



## **SHELF REGISTRATION DOCUMENT 2007**



This report is the English translation of the Shelf Registration Document which was filed with the Autorité des Marchés Financiers on 17 March 2008 in accordance with Article 212-13 of the General Regulations of the AMF. It can only be used as the basis for a financial operation if it is accompanied by a transaction note endorsed by the Autorité des Marchés Financiers.

This English translation serves no purpose other than to facilitate the reading of the document. In any case, only the French version is of legal value, and the English version cannot be subject to any form of legal challenge

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## **CHAPTER 1 - PERSONS RESPONSIBLE**

### **1.1 PERSON RESPONSIBLE FOR THE SHELF REGISTRATION DOCUMENT**

Mr Philippe LIJOUR, Chief Executive Officer.

### **1.2 ATTESTATION OF THE PERSON RESPONSIBLE FOR THE SHELF REGISTRATION DOCUMENT**

I attest, after having taken all reasonable measures to that effect, that the information contained in the present Shelf Registration Document, to the best of my knowledge, conforms to reality and contains no omission of such a nature as to alter its scope.

I attest, to the best of my knowledge, that the financial statements were drawn up pursuant to the applicable accounting standards and give a faithful image of the assets, financial situation and financial results of the Company and of all the companies incorporated in the Consolidation, and that the Management Report gives a faithful picture of the evolution of the business, financial results and financial situation of the Company and of all the companies incorporated in the Consolidation together with a description of the main risks and uncertainties with which they are confronted.

I have obtained from the legal accounts auditors a closing letter in which they indicate that they have verified the information concerning the financial situation and accounts given in the present shelf-registration document and that they have read the whole shelf-registration document.

Aimargues, 17 March 2008  
Chief Executive Officer  
Philippe LIJOUR

## CHAPTER 2 - LEGAL ACCOUNTS AUDITORS

### 2.1 DETAILS OF THE LEGAL ACCOUNTS AUDITORS

#### 2.1.1 Acting Statutory Auditors

##### **Cabinet Ernst & Young Audit**

1025, rue Henri Béquerel - CS 39520 - 34961 Montpellier Cedex 2 - France

represented by Madame Marie-Thérèse MERCIER

The Mixed General Meeting of 3 November 2000 nominated Ernst & Young Audit, represented by M. Antoine PESKINE, as second acting statutory auditor. The General Meeting, held on 2 June 2006, renewed this mandate for a new period of 6 years.

Date of expiry of mandate: Ordinary General Meeting called to ratify the statements for the financial year ending 31 December 2011.

##### **Cabinet CB Audit**

125 rue de l'Hostellerie Parc Acti+ - 30900 – Nîmes - France

represented by M. Marcos MARQUEZ

Date of first mandate: CB Audit was substitute statutory auditor until 15/09/2005, when it became acting statutory auditor after the resignation of Mr Alain REYFTMANN, acting statutory auditor, due to his retirement.

Date of expiry of mandate: Ordinary General Meeting called to ratify the statements for the financial year ending 31 December 2007.

#### 2.1.2 Substitute Statutory Auditors

##### **Mr Jean DELRIEU**

The Mixed General Meeting of 3 November 2000 nominated Mr Jean DELRIEU as substitute statutory auditor. The General Meeting, held on 2 June 2006, renewed this mandate for a new period of 6 years.

Date of expiry of mandate: Ordinary General Meeting called to ratify the statements for the financial year ending 31 December 2011.

##### **SA SOFIRA**

The General Meeting held on 2 June 2006 nominated SA SOFIRA as substitute statutory auditor.

Date of expiry of mandate: Ordinary General Meeting called to ratify the statements for the financial year ending 31 December 2007.

### 2.2 CHANGES TO LEGAL AUDITORS

The mandates of CB Audit and SA SOFIRA are due to expire at the next general meeting, planned for 16 May 2008. The Board of Directors intends to propose the renewal of this mandate, for a new period of 6 years.

**2.3 FEES OF THE STATUTORY AUDITORS AND MEMBERS OF THEIR NETWORKS PAID BY THE GROUP**

in €	CB Audit				Ernst & Young Audit			
	Amount		%		Amount		%	
	2 007	2 007	2 006	2 006	2 007	2 007	2 006	2 006
<b>Audit</b>								
- Statutory auditors, certification & examination of company and consolidated financial statements	9 000	100%	10 786	100%	31 786	100%	44 355	100%
- linked services	0	0%	0	0%	0	0%		0%
<b>Subtotal</b>	9 000	100%	10 786	100%	31 786	100%	44 355	100%
Others services								
	0	0%	0	0%	0	0%	0	0%
<b>Subtotal</b>	0	0%	0	0%	0	0%	0	0%
<b>TOTAL</b>	9 000	100%	10 786	100%	31 786	100%	44 355	100%

## CHAPTER 3 - SELECTED FINANCIAL INFORMATION

	<b>2003 (K€)</b>	<b>2004 (K€)</b>	<b>2005 (K€)</b>	<b>2006 (K€)</b>	<b>2007 (K€)</b>
<b>Accounting Standards</b>	French GAAPs	French GAAPs	IFRS	IFRS	IFRS
<b>Turnover</b>	12 745	18 291	16 779	16 478	17 398
<b>Operating profit (French Gaaps))</b>	(1 145)	(190)			
<b>Operating profit (IFRS)</b>		(229)	198	(985)	(1 766)
<b>Profit from ordinary activities before tax (French Gaaps)</b>	(871)	16			
<b>Profit from ordinary activities before tax (IFRS)</b>		(24)	395	(705)	(1 611)
<b>Net profit before goodwill amortisation (French Gaaps)</b>	(851)	(89)			
<b>Net profit (French Gaaps)</b>	(1 287)	(565)			
<b>Net profit (IFRS)</b>		(145)	219	(592)	(1 602)
<b>Earnings per share(French Gaaps)</b>	(0,24) €	(0,11) €			
<b>Earnings per share (IFRS)</b>		(0,03) €	0,04 €	(0,10) €	(0,28) €
<b>Net dividend</b>	-	-	-	-	-
<b>Capital stock</b>	317	339	340	341	341
<b>Shareholders' equity</b>	8 934	9 197	9 476	8 940	7 421
<b>Fixed assets, net</b>	2 095	2 072	2 293	2 443	2 546
<b>Financial debts</b>	412	456	146	197	164
<b>Cash and cash equivalents</b>	7 904	9 186	7 557	6 972	5 768
<b>Total balance sheet</b>	15 100	17 261	16 957	16 911	14 950



## CHAPTER 4 - RISK FACTORS

### 4.1 RISK LINKED TO HUMAN RESOURCES

The value of the company, its capacity for innovation, its growth, and its profits depend on the grey matter of its employees in general, and its key employees in particular.

#### 4.1.1 Ability to Recruit Personnel and Encourage Staff Loyalty

Recruitment is a key factor in the Company's growth. However, in the field of new technologies, there is a noticeable deficit in terms of supply versus demand for human resources. Nonetheless, aware of this risk, the Company has set up a human resource policy intended to encourage staff loyalty and facilitate the recruitment of personnel.

ITESOFT has therefore developed a strong corporate culture and established a policy for encouraging staff loyalty which includes:

- a dynamic human resources management policy,
- a motivating pay policy,
- premises that provide a pleasant working environment,
- a continuous training policy.

These assets should enable the Company to recruit the employees it needs to carry out its growth plan and contribute to limiting staff turnover levels.

In addition, ITESOFT has linked its personnel to its capital by means of the tools offered by its quotation on the stock exchange: stock options, bonus shares and a dedicated mutual fund within the context of a company share programme.

In France, work is organised on the basis of a 39-hour working week, and the Company pays weekly hours from 35 to 39 as overtime hours, with a corresponding increase in rate of pay.

#### 4.1.2 Risks connected with Growth Management

The capacity of the Company to manage its growth effectively requires that it should implement and improve all its resources and use them effectively. Any significant growth in business activity risks putting the Company, its executives, and its work teams under considerable stress. In particular, the Company has to continue to develop its infrastructure and its financial and operating procedures, to replace or implement its information system, recruit on a large scale, train, motivate, manage and retain its key employees. Any incapacity on the part of the senior management team to manage growth effectively would have a considerable negative effect on the turnover, profits, and financial situation of the Company.

#### 4.1.3 Risks connected with Key Personnel

ITESOFT's success depends considerably on certain key personnel. The departure or prolonged unavailability of one of these people could be damaging for the Company even if the Executive Committee (see § 16.6) is able to compensate for such a situation.

The Company has put in place stock option subscription and purchase plans together with bonus shares in order to fully involve its main employees and executives.

### 4.2 RISKS CONNECTED WITH TECHNOLOGY

ITESOFT is often ahead of the competition in its mastery of innovative technologies. The company executives are not aware of any emerging technologies likely to have a serious impact on this situation.

Progress towards the dematerialisation of paper documents and the rise of other techniques (EDI, electronic forms, Internet, etc.) is occurring at an even pace and ITESOFT is widening its offer to include the capture of information flows, including those in electronic formats.

Forecasts are essentially founded on existing products that use established technology.

### 4.3 LEGAL RISKS

### 4.3.1 Intellectual Property Rights

According to Book VII of the French Intellectual Property Code, registration of a brand with the INPI (*Institut National de Propriété Industrielle*) confers a right of property to the company registering the brand; abuse of this right, whether by reproduction or by imitation, including a subsequent registration, constitutes an infringement, which can have consequences in law, with the possibility of both civil and penal sanctions. In compliance with the principle of speciality, a brand is protected with respect to products and services identical or similar to those designated in the registration, from the point at which there is a risk of confusion in the mind of the public. The brand defines the image of the company and protects it against usurpers by providing the Company with an operating monopoly and effective means of defending it.

The ITESOFT brand is the property of the Company and was registered for France in 1993 (renewed in 2003), Europe, the US and Canada in 2000. The logo has also been registered.

All product and technology names and other identifiers (ITESOFT.Freemind, Free Class, Free Process, FreePixelize, etc.) have been registered at national or international level in the name of the company or its subsidiaries.

ITESOFT relies on intellectual property rights, which back up its technological expertise and commercial identity. It is therefore very important for the company to ensure that it has effective legal protection.

The source codes of the software products designed and developed by ITESOFT have been registered with the *Agence pour la Protection des Programmes* (APP).

ITESOFT's handwritten character recognition technologies are protected by patents in France and abroad.

At present, ITESOFT holds the following patents:

- Patent filed in 1995 "Handwritten character recognition process and system" protecting the technology that enables replacement of traditional documents with character boxes in coloured dropout ink by documents in black and white, without impairing processing performances.
- Patent filed in 1996 "Handwritten character recognition process and system" protecting the technology that enables reduction of the space used by boxes and headings in forms containing excessive amounts of text etc, without impairing processing performances by enabling the form filler to superimpose information on the label.
- Patent filed in 1999 "Adaptive automatic document analysis technology" protecting the adaptive technology for locating variable data and identifying document families in order to take documents' logical structure into account.
- Patent filed in 2001 "Document reading process and system".
- Patent filed in 2005 "User interaction process and system".

These patents have been filed and issued or are pending in France and/or abroad.

Finally, the Company owns domains including ITESOFT.COM, ITESOFT.FR, ITESOFT.DE and ITESOFT.CO.UK, ITESOFT-UK.COM, ITESOFT.BIZ, ITESOFT.EU and ITESOFT.FR (to avoid any possible confusion).

### 4.3.2 Possible Dependences

#### Partnerships

To date, ITESOFT has signed no commercial or technological partnership agreement significant enough for the calling into question of that partnership to be able to affect the prospects of the Company.

#### Assets required in order to operate

ITESOFT currently possesses all the assets it requires in order to operate. None of these assets is subject to any security (pledge).

### 4.3.3 Insurance

To date, ITESOFT has taken out various insurance policies, principally covering the following risks:

- Civil liability (with coverage up to M€ 7.6, depending on the nature of the claims),
- Civil liability for corporate representatives,
- Transport of merchandise,
- Fleet of cars,
- Industrial risks, fire, and other associated risks (loss of operations in particular, covering the equivalent of a complete stoppage of activity in France for a period of at least 4 months).

The Company is advised by a specialised insurance broker, in order to have a policy whose coverage is appropriate to its activity.

There was no significant event occasioning a claim in 2007 and the total amount of premiums paid was k€ 83 (as compared with k€ 85 in 2006).

#### **4.4 RISKS CONNECTED WITH THE COMPETITION**

##### **4.4.1 New Entrants on the Market**

The principal barrier to entering the market is the level of R&D investment (time and money) to which any new player wishing to penetrate the market *ex nihilo* would need to commit.

At present, the big software editors (Microsoft, CA, IBM, SAP etc.) are not interested in such niche markets, which require sophisticated technologies. Instead, they prioritise very large-volume markets.

However, a major new development occurred in late 2005, when the EMC Group (world leader in storage solutions, turnover \$10 billion) announced the acquisition of Captiva Software, itself the American and world leader in ITESOFT's market. Previously, in June 2005, Captiva Software had itself acquired the number 2 on the French market, the company SWT (turnover approximately 7 M€).

More recently, the following merger/acquisition operations have been announced:

- In November 2007, the Belgian group IRIS announced the acquisition of the German company Docutec. Docutec has a turnover of 3.7 M€ on the German market, in which it is a direct competitor of ITESOFT. The IRIS Group, listed on Euronext Brussels, is a significant player on the DMS market, with limited involvement in document capture.
- In January 2008, Oracle announced it was in the process of acquiring the American company Captovation. Captovation is a private company which had a turnover of about 2 M\$ in 2005, and is involved in the American document capture market.

This movement indicates that competition could increase but also rationalise, to the detriment of the most fragile and the least structured players on the market.

ITESOFT continually monitors and analyses its competitors' strategic moves. In addition, being listed on the stock exchange gives the company the means to achieve external growth and also to pursue its R&D investments in order to retain its technological advantage.

Finally, the fall in prices is a natural development, which continues year on year. With regard to these developments, ITESOFT responds by implementing innovation and the capacity to set up complex projects.

##### **4.4.2 Competition from Freeware**

Currently there is no Freeware on ITESOFT's market and, in the current state of affairs, the company considers that the risk of a freeware competitor product concurrent appearing is very low, due to the top-of-the-range market position of ITESOFT software.

However, ITESOFT considers the emergence of Freeware, generally speaking, as an indirect risk through pressure on license prices.

In the case, highly unlikely at present, of such software appearing in the future, it is likely to call into question the current economic model, founded on the sale of licenses, complemented by maintenance and services. Freeware would eliminate licence sales, and a new model founded exclusively on maintenance and services would need to be developed.

The company continually monitors the market in order to anticipate such developments.

#### **4.5 FUTURE ACQUISITIONS AND THEIR INTEGRATION INTO THE GROUP**

The Company does not exclude the possibility of further take-overs or of acquiring a stake in other companies. These acquisitions could lead to dilution of the company's current stock ownership situation, recourse to financial indebtedness, possible losses, or the laying down of provisions linked with the need to account for depreciation in value of the diverse assets resulting from this accretion. They could also have a negative impact on the Company's earning power and that of its shareholders.

In addition, any takeover involves a certain number of risks linked particularly to the difficulties of integrating the business activities, technologies, products, and work teams of the acquired company.

#### **4.6 CUSTOMER RISKS**

The ITESOFT Group's main customers are large accounts in the private sector and public administrative institutions. Its customer portfolio has more than 500 active references. During the 2007 fiscal year, about 27% of turnover was made with the 10 biggest customers (the largest of which accounted for 6% of total turnover). The average payment period range is between 75 and 85 days. The compensation for this rather long payment period is the high quality of the contracts.

In addition, the signing of each customer contract is subject to an extremely strict internal validation procedure.

#### **4.7 IT RISKS**

The efficiency and availability of information systems and networks is essential for the majority of the company's internal processes and activities (for example software development, the implementation of customer projects, maintenance, marketing database management, accounting, etc).

If damage to hardware systems or software were to occur after either a physical disaster (for example a fire) or a virus attack, the activities of the company could be affected.

To avoid these risks, the company has implemented firewall and antivirus systems together with backup procedures and systems.

In 2007, ITESOFT continued to invest considerably in its computing systems and infrastructures, thus continuing to improve their efficiency and productivity, together with backup security and reliability.

#### **4.8 SUPPLIER RISKS**

As a software editor, ITESOFT endeavours to conserve and protect its expertise and rarely resorts to subcontracting.

With respect to any sales of hardware (which only concern standard hardware, essentially scanners), ITESOFT obtains its supplies from the major players on the market such as KODAK, FUJITSU, HEADWAY or DICOM. In 2007, the average payment period was about 60 days.

