEE ALSO DMP): 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. Cookies contain residual personal information that can be used by data marketing specialists (see DMP). They 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.

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.

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.

DATACENTERS: processing centers that provide gains for companies by pooling equipment, software and services. 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 to manage servers effectively: supervision, operation, backups, etc.

DEVOPS: movement looking to bring “Dev” (application development) teams and “Ops” (operations) teams together around shared objectives. DevOps should not be confused with agile development methodologies or Scrum (see above) even though they are often implemented together. In practical terms, DevOps relies on implementing software “tool chains” from development to production (e.g., new development languages, partial automation of tests, Gitub, Jenkins, XL Deploy, automatic provisioning of infrastructures, etc.), thereby making tightly spaced releases possible. The teams that work in DevOps mode are small (about 10 people: “pizza teams” or “feature teams”) and bring together new profiles: product owners, scrum masters, Dev engineers, Ops engineers. They manage their application or their group of applications without load splitting and theoretically without needing the support of other teams. This new organization has been implemented by new participants, generally Internet “pure players.” It is harder to implement in environments with substantial older legacy applications and highly varied technologies.

DIGITAL TRANSFORMATION: use of new, potentially disruptive IT technologies (mobility, agile methods, DevOps, continuous delivery, collaborative tools, social networks and blogs, connected devices, 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. Digital transformation was initially the prerogative of marketing, commercial and customer relations departments. It is all about creating new uses and rethinking the "customer journey" by including a digital dimension. It 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 now concerns more generally the optimization of operational and support processes as well as the development of a digital and collaborative culture internally.

DMP (DATA MANAGEMENT PLATFORM, SEE ALSO COOKIE): 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 are: 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, etc.

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, for example, EAI tools (see definition above). 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. Developed in the USA in the early 2000s, it covers the entire life cycle of outsourced services: definition of the sourcing strategy, study of outsourcing opportunities, supplier selection, contract life and reversibility.

ESB (ENTERPRISE SERVICE BUS): software that facilitates communication between applications that were not designed to work together (e.g., two Enterprise Resource Planning solutions from different publishers). ESB can be considered to be a new generation of EAI (Enterprise Application Integration) built based on standards such as XML, Java Message Service (JMS) or even 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 at different places on the network.

ESN (ENTREPRISE DE SERVICES DU NUMERIQUE): Digital Services 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.

FRONT END, BACK END, FULL STACK (WEB DEVELOPMENT): the "front end" designates the elements of a site that we see on the screen and with which we can interact from a browser. The developer uses Photoshop models and code in HTML, CSS, JavaScript, jQuery. These programing languages are interpreted by the browser, which display a "visual" result. This concerns in particular fonts, dropdown menus, buttons, transitions, cursors, contact forms, etc. The "back end" developer administers the application and the database. It generally uses languages like PHP, Ruby, Python and frameworks like Symfony. More and more developers have both back end and front end skills. They are called "full stack" developers, highly appreciated by startups for their varied expertise.

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 1 to 10 Mbit/s. The 4G standard, operational since 2012, offers a bit rate in practice of up to a 100 Mbit/s. In the test phase, 5G should be operational in 2020 in France, with bit rates on the order of 1 to 10 Gbit/s.

GAFA: Google, Apple, Facebook and 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" if we include Microsoft.

EDM (ELECTRONIC DOCUMENT MANAGEMENT): IT system for acquiring, filing, storing and archiving digital documents. Electronic formatting of incoming documents (incoming mail) or outgoing documents (bank statements or telephone operator invoices) are typical examples of EDM applications. See also: Content Management.

ECM (ENTERPRISE CONTENT MANAGEMENT): electronic management of unstructured information (mail, contracts, invoices, emails, 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: all 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 (teleworking, etc.).