ITESOFT has always endeavoured not to create any absolute dependency with respect to any acquired or resold hardware or any technology included in its products.

Every externally sourced product or technology can therefore be quickly substituted for without noticeably altering the technical characteristics of the solution offered by ITESOFT.

#### **4.9 MARKET RISKS**

See the financial statements in Section 20.1.2.22, which detail the currency exchange, interest rate, credit, stock, liquidity and cover risks.

#### **4.10 RISKS AND CONSEQUENCES OF COMPANY ACTIVITY WITH REGARD TO THE ENVIRONMENT**

The Company and its subsidiaries are involved in research activities and intellectual services that have no direct impact on natural resources and the environment.

Concerning the resale of computer hardware (mainly scanners), which represents a marginal percentage of corporate turnover, the Company intervenes only in its capacity as a distributor. The eventual recycling of this computer hardware is not the Company's responsibility.

#### **4.11 PROCEDURES SET UP FOR THE MONITORING OF RISKS**

See Section 16.5 concerning the procedures set up to ensure the monitoring and measuring of these different types of risks.

The company has carried out a review of its risks and to the best of its knowledge considers that there are no other significant risks aside from those described above.

#### **4.12 EXCEPTIONAL ITEMS AND DISPUTES**

There are no exceptional items or significant disputes to mention.

To ITESOFT's knowledge, there are no other exceptional items or disputes likely to have or having had in the recent past a substantial effect on the financial situation of the issuer, its business, profit, or the Group.

## CHAPTER 5 - INFORMATION CONCERNING THE ISSUER

### 5.1 HISTORY AND EVOLUTION OF THE COMPANY

#### 5.1.1 Corporate Name and Commercial Name

ITESOFT

#### 5.1.2 Trade Register Number

The company is registered on the Nîmes Trade and Company Register, number 330 265 323.

#### 5.1.3 Founding Date and Life Span

The Company was initially founded on 22 June, 1984 as a limited liability company, and was transformed on 31 May, 1991 into a publicly held company with a Board of Directors, in accordance with the French Law of 24 July, 1966 and the Decree of 23 March, 1967.

The company has a lifespan of 99 years, from the date of its registration in the Trade Register on 23 July, 1984, except in the case of company dissolution or prorogation before that date.

Head Office Address of the head office: Parc d'Andron, le Séquoia - 30470 Aimargues - France.

Tel: +33 (0)4.66.35.77.00

Fax: +33 (0)4.66.35.77.01

e-mail: [finance@itesoft.com](mailto:finance@itesoft.com)

Legal form: A publicly held company with a Board of Directors in accordance with the French Commercial Legal Code and by the decree dated 23 March 1967.

#### 5.1.4 Important Events in the Development of the Issuer's Activities

ITESOFT was founded in 1984 by its current President.

Since 1989 it has directed its research activities towards using the newly emergent neural network technologies to develop systems for the recognition of typewritten and handwritten characters (OCR and ICR, respectively).

In 1990, ITESOFT set up its first automated form reading software solution, FormScan. ITESOFT's sells its products and associated services to the major users of paper documents, most notably social and administrative institutions, mail order companies, banks and insurance companies.

In 1998, Philippe LIJOUR joined the company as Chief Operating Officer. By then ITESOFT had become the French market leader in automated document processing, with more than 170 sites set up. ITESOFT added a new product to its range, ITESOFT.XDataFlow, an integrated solution for the capture of information flows.

In the 2000 financial year the company achieved a turnover of more than €11.3 M, with an operating margin (operating profit/turnover) of nearly 20%.

On 8th February 2001, ITESOFT became a listed company on the Euronext Paris Nouveau Marché.

The year 2001 was marked by acceleration in international development, with the take-over in August of the British company HRH Business Technology (renamed ITESOFT UK Ltd). In September, ITESOFT launched ITESOFT.Invoice, the first French software application for the automatic processing of supplier invoices.

In 2002, ITESOFT expanded into the German market, with the take-over of FormsConsult Software GmbH (renamed ITESOFT Deutschland GmbH). In November, the group launched ITESOFT.FreeMind, a software solution that entirely replaced the previous product line (X.DataFlow).

In 2004, turnover reached 18.3 M€. In February 2004, the CNAM (French National Health Insurance Fund) chose ITESOFT as its sole supplier to set up automatic document processing software at 132 sites. The Balance for My SAP Business Suite™ module, launched in September, broadened its product offer of automatic supplier invoice processing software in the SAP environment.

In early 2005 the Board of Directors decided to modify the organisation of the Group's General Management by splitting up the functions of President of the Board and CEO, which had previously been handled by Didier CHARPENTIER. This change enabled Didier CHARPENTIER, who maintains his roles as President of the

Board, to focus on ITESOFT's medium- and long-term development objectives, particularly in terms of technologies, external growth, and international development. Chief Operating Officer since 1998, Philippe LIJOUR became the Chief Executive Officer. In this capacity, he has full responsibility for all of the ITESOFT Group's operations.

In the second half of the year, ITESOFT launched ITESOFT.Freemind for Business, a business-specific solution for the processing of client correspondence, then ITESOFT.Share, a complete content and workflow management solution.

In 2006, ITESOFT implemented the ITESOFT 2008 development plan, whose aim was to renew solid growth and profitability with a view to achieving 30 M€ turnover in 2008 and an operating result of 3 M€.

Focusing on its growth strategy, for the fiscal year ITESOFT undertook most of its investments directly linked to this plan with, in particular, the recruitment of 20 new employees, an increase in R&D spending (19% of the turnover) and the launch of two new software solutions: ITESOFT.FreeMind for Orders and ITESOFT.FreeMind Enterprise.

## **5.2 INVESTMENTS**

### **5.2.1 Main Investments carried out**

The activity of the company does not entail significant material investments. The main investments are linked to external growth.

Material Investments:

They consist of the computer hardware and software, furniture and storage facilities required for the company to run correctly. Total investment in 2007 amounted to M€ 0.2 (as compared with M€ 0.4 in 2006 and M€ 0.2 in 2005), and was entirely self-financed.

Acquisition of financial fixed assets:

In 2005, the company acquired a stake in W4 at a cost of M€ 300, supplemented by an additional k€ 55 in 2007.

### **5.2.2 Main Investments in progress**

There are currently no significant items to mention.

### **5.2.3 Main already-decided Future Investments**

There are no significant items to mention.

### **5.2.4 External Growth: an Accelerating Factor in International Deployment**

The situation regarding the competition in Europe and the USA is very fragmented, thus opening up interesting possibilities for external growth. These opportunities, which ITESOFT is both actively looking for and intending to encourage by creating subsidiaries, should enable accelerated penetration of certain national markets (acquisition of customer portfolios, or of new or complementary technologies, expansion of the product offer, penetration of new market sectors, etc. ...).

In accordance with this strategy, the following operations have already been carried out:

- in the UK, with the take-over of the British company HRH Business Technology (since renamed ITESOFT UK) in August 2001,
- in September 2002, ITESOFT expanded into the German market, with the take-over of FormsConsult Software GmbH (renamed ITESOFT Deutschland GmbH),
- in France, with the takeover of the business, assets and 13 employees of Almas Ingénierie through the creation of ITESOFT ALMAS in December 2003, which has enabled the Group to strengthen its expertise in the area of processing financial data flows.

For 2008, ITESOFT will be on the lookout for any opportunities that may arise in other European countries, or for further advancement in Britain or Germany.



## CHAPTER 6 - OVERVIEW OF ACTIVITIES

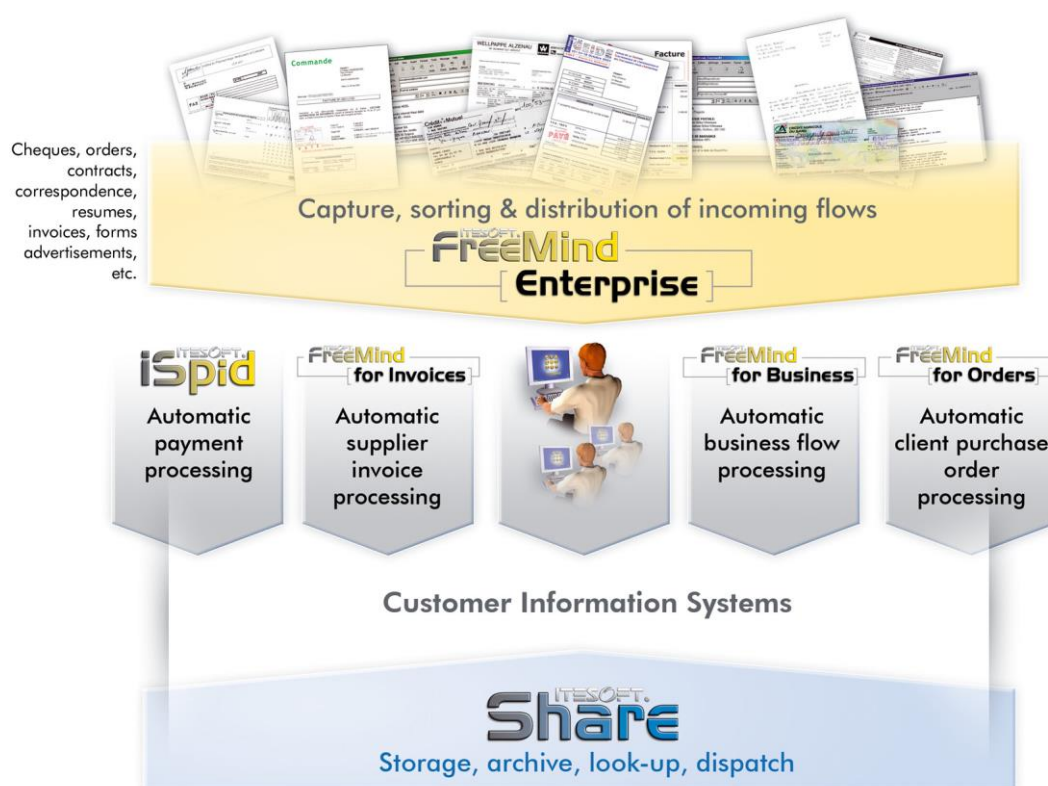
### 6.1 PRINCIPAL ACTIVITIES

#### 6.1.1 Operations and Principal Activities

##### 6.1.1.1 A global offer for digitising 100% of workflows and automating all processes

ITESOFT provides a complete and upgradeable software solution offer for digitising, automatically processing, and managing all a company's incoming documents: letters, forms (purchase orders, slips, etc.), invoices, payments (cheques, bills of exchange, etc.).

The ITESOFT.Freemind Enterprise input portal guarantees the capture and identification of all document flows in order to route them towards the right recipients or the appropriate business-specific solutions for automatic document processing. The documents are stored and can be viewed via ITESOFT.Share, a DMS and Workflow solution that is totally integrated into the company's Information System. Its Workflow function allows them to be automatically transmitted to the various people involved in a given process.





The ITESOFT software package is built around these three lines of complementary solutions, which enable the setting up of global solutions dealing with every aspect of document capture, automatic processing, management, and electronic distribution projects, whatever the types of incoming documents may be. Since all these solutions are produced by ITESOFT, they integrate together smoothly and transparently.



ITESOFT.FreeMind dedicated to the capture and automatic processing (identification, indexing, and reading) of documents. On the ITESOFT.FreeMind technological backbone, ITESOFT develops business-specific solutions aimed at certain sectors of activity or documents.



ITESOFT.FreeMind Enterprise sorts incoming mail. The solution captures and identifies all the incoming workflows, then distributes them to the recipient employees or business-specific solutions.



The business-specific solutions ITESOFT.FreeMind for Business, ITESOFT.FreeMind for Invoices and ITESOFT.FreeMind for Orders are dedicated to processing business workflows, supplier invoices, and B to B purchase orders. They all feature advanced integration with the major ERPs on the market (SAP®, Oracle, PeopleSoft, SSA BaaN, JD Edwards, CODA, etc. ...).



ITESOFT.Share is dedicated to Electronic Document Management (filing, storage, and archiving) and Workflow (transmission and circulation).

ITESOFT.iSpid is dedicated to the automatic processing of means of payment.

#### 6.1.1.2 Solutions enabling companies to improve their efficiency and productivity

These powerful aids to productivity have a number of advantages:

- the automatic identification and reading of documents reduces the cost of repetitive tasks and improves accuracy, particularly with regard to the mass capture of paper documents (e.g. forms, cheques, purchase orders, supplier invoices, etc.),
- the electronic management of documents and information flows lightens the administrative workload, reduces processing times, and makes processes run more smoothly,
- the integration of these tools into the rest of the company information system enables resources to be redirected towards productive tasks, and above all improves relations with the company's customers or suppliers.

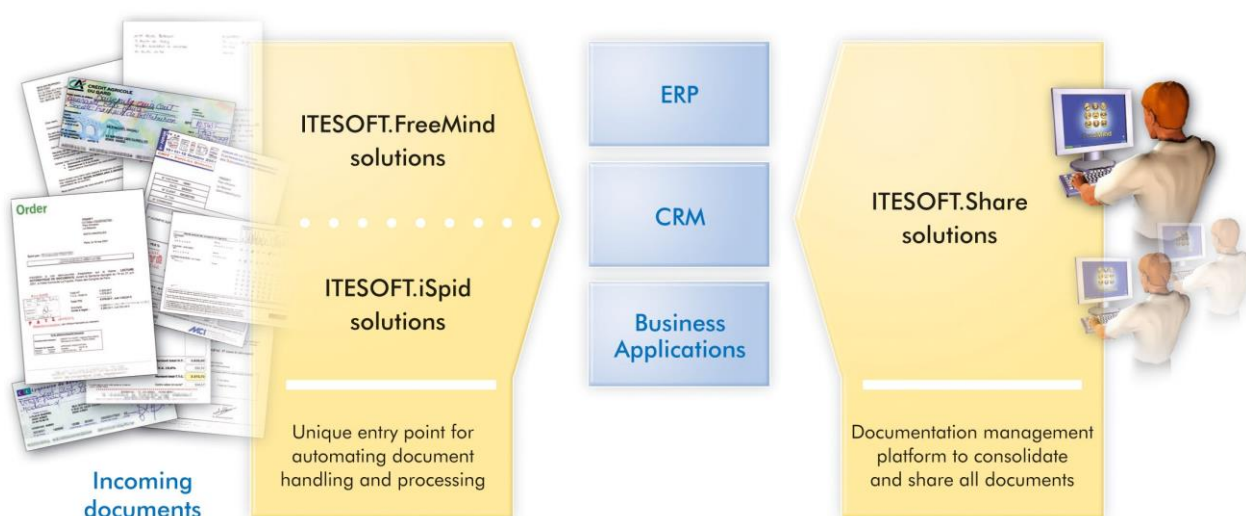
These solutions can be naturally integrated into more global systems, also intended to improve management quality and speed, such as:

- company management and organisation systems (integrated management, ERP, Supply Chain Management),
- customer relations management (CRM) through document and customer file management, and by providing personalised knowledge of customers to call centre operatives,
- telework by means of distributed architecture,
- transaction systems through optimal processing of cheques and associated documents,
- Knowledge Management.

ITESOFT defines its mission as follows: *“To develop the technologies and solutions for the capture and processing of information flows that offer the greatest level of productivity and reliability.”*

#### 6.1.1.3 Positioning of ITESOFT's Business Activity in the Value Chain

##### Positioning of ITESOFT in the Information Capture and Management Value Chain



With respect to other software editors involved in information management (customer relations, logistics, knowledge bases etc.) ITESOFT's field is the capture and processing of data flows.

Upstream in the chain, the digitisation software applications are combined with scanners and other similar equipment generally purchased from major international manufacturers (Kodak, Fujitsu, etc.). Electronic information is obtained through interfaces between the software and the applications concerned (mail, e-mail, electronic forms, faxes, EDI, etc.).

Throughout the processing chain, interfaces between the software and the company's information system (SAP®, Oracle, PeopleSoft, JD Edwards or other types of ERP) enable data to be exchanged, the consistency of captured information to be verified, and processing operations to be triggered. Documents and data are then routed toward the appropriate destinations via Workflow applications and stored in Document Management System (DMS) servers as well as company management applications.

These tools enable the implementation of advanced workflow and real-time consultation solutions, including the electronic customer file, a key element in Customer Relations Management (CRM), and the electronic supplier file, a factor in improving relations with suppliers.

#### 6.1.1.4 Customer Benefits

The cutting-edge technologies used to process the information, the automation of all manual processes, as well as the secure technical architecture with its built-in redundancy provide the client with direct economic and

financial benefits, which contribute to an extremely rapid ROI (on average 12 months). In addition, they contribute to improving the organisational processes and the strategies for improving customer relations and supplier relations.