GFRT/GTI: 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 putting developer teams in competition with each other to develop a prototype IT application. As part of a timed competition, the winners are 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, often 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, reliable electrical power supply via generators, secure physical access). The second level of service is "hosting" which requires the presence of IT staff 24/7. Hosting consists of application supervision and control services (backup, supervision, security management, recovery and reboot after incident, etc.). It is often offered as an option by the "housing" specialists.

AI (ARTIFICIAL INTELLIGENCE): set of theories and techniques implemented to create machines capable of simulating intelligence. With the increase in computers' processing and storage capacity, after promising demonstrations, AI has once again become a hot topic since the year 2000. For an IT department, the hopes with AI concern the automation of support services (see chatbots) and the predictive analysis of IT operating data (logs, etc.). Other concrete applications of AI could quickly affect different sectors of a company (accounting, legal analysis of contracts, scoring, etc.).

IAAS: Infrastructure as a Service. See Cloud computing.

IT OUTSOURCING / OUTSOURCING / MANAGED SERVICES: 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, hardware or software. The provider's teams are generally based on both the sites of intervention and in the outsourcer'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.

INFRASTRUCTURE AS CODE (IAC): provisioning of hardware in a datacenter, only using definition files rather than a manual configuration. This is also referred to as infrastructure automation or "automatic provisioning." The scope of the IT system covered by these techniques can range from the hardware itself ("bare metal") to virtual machines and their resources. Cloud computing has enabled this approach to develop. The automatic provisioning of servers contributes significantly to the reduction of applications' integration and deployment times, by eliminating load-splitting and a manual operation.

CONTENT INSPECTION: content inspection filters the content of the emails or websites to prevent potential misuse. Content inspection also detects mobile codes: small applications (applets) such Java, ActiveX, .exe, which are often attached to emails and which are sometimes malicious.

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 indexing 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.

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, 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 use 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 and 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 and 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 (e.g., arrivals and departures of employees).

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. A mobility project includes in particular the choice of the terminal (thus the corresponding Operating System), a synchronization server, an Internet service provider, their integration and, where necessary, 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 means of contact (retail outlets, telephone, mail, etc.) should also be integrated. Cross-channel also facilitates adaptation of customers' needs and behaviors. It can also help reduce contact and sales costs. On the other hand, 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 (e.g., Internet research phase then purchase in store). Cross-channel has become so widespread that it no longer allows companies to distinguish themselves. Differentiation can only be achieved by managing cross-channel contact better than competitors. The aim of the game is therefore moving from using 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 to execute these behaviors. By extension, the following are qualified as "objects": programming languages (Java, C++, etc.), design methods (UML, etc.), databases (Versant, etc.) and middleware (ORB). 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 DEVICE (INTERNET OF THINGS): a device equipped with communication capabilities, which communicates using wireless devices. The device 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 in the coming years.

OFFSHORE: 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 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.

BCP (BUSINESS CONTINUITY PLAN): aims to continue operations without service downtime and ensure the availability of information whatever the problem. The BCP is a subset of the DRP.

PGI (PROGICIEL DE GESTION INTÉGRÉ): see ERP.

PHISHING: a fraudulent email request for confidential information by pretending to be an organization that is known to the user (a bank, for example).

PLM (PRODUCT LIFECYCLE 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 their management, documentation and evaluation. It often draws on the Prince 2 methodology. A specific PMO may be created for a major project.

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 includes 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).

PRODUCT OWNER (PO): head of a digital project, expert in the Agile methodology (Scrum). He is the main person responsible for the design or definition of a "product" (i.e., the application) by serving as the interface between the "clients" (future users), the different departments concerned in the company and the designers and developers. In the Scrum methodological framework, the team is organized around three major roles: developers, Product Owner and Scrum Master (see hereafter).

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/email), 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. Often it is integrated in 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.

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.). 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 and CSS3 standards) are developed once and can be used for all types of terminals.

ROBOTIC PROCESS AUTOMATION (RPA): automation of processes via robots to eliminate tedious tasks, rationalize operations and reduce costs. It aims to let employees concentrate on veritable value-added work. The RPA scenarios range from the simple creation of an automatic response to an email to the deployment of multiple robots, each being programmed to automate tasks in a process. The financial services business managers were the first to adopt the RPA. Henceforth, the automation of processes is underway in the areas of health, retail and even human resources.

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 computing 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 (like 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).

SAP BC (SAP BASE COMPONENT): SAP ERP module for system administration, notably to manage the database (and system performance in terms of processor and memory), and to manage 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 – typically 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).

SCRUM MASTER: the scrum master guarantees the methodological framework in a digital project using Agile methods (Scrum). His task is not to manage the team, but rather to guide it in applying Scrum. He is the interface between the team and the outside world, protecting it from any element likely to disrupt its operation and concentration. Within the team, his assignment is to train the members in agile practices and to organize the different Scrum "rituals": daily scrums, poker planning, retrospectives. In the context of the Scrum method, the team is organized around three major roles: the team of developers, the Product Owner and the Scrum Master.

SDDC (SOFTWARE DESIGNED DATA CENTER), SDN, SDS: after the virtualization of servers (virtual machines or VM) that one could call "Software Defined Servers," the datacenter's other IT resources can now be allocated automatically to the software level, 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 the multiple technology developers.

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 coves: 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: 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 service desk is a structure (using telephone, IT and human resources) designed to receive and handle information system user requests, and either resolve them or pass them 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. Large organizations now make widespread use of this sort of specialized structure, which provides full tracking of operations, professional response times, a high rate of immediate resolution or remote-control resolution, thorough investigation of the cause of incidents and 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. They increasingly call on self-help and chatbot technologies.

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, on the down side, 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?

SOC (SECURITY OPERATION CENTER): Operational security center that monitors the IT system to protect the company from cyberattacks. It monitors the IT security in its entirety, from network layers to the software installed on the workstations, in all countries. It collects information from the security components and analyzes them to detect potential anomalies. The SOC have become standard in major organizations and their scopes of surveillance are expanding regularly.

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.

THREAT INTELLIGENCE (OR CYBER THREAT INTELLIGENCE): information about potential adversaries likely to launch cyberattacks, outside the IT system (as opposed to SOC), in order to develop a portrait of potential attackers or to identify attacks in preparation. This service is sold on subscription.

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.

UX/UI (USER EXPERIENCE, USER INTERFACE): concept that appeared in the 1990s. It underlines that an analysis of human-machine interface (UI) functions is insufficient to understand users' relationship with the interface and that the user's subjective and emotional dimension needs to be taken into account. The experience must be agreeable and not strictly functional.

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 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.

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.

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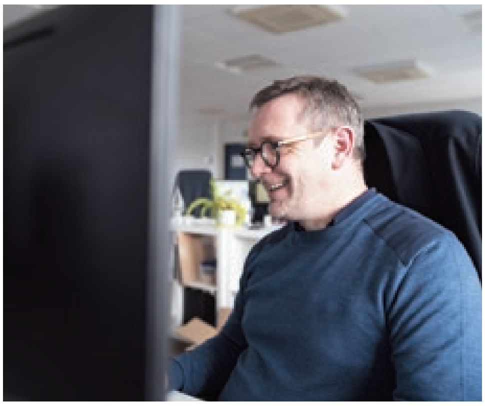

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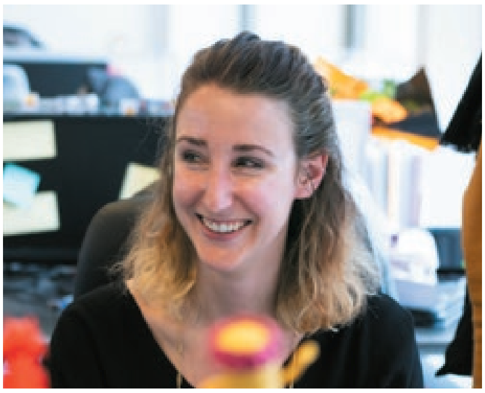

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