Benefits for the Company (Automation of client files, purchase orders, cheques, supplier invoices, etc. ...)				
Economic		Organisational	Financial	Technological
<ul style="list-style-type: none"><li>• Lower document processing costs</li><li>• Faster document processing</li><li>• Increased productivity and freeing up of resources for higher added value tasks</li><li>• Improvement of the quality and accuracy of information obtained and reduction of costs due to sub-standard quality</li></ul>		<ul style="list-style-type: none"><li>• Increased production capacity</li><li>• Industrialisation of processes and increased company efficiency</li><li>• Move towards real-time company management and control by means of faster processing of supplier invoices and depositing of payments</li><li>• Immediate and continuous access to all client and supplier information in digital format</li><li>• Improved response times</li></ul>	<ul style="list-style-type: none"><li>• Quicker deposits and improved cash flow</li><li>• Higher discounts thanks to quicker invoice processing</li><li>• Shorter invoicing cycle thanks to optimised recording of orders</li></ul>	<ul style="list-style-type: none"><li>• Automatic integration into the information system and new productivity vectors, plus improved customer relations (ERP, CRM, KM, etc. ...)</li><li>• Improved production security</li><li>• Complete document traceability</li></ul>
=> Rapid return on investment		=> Optimised and industrialised processes	=> Increased financial profits	=> Secure processes
Benefits for Company Clients	=> Improved client service thanks to faster file processing times, real-time access to the history of exchanges, and increased data accuracy			
Benefits for suppliers	=> Improved supplier relations due to a reduction in the number of disputes and better compliance with payment conditions			

#### 6.1.1.5 Prestigious References

ITESOFT.FreeMind and ITESOFT's other software products can process several hundred thousand documents per day. They are thus intended for large-scale users, in both the public and the private sector, in France and abroad.

The ITESOFT Group's customer portfolio includes more than 600 references in a variety of sectors, such as:

#### Banking and Finance

AGF Bank (FR), Cortal Consors Bank (FR), Lazard Bank (FR), BBVA (ES), BNP Paribas Securities Services (FR, LU, UK), BRED (FR), Brink's (FR), Caisses Régionales du Crédit Agricole Nord-Est & Brie-Picardie (FR), Calyon (FR), Clearstream (LU), Cofidis, Cofidis International (FR), Commerzbank (FR), Cooperative Bank Amdahl (UK), Deutsche Bank Bauspar (DE), Finaref (FR), HBOS Plc (UK), Hoares Bank (UK), ING Bank (FR), ING Direct (FR), ING Lease UK (UK), Ionis (FR), La Compagnie Financière de Rothschild (FR), French Post Office (CTO Limoges, SISF Gradignan, FR), LCL (FR), Lloyds TSB

Stockbrokers (UK), Renault Financial Services (UK), Société Générale (SGIB Londres, New York, Paris - SBAN, FR) ...

### **Local and National Administrative Institutions and Public Services**

ADMR Manche et Vendée (FR), Caisse de Compensation (CH), CETAF (INSERM) (FR), CIPCA (Chambre Agricole de l'Allier) (FR), 7 French Departmentsal General Councils (FR), Direction Générale des Douanes (Customs Bureau, 5 sites, FR), ESPPA Mod Lisa (UK), State of Vaud (CH), Fondation d'Aguesseau (FR), Moroccan Post Office (MA), Lancashire Teaching Hospital (UK), Boulogne City Hall (FR), Maison de la Gendarmerie (FR), Metropolitan Police (UK), Ministry of Economy and Finances (FR), Office des Emissions de Timbres Poste de Monaco (Postage Stamp Issuers, Monaco), ONIC (FR), ONVA (BE), People Pay and Pensions Agency (UK), Port Autonome de Paris (FR), Préfecture de Police (FR), Prefectures of Seine Saint-Denis and Yvelines (FR), Service Interacadémique des Examens et des Concours SIEC (Interacademic Examination Body, FR), SNCF (34 sites, FR), South London & Maudsley NHS Foundation Trust (UK), Thurrock Council (UK), Police Tribunal (FR), Liège University (BE) ...

### **Insurance, Retirement and Pension Funds**

Apria R.S.A. (FR), April Assurances (FR), Assura (CH), AXA (FR), B2V (FR), Card Protection CPP (UK), CAVIMAC (FR), CMCAS National Coordination Committee (FR), CNRA (MA), CRPCEN (FR), Darva Santé (FR), GIE Gerap (FR), GMF (FR), GMF Vie (FR), Gras Savoye (FR), Groupe FMP (FR), Groupe Médéric (FR), IMA Inter Mutuelles Assistance (FR), MAE Mutuelle des Affaires Etrangères (FR), Marsh (FR), Mercer (FR), MFP Mutualité de la Fonction Publique (FR), MGEN (FR), MGP Mutuelle Générale de la Police (FR), MMI Mutuelle du Ministère de l'Intérieur (FR), MNH Mutuelle Nationale des Hospitaliers et des Personnels de Santé (FR), Mutaris Informatique (FR), Mutuelle Bleue (FR), Mutuelle Complémentaire de la Ville de Paris (FR), Office d'Assurances Aériennes G. de Cugnac OAAGC (FR), Parnasse MAIF (FR), SIACI (FR), Smeno (FR), Smerep (FR), SMI (FR), SMIP MACIF (FR), SOGAREP (FR), SSM Pas de Calais (FR), Supra Assurance (CH), Suravenir (FR), UGIPS Gestion (FR) ...

### **Manufacturing Industry**

AAH Pharmaceuticals (UK), Acument (FR), Aesculap (DE), Air Liquide (FR), Alcan (FR), Apollinaris (DE), B. Braun (DE, ES), Bateg (FR), Bombardier Transport (FR), BSN Medical (DE), Edding (DE), Electrolux Home Products / AEG (DE), FENWICK-Linde (FR), Gardena AG (DE), Groupe PSA Peugeot Citroën Succursale Véhicules d'Occasion SVO (Second-hand Vehicles Section, FR), Harry-Brot (DE), Cerba Laboratories (FR), Marie (Groupe Uniq, FR), Orangina Schweppes (FR), Pfizer (FR), Portakabin (UK), Saint Hubert (FR), Schneider Automation (FR), Tereos (FR), VINCI Construction Grands Projets (FR), Volvo Cars (UK) ...

### **Distribution, Direct Sales and Telesales**

Groupe 3 Suisses International (3 Suisses, La Blanche Porte...) (Europe), Bible and Gospel Trust (UK), Boulanger (FR), Brake (FR, UK), Bunting (DE), Cadbury (FR), CAMIF (FR), Ciffréo Bona (FR), Desmazières (FR), Easby Electronics (UK), ECF (FR), Euromaster (FR), Forum Diffusion (FR), House of Fraser (UK), Kiabi (FR), La Redoute (FR), Les Coopérateurs de Normandie Picardie (FR), Lexel (FR), Lyreco (18 countries), Raboni (FR), SAMSE/La Boîte à Outils (FR), Système U (FR), Top Office (FR), Toys'R'Us (UK), Tupperware (Europe), Yves Rocher (FR) ...

### **Services**

Air France (FR), ANFA (FR), Arvato Services (Canal+) (FR), Azureva (FR), BBC Worldwide (UK), Belgacom (BE), Caisse des Congés Spectacles (FR), Capgemini (FR), Carlson WagonLit Travel (Europe), CCPB Aquitaine, Région Parisienne, Côte d'Azur Corse, Grand Ouest and Seine et Marne (FR),

Cegos (FR), Center Parcs (FR), CNETP (FR), Coopagri Bretagne (FR), Crest Nicholson (UK), Debitel (DE), Doc'Archives (MA), Dynapost (Cofidis, ING Direct, Service National des Timbres Postes de la Poste, SNCF, Transfac) (FR), Elyo (FR), Endel (FR), Euro-Tvs (FR), Experian (FR), FAFSEA (FR), Fédération Internationale de Football Association FIFA (CH), FNTP (FR), Initial BTB (FR), INVAC (FR), ISS Logistique et Production (Mercer) (FR), Jardin d'Acclimatation (FR), Jawaby Oil Services (UK), Ladbrokes (UK), Law Society (UK), Les Campéoles (FR), London Ambulance Service (UK), Luminar Leisure (UK), Mailing Express (FR), Mondadori France (FR), Naville (CH), OPAC de l'Oise (FR), Opievoy (FR), RAC Motoring Services (UK), RBi (FR), SACEM (FR), Safig (MMA) (FR), SAS Institute (FR), Sata (FR), SDV Logistique Internationale (FR), Seditel (FR), Segex (FR), SFD (FR), SGS Fresenius Institute (DE), Siemens Enterprise Communications (UK), Socprest (France Loisirs) (FR), Sodexho Alliance (FR), Sogec Gestion (FR), Soregies Deux Sèvres (FR), Surrey European Management School SEMS (UK), TAN/VOSA (UK), TdF (FR), Tessi, Tessi Encaissements (FR), Tourisme et Culture (FR), UNIPE (FR), Urgence Informatique Europe (FR), Vedior (FR), Victor Buck Services (LU), Voyages Loisirs (FR), VTF (FR), Wasteels (FR) ...

### Social Security

CAF (74 sites, FR), Caisse des Français à l'Etranger (FR), CMAF (FR), CNMSS (FR), CPAM (132 sites, FR).

#### 6.1.1.6 Examples of Applications



France's premier mutual health insurance group, the Mutuelle Générale de l'Education Nationale manages the social protection of more than 3 million people working in the National Education System, Research, Culture, Youth Activities and Sports.

The satisfaction of its beneficiaries, which it has made its absolute priority, involves exemplary organisation and high performances in field-specific processes, in particular the management of the reimbursement of health care costs.

In order to optimise the productivity of this process and keep up with organisational developments, the MGEN chose to automate the processing of the tens of thousands of health care forms received daily at its eight centres, using the ITESOFT.FreeMind for Business solution.

The criteria that led to the choosing of ITESOFT concerned ITESOFT's business-specific expertise in the automation of processes for the management of health care costs, and the performances and level of automation provided by the software.

In addition to the clear objectives of increased productivity and efficiency, the MGEN wished, by means of the application, to offer a powerful mass production tool at each of its centres of operations. The ultimate aim is better to serve the interests of its insurees by providing each local section with the means to consult electronic client files in real time.

Once rollout has been totally completed, the MGEN will process 10 million documents a year using ITESOFT solutions.



*Œuvrons pour un monde en meilleure santé*

With more than 106 000 employees worldwide (including 3,600 in France) and a world turnover of 48 billion dollars, Pfizer is now the world's largest medication company.



Pfizer France invested in the ITESOFT.FreeMind for Orders solution in order to achieve several strategic objectives:

- To accelerate the processing of client purchase orders (hospitals, pharmacies, distributors) to improve client satisfaction and loyalty,
- To optimise the resources allocated to the processing of purchase orders, a low-added value task, in order to comply with its economic objectives,
- To guarantee perfect traceability and integrity of documents and data throughout the processing chain so as to comply with the requirements of the Sarbanes-Oxley law concerning financial security

ITESOFT.FreeMind for Orders captures all purchase orders received by fax, paper or e-mail, automatically identifies the issuing client, automatically reads and checks the order data then feeds the information into the Oracle e-Business Suite ERP to initiate the shipping and invoicing process.

The benefits observed are in line with expectations because the automation and improved accuracy of data entry have enabled the purchase orders to be processed more quickly while minimising the resources allocated. In addition to these factual results, the level of client satisfaction has been improved and the invoicing cycle accelerated, thus optimising the economic performance of the company.

In parallel, Pfizer also opted for the ITESOFT Share solution enabling the electronic archiving of documents and consultation via the Web. Compliant with SOX requirements, the ITESOFT.Share solution enables Pfizer to save between 10 and 15,000 euros a year by doing away with the archiving of micro-filmed purchase orders.



APRIL Assurances offers personal insurance solutions (provident, health and loan insurance). Chosen by more than 1,000,000 insurees, APRIL Assurances stands out for its impeccable quality of service, certified by the ISO 9001 V2000 standard and measured by an Ipsos survey in 2006 : 95% of insurees and 98% of insurance advisors said they were satisfied with the products and services. (Source: Ipsos survey carried out in April 2006 on 800 insurees and 500 insurers).

APRIL Assurances intends to keep pace with the development of its activity without changing the number of employees by means of tools and processes capable of optimising the unified management of all incoming document flows (paper, fax, e-mail). In this context, APRIL chose the solutions ITESOFT.FreeMind Enterprise and ITESOFT.FreeMind for Business to implement a vast Paper-free Mail Room project.

Above and beyond this legitimate efficiency requirement, the project goes to the very heart of APRIL's business approach – the service provided to the end-client - and serves its strategic objectives: to stand out because of the best possible quality of service to clients and by complying with its key commitment of reacting to all requests within 24 hours.

The ITESOFT platform for digitising, receiving and automatically processing incoming document flows incorporates the capture of handwritten and printed paper documents, faxes and incoming e-mails in a single multi-flow tool. All correspondence is automatically classified, indexed and stored in the DMS before being instantaneously routed to the appropriate person(s) responsible. All correspondence is thus fully tracked throughout the reception, recording, processing, circulation and storage process.

### 6.1.2 New Products launched on the Market

In 2006, ITESOFT had launched the new products ITESOFT.FreeMind for Orders (a solution for the automatic reading of variable-structure B to B purchase orders) and ITESOFT.FreeMind Enterprise (a gateway for sorting, capturing, and automatically distributing documents specifically designed for digitising mailrooms). In 2007, ITESOFT continued the rapid introduction on the market of new versions of its products with the launching of:

- Balance for mySAP™ Business Suite v2.0: the new version of this business-specific solution dedicated to the automation of supplier invoice processing in an SAP® environment. This solution automates all invoice processing steps, including capture, data extraction, validation, invoice clearing and integration into supplier accounts, now augmented by a new webflow feature,
- Version 2.2 of its ITESOFT.FreeMind and ITESOFT.Share products, which offer major upgrades in terms of architecture thanks to an SOA, Web 2.0 and "High Availability" orientation, which makes it

possible to generalise the use of automatic document processing applications, and make them secure and easier to roll out.

## 6.2 PRINCIPAL MARKETS

### 6.2.1 Break-down of Earnings by Type of Activity

The company's economic model is founded above all on the sale of licenses, but also includes a significant amount of associated services.

As a software editor, ITESOFT favours a growth model based on the sale of licenses, and also the value-added services it offers its customers. These services are therefore sold as an essential accompaniment to product installation.

#### 6.2.1.1 Sales of Licenses

The main source of earnings, the sale of licenses is subject to a pricing system based on the number of workstations set up and the volumes processed for each main function (acquisition, automatic data recognition, manual correction, etc. ...).

#### 6.2.1.2 Associated Services

##### Services

Provided to accompany the sale of licenses, services are invoiced by person/day, the number of which is in function of the needs connected with the complexity of the customer's project.

Services may be provided in a variety of areas, such as drawing up customer requirements, customising the product, specific integration developments, system installation, training users and operating managers, start-up assistance, performance auditing, etc. In addition to these services, there are days for project management and quality control.

##### Maintenance

Customers are offered annual maintenance contracts. They include access to the hotline, telemaintenance, and correction of malfunctions, together with other optional services (installation of major new updates, on-site intervention, preventive maintenance, etc. ...).

To date, almost all of ITESOFT's customers have taken out these contracts and renewed them regularly (renewal rate higher than 85% for 2007) thus contributing to the development of recurrent turnover.

#### Sales of Dedicated Hardware

In order to offer turnkey solutions, when required ITESOFT includes the sale of hardware such as scanners in its product offer.

#### 6.2.1.3 Break-down of Earnings by Type of Activity

	2005 (M€)		2006 (M€)		2007 (M€)	
Software Licences	3.8	23%	4.5	27%	5.2	30%
Maintenance	5.2	31%	5.7	35%	5.8	33%
Services	5.8	34%	5.4	33%	5.6	33%
Hardware sales	2.0	12%	0.9	5%	0.8	4%
<b>Total</b>	<b>16.8</b>	<b>100%</b>	<b>16.5</b>	<b>100%</b>	<b>17.4</b>	<b>100%</b>

### 6.2.2 Break-down of Earnings by Geographical Market

See the Financial Statements (Information by Geographical Segment) in Section 20.1.2.24.

## 6.3 MARKET AND COMPETITION

### 6.3.1 The European Market in the Capture of Information Flows

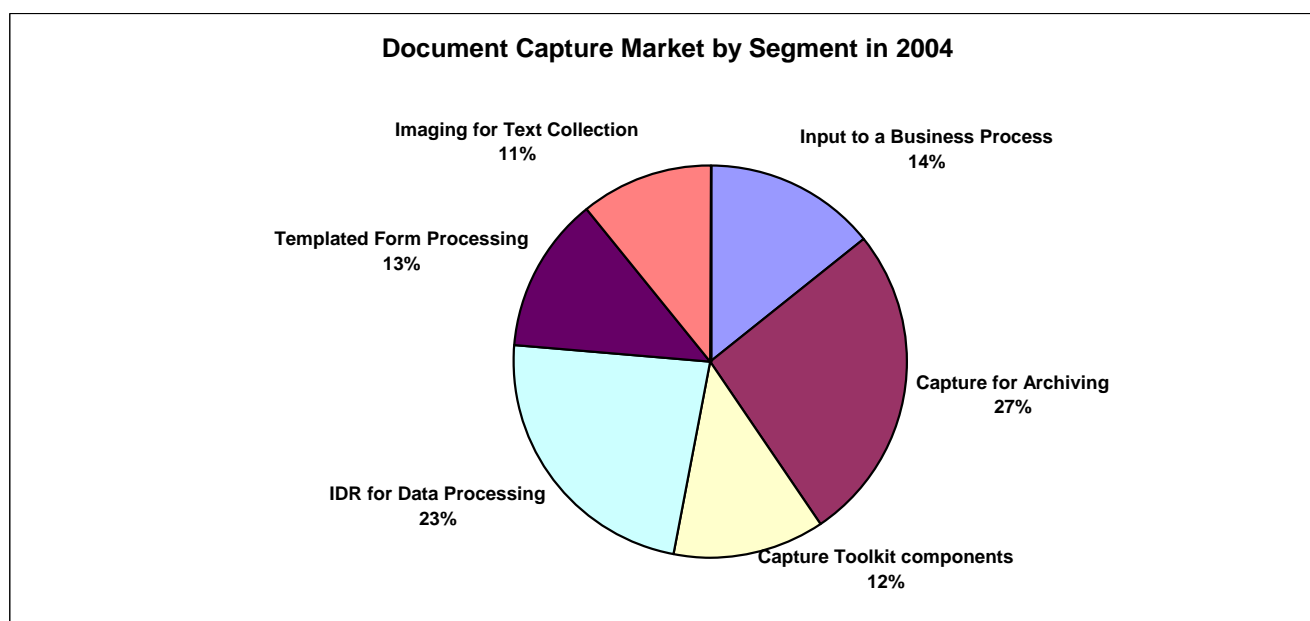
#### 6.3.1.1 Structure and Size of the Market

The “Enterprise Content Management” (ECM) market covers the creation, acquisition, posting, and management of information within a company. According to the APROGED (*Association des Professionnels de la Gestion Electronique de Documents* - Society of Electronic Document Management Professionals) Content Management is the “glue” linking the applications directed towards the environment outside the company (front-end applications: customer relations management, automated sales, etc.) and those that are internal to the company (back-end applications: integrated management software, etc. ...).

Within this Content Management market, there is the Document Capture sub-market, which is itself segmented as follows (study by Strategy Partners from December 2004, *Document Capture 2004-2008*):

- Capture for Archiving: capture of images for display and archiving,
- IDR for Data Processing (Intelligent Document Recognition): semi- or unstructured capture of content,
- Templated Form Processing: template-based recognition and processing of forms,
- Imaging for Text Collection: document capture for extracting pages of text,
- Input to a Business Process: document capture for dedicated professional applications,
- Capture Component Toolkits: capture components to be integrated.

This entire Document Capture sub-market was evaluated by Strategy Partners at €317 M in 2004, broken down as follows:



*II. Strategy Partners*

ITESOFT is particularly well-positioned in the IDR for Data Processing, Templated Form Processing, and Input to a Business Process segments.

Another study carried out by Harvey Spencer Associates in 2007 (*Worldwide Capture Software 2006-10*) indicates that the size of the European market was estimated at M\$ 468 in 2006 (i.e. M€ 374 at an exchange rate of 1.25).

The market is structurally buoyant due to the following main growth factors:

- Continuous progress in character recognition technologies (OCR, ICR) of which the accuracy levels and performance-price ratios, are leading more and more large-scale users to install automatic reading systems to replace the traditional manual data entry systems,



- Progress in Adaptive Intelligent Document Recognition technologies, which are producing new fields of application (for example auto-classification), with increasingly unstructured documents (invoices, handwritten letters etc. ...),
- Rapid growth in electronic flows, supplementing paper flows, within the context of the gradual rise of e-business and Electronic Data Interchange (EDI). Data capture software is becoming more and more hybrid in terms of the sources of the flows processed,
- Increased integration with operational applications for which there is a high demand: Customer Relationship Management (CRM) systems, Call Centres and Enterprise Resource Planning (ERP) software.

### 6.3.1.2 Forecasts for Market Growth

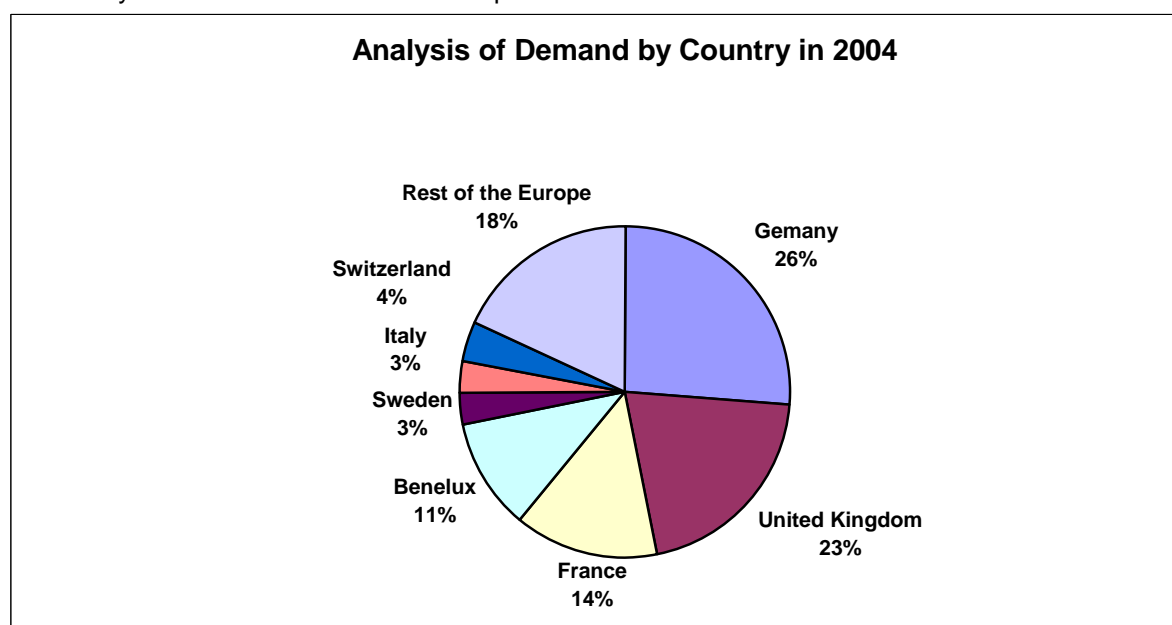
ITESOFT considers that the market will remain structurally sound in the medium term for the reasons highlighted above.

According to Strategy Partners, annual average growth in the European market is likely to be around 6.9% for the period 2003 to 2008.

According to Harvey Spencer Associates, the world market should see average annual growth of 16.4% from 2006 to 2010.

### 6.3.1.3 Analysis of Demand by Country

Demand is fairly concentrated in the main European markets:



*II. Strategy Partners*

ITESOFT is directly involved in the three main markets (Germany, United Kingdom, and France) and is represented by partners in Benelux, Switzerland and Spain. This organisation enables 80% coverage of the European market.

### 6.3.2 Seasonality of Activity

The quarterly turnover figures for 2006 and 2007 were as follows (in millions of euros):

	2007	proportion of annual turnover	2006	proportion of annual turnover
First quarter turnover	3.81	21.9%	3.29	20.0%
Second quarter turnover	3.53	20.3%	4.04	24.5%
Third quarter turnover	4.64	26.7%	3.84	23.3%
Fourth quarter turnover	5.42	31.1%	5.31	32.2%
Annual turnover	17.40	100%	16.48	100%

The Company notices that a higher proportion of its annual activity occurs during the last quarter, in keeping with normal practice in the software sector.

It should also be noted that sales for the second quarter of 2007 were unusually low, this quarter usually being the highest in the year apart from the fourth.

### 6.3.3 Structure of the Competition

ITESOFT benefits from the position of leader on the French market, with a market share estimated at 30% in 2000 by Strategy Partners using a very broad definition of the market. Limiting itself more strictly to the large corporation user market, ITESOFT estimates its current market share to be around 50%. However, at the European level, ITESOFT's global market share is estimated to be approximately 5%.

### 6.3.4 Main Direct Competitors on the European Market

**Readsoft**, a Swedish company listed on the Stockholm stock exchange, is a major European player in data capture. Well established internationally, Readsoft had a turnover of MSEK 525 in 2007, up by 14.1% (€56.3 M at the 19/02/08 exchange rate).

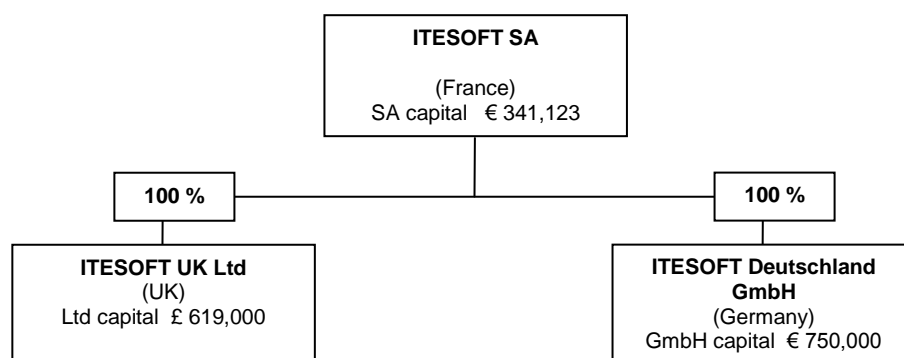
**Top Image Systems (TIS)**, an Israeli company listed on the NASDAQ, had a turnover of \$24 M in 2007 (\$16.3 M at the 19/02/08 exchange rate). Like Readsoft, TIS is well established internationally.

**Captiva**, listed on the NASDAQ, does most of its turnover in the US but is also established internationally. Captiva posted a turnover of \$68 M in 2004. In late 2005, the EMC Group (world leader in storage solutions, turnover \$10 billion) announced the acquisition of Captiva. Previously, in June 2005, Captiva had itself acquired the number 2 on the French market, the company SWT (turnover approximately 7 M€).

**Kofax (previously Dicom)** is a group with worldwide presence, listed on the London stock market. It is involved in the selling of scanning hardware and software editing. In its last fiscal year (closed 30/06/07) the group recorded a turnover of M£ 160.2 (i.e. M€ 212 at the 19/02/08 exchange rate) stable with respect to the previous tax year. Its subsidiary **Kofax** is an American company that makes capture software widely used in the United States and also distributed in Europe.

## CHAPTER 7 - ORGANISATIONAL CHART

### 7.1 LEGAL ORGANISATIONAL CHART AND STRUCTURE OF THE GROUP



Each of these companies carries out the Group's activities within a defined geographical area in terms of sales, marketing, and customer support.

In addition to carrying out group activity in France and the rest of the world aside from Germany and the United Kingdom, the parent company (ITESOFT SA) performs all the Group's Research & Development.

The financial flows within the group are as follows:

- invoicing by the parent company of the subsidiaries, for software, maintenance, and customer project services,
- occasionally, invoicing of software, hardware and external costs made or bought by one company for another, with a view to optimising the skills and resources of the Group,
- optimisation of financing and cash-flow management by means of loans or advances between the parent company and the subsidiaries (see Section 19.1), given that almost all the Group's cash is held by ITESOFT SA.

### 7.2 MAJOR SUBSIDIARIES

See the financial statements in Sections 20.1.2.20 and 20.1.2.24, each geographical segment of activity corresponding to a subsidiary:

- ITESOFT UK: United Kingdom,
- ITESOFT Deutschland: Germany.

## **CHAPTER 8 - REAL ESTATE, FACTORIES AND HARDWARE**

### **8.1 MAJOR EXISTING OR PLANNED TANGIBLE FIXED ASSETS**

Due to the company's activity, there are no significant items to mention. The company rents all the premises (offices) that it uses.

The head office is in Aimargues (France 30470), between Nîmes and Montpellier. The rented surface area (offices) is approximately 1500 m<sup>2</sup>, together with an adjoining building intended as a space for training and leisure reserved for employees, together with a park.

The Group also rents offices in Nanterre (France, near Paris), Farnham (UK), and Hamburg (Germany), with respective surface areas of about 900, 300, and 240 m<sup>2</sup>.

### **8.2 ENVIRONMENTAL QUESTIONS THAT MAY INFLUENCE THE USE OF TANGIBLE FIXED ASSETS**

See Section 4.9. There are no significant items to mention.

## CHAPTER 9 - EXAMINATION OF THE FINANCIAL SITUATION AND RESULTS

### 9.1 FINANCIAL SITUATION

#### 9.1.1 During the 2005 Tax Year

ITESOFT recorded a turnover of M€ 16.8 for the 2005 fiscal year, as compared with M€ 18.3 for the same period in 2004.

In France, turnover fell by 7.6%. After the 3% increase during the first half of the year, this drop was the consequence of disappointing sales during the last four months of the fiscal year.

Internationally, turnover amounted to M€ 4.2 versus M€ 4.7 in 2004. In the United Kingdom, the successful cost-cutting programme helped to significantly reduce the break-even point. In terms of sales, on the other hand, these revitalisation measures did not produce the profits expected. In Germany, with turnover up by 22%, ITESOFT continued its expansion into the market.

Despite this evolution in business activity, the 2005 fiscal year enabled ITESOFT to gain new ground with:

- the signing of more than 25 new contracts including American Express, BNP Paribas, 2S Luxembourg, 34 new French Family Benefits Centres (CAF), Euromaster, Orangina, Pfizer, PSA SVO, etc. ...,
- a strengthened set up user base with maintenance turnover (31% of total turnover) up by 8%,
- accelerated product launches at the end of the year: ITESOFT.FreeMind for Business (automated processing of client correspondence) in September and ITESOFT.Share (content and workflow management) in November.

In terms of profits, the 2005 fiscal year marked an encouraging step towards increased profits. Operating income returned to profitability, at M€ 0.1 compared with a loss of M€ 0.2 for the same period in 2004.

This return to profitability was based on:

- the profits recorded in France with an operational profit of M€ 0.7,
- a more than 40% decrease in international losses (M€ -0.6 versus M€ -1.1 in 2004).

Net profits were M€ 0.2 versus M€ -0.1 M in 2004.

The financial situation remained very solid with a net cash position of €7.4 M on 31 December.

#### 9.1.2 During the 2006 Tax Year

ITESOFT recorded a turnover of M€ 16.5 as of 31 December 2006, down by 1.8% compared with the 2005 fiscal year, with a marked improvement in activity during the second half of the year. During the second half of 2006, the company experienced a 12.1% growth in turnover compared to a fall of almost 15% during the first half. In France (75% of turnover), activity improved as the months went by, whereas the English and German subsidiaries had not yet found the path to positive growth.

The year-on-year drop in turnover essentially resulted from decreased sales of hardware, whose share of consolidated turnover fell from 12% in 2005 to 5% in 2006. For its core business (the sale of licences, maintenance and services) ITESOFT experienced a growth in turnover of 5.7% during 2006.

As forecasted in September 2006, ITESOFT posted an operating loss of M€ 1 for the year ending 31 December 2006.

The upturn in business that started during the third quarter led to a significant improvement in operating profit during the second half-year compared to the first half-year, rising from a loss of M€ 0.8 for the half-year to 30 June 2006, to a loss of M€ 2.2 for the second half-year.

This turnaround was the result of the adoption of the growth-focused ITESOFT 2008 Plan. Focusing single-mindedly on its strategic choices, ITESOFT committed to the vast majority of the investment provided for under the Plan, notably the recruitment of a further 20 employees, higher R&D spending (18% of turnover) and the launch of two new software solutions.

Consolidated net profit after financial earnings and tax amounted to a loss of M€ 0.6.

The ITESOFT product line-up was completely overhauled. It now centres on a global solution capable of meeting 100% of businesses' needs for the digitising and automated processing of incoming document flows.

Ground-breaking and synonymous with real productivity gains, ITESOFT's products have major rollout potential in France and abroad. ITESOFT products were now backed by a restructured R&D department with a staff of nearly 40 and a highly focused business structure.

Furthermore, the Group maintained its solid financial position, with free cash reserves (including current financial assets) of almost M€ 7 as of 31 December 2006.

### **9.1.3 During the 2007 Tax Year**

ITESOFT achieved a turnover of M€ 17.4 in the 2007 fiscal year, up by 5.6% compared with 2006. This progression is due to 10.1% growth in turnover in the second half of the year, compensating for the stability in business activity recorded in the first semester. The 1st half-year was affected by a very poor 2nd quarter, previous to which the Group had experienced nine months of double-digit growth.

Dynamic activity in terms of sales of licenses (81% of consolidated turnover) resumed in France as of the summer, leading to an increase of 14.5% in license sales for the fiscal year. In the foreign subsidiaries, turnover is down, but includes an increase in the development of sales in the United Kingdom at the end of the year. New Directors took up their posts in September in the United Kingdom and December in Germany.

The growth of business activity recorded in the 2nd half of 2007 enabled ITESOFT to generate an operational profit of M€ 0.1 for the period compared to an operational loss of M€ 1.9 in the previous half-year. ITESOFT's losses from operations for the whole 2007 fiscal year thus stand at M€ 1.8.

These results include an increase in the average number of staff, and therefore the payroll, of 8.0%, because the Group continued to strengthen its R&D and sales teams, in keeping with the ITESOFT 2008 strategic plan.

The cost of financial debt is positive, due to the investment of the cash reserve, which was €5.7 million on 31 December 2007 and the absence of debt.

The net loss is M€ 1.6 as of 31 December 2007 compared to M€ 0.6 for the previous fiscal year.

In accordance with its announced strategy, in 2007 ITESOFT pursued the implementation of its ITESOFT 2008 Plan, which focuses on three main areas: International development, innovation, and sales.

The Group now operates with reinforced teams of personnel, a wide and innovative range of solutions that corresponds fully to market needs, and managerial structures adapted to international development.

## **9.2 MAJOR FACTORS INFLUENCING OPERATING PROFITS**

### **9.2.1 Major Factors Influencing Operating Revenue**

The Company's cost structure largely consists of fixed costs. The level of sales is therefore a determining factor in profitability. With regard to sales, the turnover of licenses has the highest impact in that this revenue generates the lowest level of variable costs.

### **9.2.2 Explanation in the event of Major Changes to Turnover**

See the comments in Section 9.1.

### **9.2.3 Strategies or External Factors that may have a Significant Influence on Operations**

There is no particular comment to be made in this respect.

## **CHAPTER 10 - CASH FLOW AND CAPITAL**

### **10.1 CAPITAL OF THE ISSUER**

ITESOFT is financed entirely using its own capital stock, and its cash position (including current financial assets) was in the order of M€ 5.7 as of 31/12/07.

### **10.2 SOURCE AND AMOUNT OF CASH FLOW**

See the financial statements in Section 20.1.1.3 (cash flow table).

### **10.3 BORROWING CONDITIONS AND FINANCING STRUCTURE**

ITESOFT is not in debt.

Cash is held in euros. The cash management strategy is intended to achieve a performance close to the EONIA.

### **10.4 RESTRICTIONS AND USES OF CAPITAL STOCK**

Not relevant.

### **10.5 EXPECTED SOURCES OF FINANCING**

ITESOFT is financed entirely using its own capital stock, and its cash position (including current financial assets) was in the order of M€ 5.7 as of 31/12/07.

## CHAPTER 11 - RESEARCH AND DEVELOPMENT, PATENTS AND LICENSES

### 11.1 AXES OF RESEARCH AND DEVELOPMENT

ITESOFT has always set out to develop a software range that is user-friendly, easily integrated with any other system and above all containing a high degree of proprietary technology. The strengths of ITESOFT's products stem from the following points.

#### 11.1.1 Near-Perfect Character Recognition

Improving the quality of text recognition remains a major objective of the R&D teams in order to increase productivity gains and be able to process ever more complex documents efficiently.

The segmentation of handwritten characters is another priority axis for improving text recognition quality, particularly for documents without character boxes or that have been incorrectly filled in.

Finally, ITESOFT is endeavouring to improve its cursive script recognition technologies by facilitating the learning of new vocabulary and broadening word identification capacities.

ITESOFT has integrated and further developed the technology originally developed by Matra S&I for the recognition of cursive script. This technology recognises whole words, unlike character recognition, which identifies each character separately. It was initially applied to the recognition of the cursive words that make up the amount written in letters on bank cheques, with a limited vocabulary of about 30 words.

Research has helped enlarge the reading of cursive script to other vocabularies and enabled the reading of unrestricted vocabulary, with multiple applications in the reading and automatic interpretation of correspondence.

This technology represents a considerable competitive advantage and opens up new avenues in document reading.

The more common typewritten character recognition technologies (OCR), on the other hand, are purchased from other software editors.

#### 11.1.2 "Full-Text" Technology for the Capture of increasingly complex documents

Like the human eye, "Full Text" uses natural graphic characteristics (e.g. frames, lines, etc.) and labels or headings (e.g. total amount) to find and extract the content of particular fields in the document.

Standard approaches to the automatic data recognition of forms require a customisation procedure to define the data to be recognised by the (x,y) coordinates of the zones to be processed. New parameterisation is thus required for every variation in document format.

By means of "Full-Text" technology, the page is analysed and segmented according to logical rules that are independent of the precise physical position of the field as expressed by its (x,y) coordinates.

It therefore makes it possible to define a single document template for each "family" of documents, and thus to encompass all its physical variations in a single logical description.

Based on its considerable expertise in this field, ITESOFT has successfully developed many applications using this technology, also called FreeForm. For example, "Full-Text" Technology is central to the ITESOFT.FreeMind for Invoices solution, which enables the processing of incoming flows of supplier invoices and the automatic recognition of the content of each invoice for any supplier.

It enables ITESOFT to exploit a series of new market sectors and create a new, distinctive and sustainable technological advantage over all its competitors.

The latest research by ITESOFT's senior R&D team has widened the scope of application of "Full-Text" Technology to include unstructured handwritten documents, such as free-form printed letters and even handwritten letters. It is now possible to locate specific information (for example a reference number, a client code, etc.) or key words within the body of a handwritten letter.



ITESOFT will continue to innovate so as to be able to automatically process documents that are more and more complex and less and less structured.

### 11.1.3 Automatic Document Classification and Identification

So as to be able to process all the incoming documents in an automatic processing chain, ITESOFT has developed new technological approaches to automatic classification and identification, making it possible to group documents of the same form or the same kind in homogeneous “families”, then to identify them (invoices from supplier x, invoices from supplier y, etc., identity cards in old format, new format, etc. ...).

Several technological approaches, which are completely complementary, can be combined in order to identify a document:

- the patented FreeClass® technology for document classification and identification using shape recognition,
- Full-Text search technologies for key words or data formats, which can be widely used for both printed and handwritten documents. In addition to identifying the kind of document concerned, this technological approach can be used to determine the meaning of a letter.

### 11.1.4 Production Management applied to Document Processing

Manual document processing operations are sometimes complex, involving a large number of people and departments in the company. It is important that the setup of an automatic document processing platform should be able to faithfully reproduce these sometimes sophisticated processes, without imposing new technical constraints on the organisational structure. In addition, the platform needs to satisfy strict rules concerning security, integrity, and traceability.

ITESOFT has developed technologies that enable the circulation of documents, the chaining of processing operations, real-time supervision of production and access rights to the platform to be managed for high document volumes and flow rates, as in an industrial production process.

These choices of architecture and production workflow enable ITESOFT to provide a pertinent response to any type of automatic document processing project, whatever the volume, document variability, level of decentralisation or complexity of the processing operations.

## 11.2 ORGANISATION AND MEANS OF RESEARCH AND DEVELOPMENT

On account of its business field, ITESOFT has a very active research and development policy for the maintenance and the functional and technological development of its software range.

The performances of ITESOFT's products, in terms of productivity, accuracy and security, have been demonstrated in a number of benchmark tests. These results are the fruit of several hundred person-years of investment in R&D.

In order to achieve its technological leadership, ITESOFT has devoted considerable sums to R&D in recent years: M€ 2.3 in 2005, M€ 3.0 in 2006 and M€ 3.6 in 2007. ITESOFT's aim is to continue to accompany its customers in their constant efforts to optimise efficiency and productivity.

The Research and Development Division works in close collaboration with several research laboratories in France and abroad, making up one of the world's largest R&D teams in the field of document processing.

In 1998 ITESOFT signed a partnership contract with the LORIA (university research laboratory of the INRIA Nancy) for the development and application of Full-Text Technology. A second axis of research into the recognition of words in cursive script and its application to cheque processing was launched in 2000, and has been recently extended to processing free-form letters.

Constant techno-watch combined with monitoring of and participation in scientific activities (publications, conferences, congresses, research groups, etc.) enables ITESOFT to constantly explore and prioritise the most innovative solutions. One of the objectives of the Research and Development team is the setting up of high-level scientific collaborations on an international scale.

The Research and Development Division is divided into departments.

The Technologies Department carries out fundamental and applied research into document processing technologies (shape recognition, OCR, ICR, cursive script, Full-Text Technology, etc.). It also develops the prototypes of new products.

The Products & Software Engineering Department ensures that existing products evolve according to market trends and the needs expressed by customers, in close collaboration with the marketing teams. It investigates and develops new architectures in order to provide ever more adaptability, user-friendliness, improved performances, and ease of implementation (SOA, Web server, thin client, Java, etc.).

The Solutions Department performs the packaging and configuration of products intended for a particular segment of the market. It carries out the customisation and develops the interfaces and modules linked to the business-specific aspects of the market segment or document type to which the solution is dedicated, in close collaboration with the marketing teams.

In particular, it studies and develops all the interfaces intended to increase user-friendliness and productivity, together with those facilitating their implementation by the project teams (installation, configuration). It takes into account the specific requirements of different countries and ensures the internationality of the solutions.

The Industrialisation Department carries out tests and quality control.

Some members of the R&D teams are also involved in technical pre-sales projects to produce prototypes or provers, to optimise performance and benchmark tests, and to assist the sales teams.

As of 31 December 2007, the Group's R&D teams consist of 42 highly qualified employees, divided up as follows:

Engineers with Higher Diploma or PhD	20%
Engineers from High-Level Engineering Schools	75%
Others	5%

## CHAPTER 12 - INFORMATION CONCERNING TRENDS

### 12.1 TRENDS SINCE THE END OF THE LAST TAX YEAR

There are currently no significant items to mention.

### 12.2 TRENDS FOR THE CURRENT TAX YEAR

At it continues to pursue its commercial deployment, ITESOFT's management has decided to implement a significant cost reduction programme in 2008, which will ensure that expenses remain stable for the fiscal year.

For the 2008 fiscal year, due to its high market visibility ITESOFT can be confident with respect to its prospects. For the year as a whole, the Group predicts double-digit growth in activity.

## CHAPTER 13 - PROFIT FORECASTS FOR 2008

### 13.1 2008 FORECASTS

ITESOFT is not communicating any forecasts for the 2008 fiscal year.

### 13.2 STRATEGY AND DEVELOPMENT PLAN

The Board of Directors of 6 March 2006 decided to set up a development plan called "ITESOFT 2008" whose objectives are to re-establish sustainable and significant growth in activity and profitability.

The plan is to succeed in achieving the objective of M€ 30 turnover and M€ 3 operational profit in 2008.

The ITESOFT 2008 plan is essentially founded on the identified potential in the major existing growth opportunities in our current activity.

As from 2006, the Group implemented the following actions:

**- Product Strategy: improved time to market and a complete revision of the product development process**

In the coming quarters, the Group wishes to continue to accelerate the releasing of new solutions, together with major new versions of existing products. At the same time the product development process has been revamped in order to make the organisation more efficient in terms of time to market and product quality. A new Chief Officer of Research & Development, with experience working for one of the world's leading software companies, joined ITESOFT at the end of 2006.

**- International Strategy: focus on increased sales in the UK and Germany, and broadened European geographical coverage**

The Group is now organised into 4 geographical zones (France, Germany, the UK, the Rest of the World), whose objective is focused on increasing the number of orders placed. In addition, the management was reinforced by the hiring of Chief Operating Officers for Germany and the United Kingdom.

The development of the Group's geographical coverage is also under investigation.

**- Sales Strategy: reinforcement of resources**

Sales and Marketing staffing levels have been increased to develop new clients as well as the established client base.

To this end, the Group recruited twenty new employees in 2006, approximately half in R&D and a quarter in Sales & Marketing.

The market view and possibilities for development are as follows:

**At present, there are major growth opportunities in our current activity**

External studies and figures published by our main competitors show that:

- the market is growing,
- it is profitable,

- outside France, ITESOFT currently has a low market share.

So there is considerable potential for international growth through reinforced penetration of the German and UK markets and further development in new countries

There is also considerable growth potential from the broadening of our product offer in order to penetrate new markets and make further sales to the established client base.

**In the future (3 to 5 years), ITESOFT will be major player in new markets**

The capture market continues to develop, mature, and consolidate. These are developments that other markets in the software field have experienced in the past. This should result, amongst other developments, in the opening up of new SME markets by means of “light”, packaged product offers.

We can also expect a grouping together of market players and the appearance of international leaders with high investment capabilities. ITESOFT intends to be one of those major groups.

In addition, technological progress will also enable effective solutions to be provided with a short ROI for “business pains” that are already clearly identified.

Finally, R&D and further product developments will also make it possible to respond to the growing demand for paper-free exchanges, particularly the unstructured exchanges for which ITESOFT has highly effective classification and analysis technologies.

Half way through the ITESOFT 2008 Plan, despite considerable initial progress, ITESOFT observed a delay in its provisional plan for growth in activity. In view of the financial statements for the first half of 2007 and the lag in the recovery of the foreign subsidiaries, the Group considered that it will be not be able to achieve the objectives fixed for the 2008 tax year, which would have resulted in a turnover of M€ 30 and an operating margin (operating profit/turnover) of 10%.

Nonetheless, it was decided to continue with the ITESOFT 2008 Plan, because the delay experienced in terms of growth in absolutely no way calls into question the validity of the strategy undertaken since the start of 2006. International expansion, innovation and commercial deployment remain the three strategic axes in ITESOFT's development. On the international scene, new CEOs took up their posts in September 2007 in the United Kingdom, and in December in Germany. The additional investment in R&D and the organisation of the sales teams in France enables the Group to present the market with a highly competitive product offer.

## CHAPTER 14 - GOVERNING, EXECUTIVE AND ADMINISTRATIVE BODIES

### 14.1 MEMBERS OF THE GOVERNING AND ADMINISTRATIVE BODIES

#### 14.1.1 Information concerning the Members of the Governing and Administrative Bodies

Board of Directors:

Function	Name	Nomination Date	Renewal Date	Date of expiry of current mandate
President	Didier CHARPENTIER	31 May 1991	15 May 2002	GM ruling on the financial statements for the tax year ending 31/12/07
Director	Simone CHARPENTIER	31 May 1991	15 May 2002	GM ruling on the financial statements for the tax year ending 31/12/07
Director	Laurent MATRINGE	08 November 2005		GM ruling on the financial statements for the tax year ending 31/12/07
Director	Alain GUILLEMIN	16 December 2007		GM ruling on the financial statements for the tax year ending 31/12/07

Alain GUILLEMIN was co-opted by the 16/12/2007 Board Meeting, to replace Philippe LIJOUR (resigned). Mr LIJOUR remains Chief Executive Officer, and now focuses exclusively on that function.

Corporate officers:

- Philippe LIJOUR: Chief Executive Officer (date of nomination to current function: 10/01/05; previously Executive Vice-President since 10/05/02, and Chief Operating Officer since 03/11/00)

- Jean-Marc PEDRENO: Executive Vice-President (date of nomination to current function: 10/05/02; previously since 03/11/00)

Professional address: the members of the Board of Directors, CEO and Executive Vice-President can be contacted at the company's head office.

Main activities outside ITESOFT, where significant:

- Simone CHARPENTIER: shopkeeper
- Laurent MATRINGE: General Manager, France, for the software editor BEA Systems
- Alain GUILLEMIN: General Manager of the TERRENA Group

Existence of family ties: Simone CHARPENTIER is the mother of Didier CHARPENTIER

Independent Directors: Laurent MATRINGE et Alain GUILLEMIN

The criteria required for appointing an independent director are as follows: "a director is independent when he or she maintains no relationship of any nature whatsoever with the company, its group or management that could compromise the exercising his/her free judgement". The Board has examined the situation of each administrator with regard to these criteria.

No Director is elected by the employees.

The minimum number of shares that must be held by a Director is one.

Concerning the workings of the Board, see Section 16.5.

#### 14.1.2 Detailed Information concerning the Expertise and Experience of the Directors and Corporate Officers

- Directors:

##### **Didier CHARPENTIER - Founder & President (50 years old)**

A Graduate Engineer from INSA Lyon and holder of a Master of Science from Purdue University (USA), he joined the Brazilian National Space Research Institute and worked for 2 years on satellite image processing and compression software. In 1984, he founded ITECA, which subsequently became ITESOFT. In 1995, he left the Development Department, of which he was the head, to take charge of Commercialisation. President & CEO of ITESOFT from 1998 to 2004, he is now in charge of Strategic General Management. Since the beginning of 2005, as President of the Board, he has been focusing on ITESOFT's medium- and long-term development objectives, particularly in terms of technologies, external growth and international development.

##### **Simone CHARPENTIER - Director (74 years old)**

Simone CHARPENTIER is one of the company's founding shareholders. She is a shopkeeper.

##### **Laurent MATRINGE - Director (50 years old)**

Graduate of INSA Lyon and holder of an MBA from EM Lyon, Laurent Matringe has more than 20 years experience of technological markets and software editing (OPENTEXT, SYBASE, COMPUTERVISION, etc.) Since 2002, he has held the responsibilities of Managing Director, France, for the international software company BEA Systems (3500 employees, turnover 1.1 billion dollars). He joined the ITESOFT Board of Directors at the end of 2005 as independent director.

##### **Alain GUILLEMIN - Director (53 years old)**

Engineer and graduate of the Conservatoire des Arts et Métiers, Institut Français de Gestion and Institut Universitaire de Technologie de Lyon, Alain Guillemin started his career with THOMSON ELECTROMENAGER (refrigeration department), where he occupied various posts until 1989, when he joined the company SELNI (electro-mechanical components) as Managing Director then President and Chief Executive Officer. In 1995, Alain Guillemin took up the post of Managing Director of the washing machine division of ELECTROLUX ARDAM SNC and, in 1997, was appointed President and Chief Operating Officer of SOPRAT (food products).

In 1999 he joined ROYAL CANIN (Pet Food), a fast-growing French company that carries out over 80% of its business activity abroad, first as Managing Director (1999-2004) then as President and Chief Executive Officer (2004-2007).

Alain Guillemin has been General Manager of the TERRENA Group (food-processing, turnover €3.5 billion) since November 2007.

- Corporate officers:

##### **Philippe LIJOUR - Chief Executive Officer (50 years old)**

Graduate Engineer from INSA Lyon and holder of an MBA from EM Lyon, in 1984 Philippe Lijour joined the sales team of ComputerVision, the world leader in CAD, where he was in charge of a number of large-scale projects. In 1993, he was appointed Sales Director in which capacity he managed the marketing, sales, and training teams, a total of more than 100 people. In 1996 he became Sales Director of the SAS Institute, where he defined commercial strategies and restructured the sales teams. He joined ITESOFT in early 1998, becoming Chief Operations Officer, responsible for sales, marketing, communication, and technical support. At the beginning of 2005, he was named Chief Executive Officer. In this capacity, he has full responsibility for all of the ITESOFT Group's operations.

##### **Jean-Marc PEDRENO – Executive Vice-President (43 years old)**

Graduate Engineer from SUPELEC Paris, Jean-Marc Pédréno joined ITESOFT in 1988 to manage the development of handwritten character recognition technologies and the product FormScan. In 1990, he became technical director of the automatic document processing division. He ran the R&D teams working on the FormScan V2.0 software application and established the technical support team. As of 1996, in his capacity as R&D Director he piloted the development of new products and technologies, managed strategic projects, and supervised the quality control programme. In July 2006, he joined ITESOFT UK, where he heads the Professional Services for the British market.

### 14.1.3 Other Information concerning the Directors and Corporate Officers

#### 14.1.3.1 Other Mandates Held

- Didier CHARPENTIER:
  - mandates within the ITESOFT Group: Director ITESOFT UK Ltd,
  - mandates outside the ITESOFT Group: President SASU CDML, Director SARL Rêve de Rose, Director SCI Andron Parc, Director SCI Andron Terrain, Director SCI Andron Batiment 1, member of the supervisory board of NextVenture, Vice-President of the supervisory board of W4, Director of Sud Angels,
  - other Mandates exercised in the last 5 years: Director Cavalex (until 11/02/2004), Director GPC System (until 25/05/2006), President of the Supervisory Board of Netia (until 30/01/2007).
- Philippe LIJOUR: Chairman ITESOFT UK Ltd, Geschäftsführer (Director) ITESOFT Deutschland GmbH
- Laurent MATRINGE: none
- Alain GUILLEMIN : President of SAS ABM Management.
- Simone CHARPENTIER: none
- Jean-Marc PEDRENO: none

#### 14.1.3.2 Other Information

- Condemnations for fraud delivered during the last five years: none
- Bankruptcies, impoundments or liquidations in which ITESOFT directors have been involved during the last five years:
  - liquidation of SA CAVALEX (11/02/2004) of which Didier CHARPENTIER was Director
- Incriminations and/or public official sanctions, disallowance by a tribunal to act in the capacity of member of an issuer's administrative, executive or surveillance body or to intervene in the management or conducting of business of an issuer in the course of at least the last five years: none

## 14.2 CONFLICTS OF INTEREST

### 14.2.1 Conflicts of Interest

As described in the special report of the statutory auditors, Didier CHARPENTIER is the principal partner in 3 SCIs (French property holding companies), which rent the premises of the head office to the company.

### 14.2.2 Restrictions on the Buying or Selling of ITESOFT Shares

In addition to the legal obligations regarding insider trading, it is forbidden for directors or members of the executive committee to buy or sell ITESOFT shares during the 2 weeks preceding the publication of turnover or profit figures. During other periods, they are required systematically to inform the executive committee of any purchase or sale of shares.

In accordance with the law, the company has also drafted a list of insiders, as well as a list of the corporate representatives and employees obliged to declare their transactions of ITESOFT shares to the FMA.

## CHAPTER 15 - REMUNERATIONS AND FRINGE BENEFITS OF THE DIRECTORS

### 15.1 REMUNERATIONS PAID OUT IN 2007

See the report in Section 16.5.

### 15.2 PROVISIONS FOR RETIREMENT OR OTHER BENEFITS

There are no severance pay or specific complementary retirement packages in favour of Didier Charpentier, Philippe Lijour, or Jean-Marc Pédréno, or any of the other people mentioned in 14.1.1.

However, it should be mentioned that ITESOFT SA pays complementary retirement benefits in France for Jean-Marc Pédréno on the basis of a gross annual salary of €90 K throughout the time he works at ITESOFT UK Ltd (see Section 16.5).



## CHAPTER 16 - WORKINGS OF THE GOVERNING AND ADMINISTRATIVE BODIES

### 16.1 DATE OF EXPIRY OF MANDATES

See Section 14.1.1

### 16.2 SERVICE CONTRACTS BETWEEN THE DIRECTORS AND THE COMPANY OR ITS SUBSIDIARIES

None.

### 16.3 AUDIT AND REMUNERATION COMMITTEES

At present, the Board of Directors has not set up any such committees.

### 16.4 COMPLIANCE WITH THE CORPORATE GOVERNANCE REGIME IN FORCE

The Company is currently only in partial compliance. Because of its size, it is gradually applying the recommended best practices.

See the report on Article L.225-37 of the French Commercial Code in Section 16.5.

### 16.5 REPORT - ARTICLE L.225-37 OF THE FRENCH COMMERCIAL CODE (FINANCIAL SECURITY LAW)

#### 16.5.1 Report

In reference to article L.225-37 of the French Commercial Code, resulting from article 117 of the Financial Security Law, in this Report the President of the Board of Directors is required to describe the conditions of preparation and organisation of the Board's work together with the internal auditing procedures set up by the Company.

#### 1. Conditions of Preparation and Organisation of the Board's Work

The Board's main mission is to determine the major orientations of the Company's business and to see that they are implemented. It is called upon for any major decision in the corporate life, in accordance with the law.

Because of its size, the company is gradually applying the best corporate governance practices recommended by the authorities in place. The company is currently only in partial compliance.

In 2005, the Board was opened to a first independent director: Laurent MATRINGE was co-opted by the 08/11/2005 Board Meeting, to replace Florence CHARPENTIER (resigned).

In December 2007 a second independent director joined the Board: Alain GUILLEMIN was co-opted by the 16/12/2007 Board Meeting, to replace Philippe LIJOUR (resigned).

Alain GUILLEMIN has been Managing Director of the TERRENA Group (food-processing, annual sales €3.5 billion) since November 2007. He was previously Managing Director (1999-2004) then President and Chief Executive Officer (2004-2007) of ROYAL CANIN (pet foods), a fast-growing French company that does 80% of its business abroad.

Alain GUILLEMIN is 53 years old, an engineer and graduate of the Conservatoire des Arts et Métiers, Institut Français de Gestion and Institut Universitaire de Technologie de Lyon. He started his career with THOMSON ELECTROMENAGER (refrigeration department), where he occupied various posts until 1989, when he joined the company SELNI (electro-mechanical components) as Managing Director then President and Chief Executive Officer. In 1995, Alain GUILLEMIN took up the post of Managing Director of the washing machine division of ELECTROLUX ARDAM SNC, and in 1997 was appointed President and Chief Operating Officer of SOPRAT (food products).

Alain GUILLEMIN is also *Chevalier de la légion d'honneur* (French equivalent of a knighthood) and won the 2000 Ramses Prize for Quality, awarded by Qualitique.

No Director is elected by the employees.

At present, there are no specific provisions concerning the workings of the Board and, in particular, no internal regulations. No committee has been set up, nor any measure taken to assess its performances.



The Board met 6 times in 2007 and the average attendance was 2.33 directors per Board Meeting.

In 2007, the Board dealt with the following subjects in particular:

- closure of financial statements,
- approval of budgets,
- approval of contractual agreements,
- financing of the foreign subsidiaries,
- fixing the remunerations of the corporate officers,
- allocation of stock options,
- register and mapping of risks.

Finally, it should be recalled that on 10 January 2005, the Board of Directors decided to re-organise the General Management, by splitting up the functions of President of the Board and CEO.

This change enabled the President of the Board, Didier CHARPENTIER, to focus on ITESOFT's medium- and long-term development objectives, particularly in terms of technologies, external growth and international development, whereas Mr Philippe LIJOUR, previously Executive Vice-President, became Chief Executive Officer. Jean Marc PEDRENO retained the functions of Executive Vice-President.

The following limitations were imposed upon the powers of the Chief Executive Officer: for internal purposes and not with respect to third parties, the Chief Executive Officer must have the accord of the Board of Directors or the countersignature of the President to perform the following actions:

1. Any stakes in another company conferring majority control (majority control understood as holding a majority of the capital, voting rights, the control of the management, or the position as number one--even if only minority-shareholder).
2. Taking any minority stakes in another company, without majority control, above € 50,000
3. Acquiring any business or technology for more than € 50,000
4. Selling any technology or brand, no matter what kind (particularly the sale, exchange, provision for a company, leasing, etc. of any patent, certificate of usefulness, brand, drawing, model, corporate name, source codes, unpatented technical procedures, particular way of doing something, etc.), business, activity or similar
5. Signing any contract for a franchise, for exclusive distribution or for exclusive licenses in the capacity of licensor
6. Recruiting any employee whose gross annual remuneration package would be greater than €100,000
7. Creating or closing any establishment or subsidiary
8. Making an investment greater than €100,000
9. Signing a contract or certificate representing a financial commitment greater than € 150,000, with the provision that any measure taken to split up the total amount of the commitment into smaller portions will not exonerate the Chief Executive Officer of his responsibility.
10. Withdrawing cash funds from the bank of more than € 5,000.

## 2. Remunerations of the Corporate Officers

In accordance with law n°2006-1770 of 30/12/2006, the President here presents "the principles and the rules decided upon, in the different cases, by the Board of Directors to determine the remunerations and advantages of any nature granted to the corporate officers".

The remunerations before deductions paid out to corporate representatives of ITESOFT SA in were as follows (all of these remunerations were paid by ITESOFT SA, except for what is indicated concerning Jean-Marc PEDRENO was paid by the subsidiary ITESOFT UK Ltd).

- Didier CHARPENTIER: € 115,986 including € 3,902 benefits in kind (vehicle) (as compared with € 95,583 including € 3,902 benefits in kind for 2006).
  - The remunerations for 2007 break down as follows:
    - € 63,600 of fixed remuneration,
    - € 48,534 of variable remuneration divided between a € 42,750 discretionary bonus for the 2006 tax year and a € 5,734 bonus also for the 2006 tax year, calculated in function of the operating result, turnover, and international turnover of ITESOFT SA.
- Philippe LIJOUR: € 152,615 including € 3,910 benefits in kind (vehicle) (as compared with € 154,825 including € 3,910 benefits in kind for 2006)
  - The remunerations for 2007 break down as follows:

- € 90,996 of fixed remuneration,
  - € 57,709 of variable remuneration divided between a €18,200 discretionary bonus for the 2006 tax year and a € 8,309 bonus also for the 2006 tax year, calculated in function of the operating result, turnover, and international turnover of ITESOFT SA, plus a € 31,200 advance bonus for the 2007 tax year.
- Jean-Marc PEDRENO: € 28,684 (as compared with € 70,165 including € 1,284 benefits in kind for 2006)
    - The remunerations for 2007 break down as follows:
      - € 28,684 of variable remuneration divided between a €13,050 discretionary bonus for the 2006 tax year and a € 5,734 bonus also for the 2006 tax year, calculated in function of the operating result, turnover, and international turnover of ITESOFT SA, plus a € 9,900 discretionary bonus for the 2007 tax year.
- In addition to this remuneration paid by ITESOFT SA, there is a remuneration paid by ITESOFT UK Ltd, of which Jean-Marc PEDRENO is also an employee (as Director of Professional Services since 01/07/2006), which works out as follows for 2007:
- £ 62,004 of fixed remuneration,
  - a £ 4,950 discretionary bonus for the 2006 tax year,
  - a £7,500 advance bonus for the 2007 tax year.

Finally, it should be noted that ITESOFT SA pays for:

- housing and schooling expenses directly linked to Jean-Marc PEDRENO's move to the United Kingdom for a total amount of £ 30,880 for the 2007 tax year
  - complementary retirement benefits in France for Jean-Marc PEDRENO on the basis of a gross annual salary of € 90 K for the entire length of time he works at the ITESOFT UK Ltd subsidiary.
- Simone CHARPENTIER: € 1,000 in director's fees (€ 1,000 in 2006)
  - Laurent MATRINGE: € 1,500 in director's fees (€ 500 in 2006)

There are no other specific advantages in terms of differed remunerations, severance benefits, or pension obligations other than those indicated herein.

Loans and sureties granted or made up in favour of the members of the administrative bodies: none.

### **3. Internal Control Procedures set up by the Company**

#### **3.1. Objectives of the Internal Control**

The purpose of the internal control system is to:

- make sure that managerial or operational actions, together with the behaviour of staff, remain within the bounds defined in the framework of orientations given to the company's activities by the social administrative bodies, the applicable laws and regulations, and the values, standards, and internal rules of the Company,
- check that the accounting, financial, and management information communicated to the Company's social administrative bodies genuinely reflects the Company's situation.

One of the objectives of the internal control system is to prevent and control risks resulting from the Company's activities and the risks of errors or fraud, particularly in the financial and accounting domains. Given the limitations inherent to any internal control system, this one is intended to manage rather than eliminate the risk of failure in achieving the Company's objectives. As is the case for any control system, it can not, however, provide an absolute guarantee that these risks will be totally eliminated.

#### **3.2. Presentation of the Current General Organisation**

At the present time, the Directors are of the opinion that the size of the Company does not justify the existence of a full-time resource for the purposes of internal auditing.

Internal auditing is ensured by the Financial and Administrative Division, in liaison with the Company's auditors and consultants and those of its subsidiaries. The Financial and Administrative Division, like the external consultants, reports directly to the Chief Executive Officer.

The demands of internal control must be appreciated with respect to the fact that the member of the Company's Executive Committee intervene directly in the operational management of the Company because they are involved in a significant number of transactions.

In addition, they carry out or have carried out, occasionally or regularly, most often by the Financial and Administrative Division, internal evaluations in the main areas of activity at the level of the operational units.

There are a certain number of written procedures, which comprise a formalised system for the internal control reference base, in addition to the Company e-mail system, which provides detailed traceability of most transactions.

Given the size of the Company and its business activity, the procedure for validating and registering orders is at the core of its internal control system.

Each order is subject to a very strict validation procedure, involving the signature of four managers: sales, legal, financial, and administrative. It is then delivered by the Professional Services Division. Any new order by a client must go through the validation of an amendment, which follows the same procedure as the initial order. This procedure was automated in 2007 with the setting up of an electronic workflow, improving both the productivity together and traceability of the procedure.

## **Presentation of the Accounting Organisation**

### IT System

The accounting system relies on a standard software suite that covers various functions: accounting, sales management, pay, assets, and cash flow management. The same is true of the subsidiaries, which have a number of modules corresponding to the size of the entity. In 2007, the UK subsidiary changed its accounting software suite. The parent company set up an automatic supplier invoice reading system and an electronic validation workflow.

### Organisation

The Accounting Department is under the authority of the Financial and Administrative Division. The financial managers of the subsidiaries must report to two entities: to the General Management of the subsidiary and to the Group's Financial Division.

## **3.3. Description of Internal Control Procedures set up by the Company**

The Board directs the Company in its strategic, financial, organisational, and legal compliance orientations, and has delegated the concrete implementation of internal control systems to the Chief Executive Officer and Executive Vice-President, and to the Executive Committee with which they work.

The control and prevention of risks connected with the Company's activities is mainly dependent upon:

- the independence and separation of the functions between the people in charge of undertaking operations and those in charge of controlling them,
- a dissociated organisation of the Group split up as follows:
  - Headquarters, which groups together the following functional divisions under the authority of the Chief Executive Officer: R&D, Group Marketing, Human Resources, Administrative and Financial, plus a Legal Department,
  - Geographical Operations (Germany, United Kingdom, and Rest of World) each under the authority of a chief operating officer, which groups together the following operational divisions: Sales, Operational Marketing, Professional Services.
- the direct intervention by the members of the Executive Committee in the operational management of the Company, since they are involved in a significant number of transactions,
- insurance policies covering events that could jeopardise the Company's survival.

Concerning the subsidiaries, they are progressively adopting all reporting procedures and tools implemented in the parent company. They are regularly visited by the members of the Executive Committee.

Concerning more specifically the procedure for recording orders, the Chief Financial Officer takes an active role in this process, which enables him to perform an exhaustive check before orders are recorded by the Company. In the subsidiaries, this control is performed *a posteriori*, through significant sampling.

## **Procedures pertaining to the drawing up and processing of Accounting and Financial Information**

Reporting of activity is performed on a monthly basis and compared to the budget.

Accounts are closed every quarter and compared to the budget. Differences with respect to the budget and consistency with respect to the orders entered, etc. are controlled. Warnings or recommendations can then be issued to the operational managers concerned.

The recognition of revenues is rigorously established based first of all on the procedure for recording orders. The turnover is validated by the Administrative and Financial Division following a complete review of the Company's current contracts, and by taking significant samples for the subsidiaries.

The subsidiaries' accounts are prepared by their respective financial managers and finalised with the intervention of the Administrative and Financial Division. On a regular basis, this Division also performs controls of how orders are recorded, how procedures are applied, and on the accounts themselves.

A letter of representation is signed by the local managers for each quarterly closure of accounts.

The Company's accounts are controlled by its legal auditors, but in addition the Company has contractual audit missions performed by a chartered accountancy firm.

The accounts of the subsidiaries are controlled, once or twice per year (according to their size) by legal or contractual auditors, depending on the case.

The preparation of the consolidated financial statements is managed by the Administrative and Financial Management and their production is outsourced to a chartered accountancy firm.

The accounts are finally validated by the General Management before being submitted to the social and administrative bodies for approval.

#### **Procedures pertaining to the Identification and Evaluation of Risks**

In December 2003, the Board of Directors established a continuous procedure for identifying, evaluating, and managing significant risks encountered by the Company.

It set up a risk register, which it updates in collaboration with the Executive Committee. A first mapping (matrix) of risks was also produced at the end of 2005, since when it has been regularly updated.

Given the size of the Company, however, there is no Risk Manager.

#### **3.4. Assessment of the Adequacy of Internal Control Procedures**

The Company assesses in a non formalised way the adequacy, pertinence and results of its internal control using in particular the following indicators:

- risks linked to unsettled bills: provisions, average customer payment time,
- state of current disputes,
- results of controls by fiscal or corporate authorities,
- number and magnitude of difficult-to-deliver contracts,
- any errors in the accounts detected *a posteriori* by the external auditors or internal control system.

By establishing quarterly financial statements the Company can be highly responsive to these questions, the objective of this approach being to capitalise on progress already made.

Aimargues, 21 February 2008.

The President of the Board of Directors

#### **16.5.2 Report of the Statutory Auditors**

**Statutory auditors' report, established in accordance with the final paragraph of article L. L.225-235 of French Commercial Law, on the report by the President of the Board of Directors of ITESOFT, describing the internal control procedures relating to the elaboration and treatment of accounting and financial information.**

To the shareholders,

In our capacity as statutory auditors for the company ITESOFT S.A. and in application of the provisions of Article L. 225-235 of the French Commercial Code, we present our report concerning the report issued by the President of your company in compliance with the provisions of Article L. 225-37 of the French Commercial Code, with respect to the fiscal year closed 31 December 2007.

In particular, in his report the President must account for the conditions in which the work of the Board of Directors is prepared and organised and the internal control procedures set up within the Company.

It is our duty to communicate to you the observations we derived from the information given in the President's report concerning the internal control procedures pertaining to the elaboration and processing of financial and accounting information.

We have carried out our work according to the professional doctrine applicable in France. This work required the implementation of due diligence in order to assess the information given in the President's report concerning the internal control procedures pertaining to the elaboration and processing of financial and accounting information. In particular, this due diligence consists in:

- familiarising ourselves with the internal control procedures pertaining to the elaboration and processing of the accounting and financial information derived from the information given in the President's report, together with existing documentation.
- familiarising ourselves with the work that enabled the drawing up of this information and the existing documentation;
- determining whether any major deficiencies in the internal control system pertaining to the elaboration and processing of accounting and financial information that we detected within the framework of our mission are appropriately mentioned in the President's report.

Based on our work, we have no observations to make with respect to the information given concerning the internal control procedures pertaining to the elaboration and processing of financial and accounting information, contained in the report by the President of the Board of Directors, established in accordance with the provisions of the final paragraph of Article L.225-37 of French Commercial Law.

Nîmes and Montpellier, 17 March 2008

#### **The Statutory Auditors**

**CB AUDIT**  
**MARCOS MARQUEZ**

**ERNST & YOUNG AUDIT**  
**MARIE-THERESE MERCIER**

## **16.6 EXECUTIVE COMMITTEE**

The Executive Committee is responsible for the Group's operational management. It is made up as follows:

<b>FUNCTION</b>	<b>NAME</b>
Chief Executive Officer	Philippe LIJOUR
Executive Vice-President	Jean-Marc PEDRENO
Head of Operations, France	Frédéric BAUDASSE (until 31/01/08) Philippe LIJOUR, since 01/02/08
Head of Operations, UK	Bill WEBB
Head of Operations, Germany	Adruni ISHAN
Chief R&D Officer	Jean-Luc BERRY
Marketing and Communication Director	Magali MICHEL
Chief Pre-Sales Officer	Jean-Jacques RONGERE
Director of Professional Services	Philippe ANDRIEU
Customer Support & IT Director	Jean-Philippe FONTANA
Chief Administrative and Financial Officer	Thierry CHARLET



It should be noted that Frédéric BAUDASSE, who was Chief Operations Officer, France, left the Group in the first quarter of 2008. His responsibilities have since been taken on by Philippe LIJOUR.

### **Information concerning the Expertise and Experience of the Executive Committee**

#### **Bill WEBB – Head of UK Operations (45 years old)**

Bill Webb has 23 years experience in the selling of software to the general management of major corporations. He has worked as Salesman, Sales Manager and Sales Director for major players in the software application sector such as ASK/Ingres, AT&T, Manugistics and BroadVision, and also as Sales Director for several start-up companies in the new technologies field. His international experience covers the United Kingdom, Continental Europe and the USA, together with Asia.

Before joining ITESOFT UK as Managing Director in September 2007, he was UK Country Manager for Oblicore, an American software producer that specialises in service management solutions.

#### **Adruni ISHAN – Head of Operations, Germany (46 years old)**

IT Engineer and graduate of ETH-Zurich and RWTH-Aachen Universities, in 1988 he joined Parsytec, the manufacturer of high-performance measurement devices, as software engineer. He quickly became involved in the sales sector. In 1993, as a result of a “spin off”, he became the Managing Director of Sales and Marketing of EUREM, manufacturer of onboard automation systems. He has 15 years successful sales experience in the German software and technology industry.

Before joining ITESOFT as Managing Director in December 2007, he spent three years as Sales Director for New Business at Docutec, one of the major players on the German data capture software market.

#### **Jean-Luc BERRY – Chief Research & Development Officer (48 years old)**

Engineer and graduate of the ENSICA Toulouse and the University of Sherbrooke (Canada), Jean-Luc Berry was hired in 1984 by Dassault Systemes, world leader in CAD/CAM, as a development engineer in the CAM Department (Computer Aided Manufacturing). He became head of this department in 1992 contributing to the worldwide success of CATIA Version 4, in particular in the aerospace industry. In 1995, he became Head of the R&D division, where he was in charge of the Computer Aided Design (CAD) products in the CATIA and CADAM software used by more than 100,000 users in the world and was successful in putting the CATIA Version 5 Mechanical Design product on the market. Appointed as Chief R&D Officer for the entire CAM product line (CATIA / DELMIA / EUCLID) in 2003, he managed the unification strategy of the different product lines and the research and development of the world number 1 portfolio of Products and Solutions in the field (\$65 M in 2005) managing 70 people in 5 labs (France, USA, India). He joined ITESOFT in January 2007.

#### **Magali MICHEL - Marketing and Communication Director (40 years old)**

A graduate of ESC Montpellier, she joined ITESOFT in 1989 as communication manager. Starting in 1992, she successfully managed the commercialisation of the *FormScan* software application. Having been responsible for a team of 4 sales representatives until 1997, she became Marketing and Communication Director in 1998, overseeing communications, operational marketing and product marketing. Since 2006, she has been in charge of communications and product marketing for the Group, defining the positioning and changes to the ITESOFT product-line, as well as the marketing orientations for all of the subsidiaries.

#### **Philippe ANDRIEU - Customer Support Director (40 years old)**

Holder of a DESS (equivalent Higher Diploma) from the University of Paris VI, in 1991 he joined the company Facel and assumed responsibility for the investigation, development, and installation of industrial vision systems. In 1994, he joined ITESOFT as head of technical support. In 1998, he became Director of Professional Services, in which capacity he is responsible for the management of customer projects and services.

#### **Jean-Philippe FONTANA - Customer Support & IT Director (39 years old)**

A graduate of the University of Provence in Scientific and Technical Computing, in 1993 he joined SAE Méditerranée (EIFFAGE Group) where he managed the micro-computing part of the company. In 1995 he joined ITESOFT's Technical Support team and contributed to the customisation and rollout of the FormScan software suite. In 1999, he was charged with the creation and management of the Hotline department to improve after-sales support in France. In 2005, he restructured the Customer Support department to perform international customer support and played an active part in the setting up of the Industrialisation Department. In early 2006 he joined the Executive Committee as Customer Support & IT Director, in charge of Customer Support for the whole Group, together with the information systems.

**Jean-Jacques RONGERE - Chief Pre-Sales Officer (42 years old)**

Graduate Engineer from INSA Lyon, he joined ITESOFT in 1990 as a development engineer. In 1992, he took on the role of project leader and in 1993 became director of the Multimedia division, thus being in charge of both the development and the sales teams. In 1998, he became Assistant Chief R&D Director in which capacity he was responsible for project supervision, together with the implementation of software engineering and project management tools and methods. His fields of expertise are the architectures of complex systems and Internet technologies. Since 2006, he has been the Chief Pre-Sales Officer.

**Thierry CHARLET - Chief Financial Officer (38 years old)**

A graduate of ESC Marseille and the University of Paris IX Dauphine, in 1993 he joined the Banque de Vizille and became Vice President in the Mergers and Acquisitions Department. In 1996, he obtained his Financial Analyst diploma from the SFAF. He was involved in a take-over, then the IPO on the Paris Nouveau-Marché Exchange of the company Alphamédia, which he joined in 1999 as Chief Administrative and Financial Officer. He joined ITESOFT in 2000 in order to assist the growth of the company.



## CHAPTER 17 - EMPLOYEES

### 17.1 NUMBER AND DISTRIBUTION OF EMPLOYEES

As of 31 December 2007, the ITESOFT group numbers 158 employees, divided up as follows:

Staff	2005	2006	2007
Sales	14	18	16
Marketing Communication	9	9	10
Customer Support	73	70	72
Research & Development	26	34	42
Administration	15	13	13
General Management	4	5	5
<b>Total</b>	<b>141</b>	<b>149</b>	<b>158</b>

### 17.2 DIRECTORS' PROFIT SHARING AND STOCK OPTIONS

Stake in ITESOFT's capital of the directors mentioned in Section 14.1.1, as of 28/02/2008:

- Didier CHARPENTIER: see Section 18.1.1.
- Simone CHARPENTIER: 400 shares
- Laurent MATRINGE: 19,742 shares
- Alain GUILLEMIN: 10 shares
- Philippe LIJOUR: see Section 18.1.1.
- Jean-Marc PEDRENO: see Section 18.1.1.

Stock options held by the directors mentioned in Section 14.1.1: See Section 21.1.8

### 17.3 AGREEMENTS INTENDED TO GIVE EMPLOYEES A STAKE IN THE CAPITAL

#### 17.3.1 Agreements

Employees can become shareholders in the company by means of the following formulae:

- stock options: attributed on an individual basis (see Section 21.1.8),
- bonus shares: also attributed on an individual basis (see Section 21.1.8),
- company savings plan (PEE), which only concerns the employees of ITESOFT SA: the PEE receives stakeholder payments (required), profit sharing (optional), and free (voluntary) payments. The PEE consists of 4 diverse multi-company funds and FCP ITESOFT, a mutual fund that invests only in ITESOFT shares.

#### 17.3.2 Legal and Contractual Profit Sharing Schemes

On 20 June 2000, ITESOFT SA signed a legal profit sharing agreement for a period of 5 years, which was applied for the first time to the profits of the 1999 tax year, and renewed in 2004 by tacit agreement. The amount corresponding to the shareholding agreement is calculated according to the legal formula.

In addition, a contractual profit sharing agreement was signed on 25 June 2007, to be applied to the 2007, 2008, and 2009 tax years. It is the continuation of previous agreements. The amount corresponding to the profit-sharing agreement is calculated in function of the attainment of objectives for operating profit and turnover.

The amounts paid out over the last five years are as follows:

In k€	2003	2004	2005	2006	2007
Legal Profit Sharing	0	0	0	0	0
Contractual Profit Sharing	0	214	107	395	0

## CHAPTER 18 - MAIN SHAREHOLDERS

### 18.1 BREAKDOWN OF CAPITAL AND VOTING RIGHTS

#### 18.1.1 As of 29 February 2008

As February 29 2008				
	Capital		Voting rights	
	Number of shares	%	Number of Voting Rights	%
<b>D. Charpentier</b>	3 171 219	55,78%	6 342 438	65,76%
SASU CDML*	474 690	8,35%	922 056	9,56%
J.-M. Pédréno	285 980	5,03%	362 730	3,76%
P. Lijour	204 185	3,59%	408 370	4,23%
Employee name-registered	58 100	1,02%	116 200	1,20%
Other name-registered	30 600	0,54%	44 200	0,46%
<b>Total</b>	<b>4 224 774</b>	<b>74,31%</b>	<b>8 195 994</b>	<b>84,97%</b>
<b>Treasury shares</b>	<b>11 111</b>	<b>0,20%</b>	<b>-</b>	<b>0</b>
FCPI managed by Odysée Venture SAS**	341 973	6,01%	341 973	3,55%
Other public	1 107 532	19,48%	1 107 532	11,48%
<b>Total public</b>	<b>1 449 505</b>	<b>25,50%</b>	<b>1 449 505</b>	<b>15,03%</b>
<b>Total</b>	<b>5 685 390</b>	<b>100,00%</b>	<b>9 645 499</b>	<b>100,00%</b>

\* D. Charpentier controls 100% of SASU CDML.

\*\* Figures as of 04/05/07 (General Meeting)

To the Company's knowledge:

- no other shareholder holds either directly, indirectly or in conjunction with others 5% or more of the capital or voting rights,
- the breakdown of capital and voting rights has not changed between 29 February 2008 and the date of the present shelf registration document.

Double Voting Rights: See Section 21.2.3.1.

### 18.1.2 Modifications during the past three years

	As February 29 2008		As February 28 2007		As February 28 2006	
	Capital		Capital		Capital	
	Number of shares	%	Number of shares	%	Number of shares	%
<b>D. Charpentier</b>	3 171 219	55,78%	3 171 219	55,78%	3 171 219	55,80%
SASU CDML*	474 690	8,35%	471 105	8,29%	489 365	8,61%
J.-M. Pédréno	285 980	5,03%	285 980	5,03%	285 980	5,03%
P. Lijour	204 185	3,59%	204 185	3,59%	204 185	3,59%
Employee name-registered	58 100	1,02%	58 100	1,02%	58 100	1,02%
Other name-registered	30 600	0,54%	30 800	0,54%	14 500	0,26%
<b>Total</b>	<b>4 224 774</b>	<b>74,31%</b>	<b>4 221 389</b>	<b>74,25%</b>	<b>4 223 349</b>	<b>74,31%</b>
<b>Treasury shares</b>	<b>11 111</b>	<b>0,20%</b>	<b>1 834</b>	<b>0,03%</b>	<b>1 834</b>	<b>0,03%</b>
FCPI managed by Odysée Venture SAS**	341 973	6,01%	345 428	6,08%	344 497	6,06%
Other public	1 107 532	19,48%	1 116 739	19,64%	1 113 710	19,60%
<b>Total public</b>	<b>1 449 505</b>	<b>25,50%</b>	<b>1 462 167</b>	<b>25,72%</b>	<b>1 458 207</b>	<b>25,66%</b>
<b>TOTAL</b>	<b>5 685 390</b>	<b>100,00%</b>	<b>5 685 390</b>	<b>100,00%</b>	<b>5 683 390</b>	<b>100,00%</b>

\* D. Charpentier controls 100% of SASU CDML.

\*\* Figures as of 04/05/07, 02/06/06, 02/06/05 (General Meeting)

During the last five years, two holding threshold changes have been declared to the company:

- in February 2003, SASU CDML obtained more than 10% of voting rights, subsequent to the attribution of double voting rights, pursuant to the company's Articles of Incorporation,
- in June 2003, the FCPI managed by Odysée Venture SAS obtained more than 5% of voting rights.

### 18.2 DIFFERENCES IN VOTING RIGHTS OF MAIN SHAREHOLDERS

The main shareholders do not have different voting rights from other shareholders.

### 18.3 CONTROLLING SHAREHOLDER

As indicated in 18.1, the majority shareholder in the company is Didier CHARPENTIER, both directly and through SASU CDML.

There is no specific measure in place to ensure that control by the majority shareholder is not exerted in an abusive manner.

### 18.4 AGREEMENTS THAT COULD LEAD TO A CHANGE IN CONTROL

To ITESOFT's knowledge, there is no agreement whose implementation could, at a later date, lead to a change in its control.

#### 18.4.1 Shareholders' Agreement

At the present time there is no shareholders' agreement or convention.

#### 18.4.2 Pledged Shares

The Company knows of no pledged name-registered shares.

## CHAPTER 19 - OPERATIONS WITH RELATED PARTIES

The special report of the statutory auditors below gives all the information concerning this subject with respect to the 2007 tax year.

For the 2006 and 2005 tax years, you should refer to the shelf registration documents for 2006 (Section 19) and 2005 (Section 19).

See also the appendix to the financial statements in Section 20.1.2.21.

### 19.1 SPECIAL REPORT OF THE STATUTORY AUDITORS CONCERNING CONTRACTUAL AGREEMENTS

To the shareholders,

In our capacity as statutory auditors for your Company, we are pleased to present you our report on contractual agreements.

#### AGREEMENTS AND COMMITMENTS AUTHORISED DURING THE TAX YEAR

In application of article L. of the French Commercial Code, we were informed as to the agreements which had been subject to prior authorisation by your Board of Directors.

We are not required to ascertain whether any other agreements or commitments exist but to inform you, on the basis of the information provided to us, of the characteristics and essential terms and conditions of agreements you indicated to us, without it being incumbent on us to comment as to whether they are beneficial or appropriate. It is your responsibility, under the terms of Article R.225-31 of the French Commercial Code, to evaluate the benefits resulting from concluding these agreements and commitments prior to their approval.

We carried out our work in accordance with the professional standards applicable in France; these standards requiring the application of due diligence in order to verify the concordance of the information provided to us with the original documents from which that information comes.

#### NEWLY AUTHORISED CONTRACTUAL AGREEMENTS

##### 1. With ITESOFT UK Ltd.

###### Nature and object

Capital Increase

###### Directors concerned

Mr Philippe LIJOUR and Mr Didier CHARPENTIER, Directors of ITESOFT UK Ltd

###### Terms and Conditions

ITESOFT UK Ltd authorised an increase in capital of £ 250,000, recorded in the financial statements of ITESOFT S.A. as € 360,696.73, subscribed in October 2007.

The conclusion of this agreement had previously been authorised by the Board of Directors on 23 July 2007.

##### 2. With ITESOFT Deutschland GmbH

###### Nature and object

Remittance of debts by ITESOFT S.A. to ITESOFT Deutschland

###### Directors concerned

Mr Philippe LIJOUR, Geschäftsführer ITESOFT Deutschland.

###### Terms and Conditions

The remittance of debts amounting to € 575,000 was agreed 24 July 2007.

The conclusion of this agreement had previously been authorised by the Board of Directors on 23 July 2007.

#### AGREEMENTS AND COMMITMENTS APPROVED DURING PREVIOUS TAX YEARS AND CONTINUED TO BE EXECUTED DURING THE CURRENT TAX YEAR

In addition, in accordance with Article R.225-30 of the French Commercial Code, we have been informed of the execution of the following agreements, approved during previous fiscal years, which were continued during the last fiscal year.

##### 1. With the S.C.I. Andron Bâtiment 1

###### Nature and object

Signing of a commercial lease agreement for an office building belonging to the SCI Andron Bâtiment 1, whose manager is Mr Didier CHARPENTIER.

This office building is located at the following address: Parc d'Andron - le Séquoia - 30470 Aimargues - France.

Its floor area is 1233 m<sup>2</sup> and it includes 25 parking places under the building and 40 places around it.

#### **Terms and Conditions**

A commercial lease for a period of 9 years, valid from 18/09/2000 to 18/09/2009, the rent being updated annually, in function of variations in the construction cost index.

The annual rent excluding tax invoiced in 2007 amounted to € 220,756, including parking and rental expenses of € 67,377. The costs recorded for the fiscal year were € 222,874 for the rent and € 64,683 for rental expenses due to adjustments linked with provisions.

In accordance with the lease agreement, the rent is updated on 1 October every year, in function of variations in the construction cost index. It is invoiced on a quarterly basis.

### **2. With the S.C.I. Andron Parc**

#### **Nature and object**

Conclusion of a professional lease agreement, for a period of 6 years, starting 1 January 2001, for a house of renovated surface area 405 m<sup>2</sup>, which includes meeting and training facilities, a company restaurant reserved for employees of the Company, and approximately 3 hectares of parkland, belonging to the S.C.I. Andron Parc, whose manager is Mr Didier Charpentier, and which communicates with the Le Séquoia building.

As of 1 July 2003, a contract amendment was added to this lease agreement for the rental of the lodge, whose floor area is 104 m<sup>2</sup>.

These premises are located at the following address: Parc d'Andron - le Séquoia - 30470 Aimargues - France.

#### **Terms and Conditions**

The annual rent excluding VAT for 2007 was € 69,842. It is invoiced on a quarterly basis.

The rental expenses were € 6,208 excluding VAT in 2007.

### **3. With ITESOFT UK Ltd**

#### **Directors concerned**

Mr Philippe LIJOUR and Mr Didier CHARPENTIER, Directors of ITESOFT UK Ltd.

#### **Nature and object**

Cash agreement in order to optimise cash management within the Group.

#### **Terms and Conditions**

Your Board of Directors, convened 11 June 2003, authorised a remunerated current account agreement within the Group. The Board of Directors meeting of 23 July 2007 confirmed the maximum authorised loan of £ 200,000 to its British subsidiary.

Within the framework of this current account authorisation, the sum loaned amounted to £200,000 (€ 272,721) as of 31 December 2007.

The total amount of interest paid by ITESOFT UK Ltd, within the framework of this agreement, amounted to € 12,294 for the 2007 fiscal year.

### **4. With ITESOFT Deutschland GmbH**

#### **Directors concerned**

Mr Philippe LIJOUR, Geschäftsführer ITESOFT Deutschland.

#### **Nature and object**

Conclusion of loan contracts for increasing capital or other purposes.

#### **Terms and Conditions**

The advances granted to the subsidiary as of 31 December 2007 amounted to a cumulated total of € 255,000, within the framework of the authorisation of € 600,000 decided by the Board of Directors on 21 April 2006. This authorisation was renewed by the Board of Directors on 23 July 2007.

The total amount of interest received in 2007 within the framework of this agreement amounted to € 16,492.

17 March 2008

#### **The Statutory Auditors**

**CB AUDIT**

**MARCOS MARQUEZ**

**ERNST & YOUNG AUDIT**

**MARIE- THÉRÈSE MERCIER**

## **CHAPTER 20 - FINANCIAL INFORMATION CONCERNING THE ISSUER'S PATRIMONY, FINANCIAL SITUATION, AND RESULTS**

### **20.1 HISTORICAL FINANCIAL INFORMATION**

En application de l'article 28 du règlement (CE) n° 809/2004 de la Commission, les informations suivantes sont incluses par référence dans le présent document de référence :

- the consolidated financial statements and corresponding audit reports given in pages 55 to 79 of the shelf-registration document for the 2006 tax year, registered with the FMA on 20 March 2007, n° D.07-210,
- the consolidated financial statements and corresponding audit reports given in pages 57 to 88 of the shelf-registration document for the 2005 tax year, registered with the FMA on 28 March 2006, n° D.06-171,
- the other parts of these documents are either of no interest to the investor or covered by another section of this shelf-registration document.

## 20.1.1 Consolidated Financial Statements

### 20.1.1.1 Balance Sheet

		31/12/2007	31/12/2006
Amounts in thousands of euros	Notes	IFRS	IFRS
<b>Assets</b>			
<b>Non current assets</b>			
Net intangible fixed assets	9	40	95
Net tangible fixed assets	10	538	528
Net goodwill	9	1 340	1 371
Net financial fixed assets	11	571	449
Taxes >1 year		0	0
Deferred taxes assets		56	47
<b>Total non current assets</b>		<b>2 546</b>	<b>2 490</b>
<b>Current assets</b>			
Stocks and liabilities		25	60
Account receivable and related accounts		5 703	5 768
Taxes <1 year		525	879
Other receivables		36	24
Marketable securities	13	2 533	4 644
Cash assets	13	3 235	2 328
Prepaid expenses		347	718
<b>Total current assets</b>		<b>12 405</b>	<b>14 421</b>
<b>Total assets</b>		<b>14 950</b>	<b>16 911</b>
<b>Liabilities</b>			
Shareholders' equity	14		
Capital		341	341
Share premiums		8 890	8 890
Consolidated reserves		-208	306
Other shareholders' equity		0	-7
Annual result		-1 602	-592
<b>Total shareholders' equity</b>		<b>7 421</b>	<b>8 939</b>
<b>Minority interests</b>		<b>0</b>	<b>0</b>
<b>Non current liabilities</b>			
Provision for liabilities > 1 year	16	117	99
Financial debts > 1 year			0
Financial commitments > 1 an		102	118
Taxes > 1 an			0
Deferred taxes liabilities			0
Other debts > 1 year			2
<b>Total non current liabilities</b>		<b>219</b>	<b>219</b>
Provision for liabilities < 1 year	16	317	183
Financial debts < 1 year	13	62	79
Financial commitments < 1 an		0	0
Taxes < 1 an		1 436	1 184
Other debts < 1 year	17	4 361	4 561
Prepaid income		1 133	1 745
<b>Total current liabilities</b>		<b>7 310</b>	<b>7 752</b>
<b>Total liabilities</b>		<b>14 950</b>	<b>16 911</b>



**20.1.1.2 Profit and Loss Account**

Amounts in thousands of euros	Notes	31/12/2007 (12 months) IFRS	31/12/2006 (12 months) IFRS
<b>Turnover</b>	<b>3</b>	<b>17 398</b>	<b>16 478</b>
Other business revenues		0	0
Purchases of goods and raw material, variation in stocks	4	- 1 844	- 2 149
Personnel and social security expenses	4,15	- 11 599	- 10 740
External expenses	4	- 5 044	- 4 195
Local and misc. Taxes		- 479	- 421
Depreciation expenses		- 280	- 254
Provisions	16	- 199	- 191
Change in stock of work in pr. And finished goods		0	0
Loss of value on goodwill	9	- 31	0
Other revenues and expenses	4	312	488
<b>Ordinary Operating Profit</b>		<b>- 1 766</b>	<b>- 985</b>
Other operating revenues and expenses		0	0
<b>Operating profit</b>		<b>- 1 766</b>	<b>- 985</b>
Cash investments and equivalents revenues		206	282
Interest cost		- 8	- 9
<b>Cost of the net indebttness</b>	<b>5</b>	<b>199</b>	<b>272</b>
<b>Other revenues and interest expenses</b>		<b>- 43</b>	<b>7</b>
<b>Corporate tax</b>	<b>7</b>	<b>9</b>	<b>113</b>
<b>Net profit before profit of stopped activities or ongoing disposals</b>		<b>- 1 602</b>	<b>- 592</b>
<b>Net profit of stopped activities or ongoing disposals</b>		<b>0</b>	<b>0</b>
<b>Net profit</b>		<b>- 1 602</b>	<b>- 592</b>
• part of group		- 1 602	- 592
• minority interests		0	0
<b>Earnings per share (in €)</b>	<b>8</b>		
• basic EPS		- 0,28	- 0,10
• diluted EPS		- 0,28	- 0,10

## 20.1.1.3 Cash Flow Table

Cash-Flow Statement (in thousands of euros)	31/12/2007 (12 months)	31/12/2006 (12 months)
<b>Net consolidated profit ( including minority part)</b>	-1 602	-592
+/- Net depreciation and provisions (excluding those on working capital)	462	417
-/+ Profit and loss latent on changes in fair value	0	0
+/- Costs and revenues on share base payments	78	40
+/- Other non cash revenues and expenses	0	0
-/+ Profit and loss on disposals	0	0
-/+ Profit and loss on dilution	0	0
+/- Profit share in associated companies	0	0
- Dividends (non consolidated stakes)	0	0
<b>Cash-Flow after net debt cost and corporate tax</b>	<b>-1 062</b>	<b>-135</b>
+ Cost of net debt	-199	-272
+/- Corporate tax expense (including deferred taxes)	-9	-113
<b>Cash-Flow before net debt cost and corporate tax (A)</b>	<b>-1 270</b>	<b>-520</b>
- Corporate Tax paid (B)	515	-1
+/- Change in working capital requirements (C)	-240	-5
<b>= NET CASH-FLOW FROM ACTIVITIES (D) = (A + B + C)</b>	<b>-995</b>	<b>-526</b>
- Acquisitions of tangible and intangible assets	-239	-404
+ Disposal of tangible and intangible assets	0	6
- Acquisitions of financial assets	-158	-6
+ Disposal of financial assets	28	0
+/- Impacts of changes in perimeter	0	0
+ Dividends earned (from associated or non consolidated companies)	0	0
+/- Variation in loans	0	0
+ Investment subsidies received	0	0
+/- Other flows on investment activities	0	0
+/- Disposals or acquisitions of current financial assets	2 111	447
<b>= NET CASH-FLOW FROM INVESTMENTS ACTIVITIES (E)</b>	<b>1 742</b>	<b>43</b>
+ Capital increases	0	0
+ Stock-options exercises	5	23
-/+ Acquisitions and disposals of treasury shares	-21	0
- Dividends paid during the year	0	0
+ Subscription of new loans	8	0
- Rembursment of loans	0	-19
- Net interests paid	199	272
+/- Other financing flows	0	0
<b>= NET CASH-FLOW FROM FINANCING ACTIVITIES (F)</b>	<b>191</b>	<b>276</b>
+/- Impact of the variation of the exchange rates (G)	-14	2
<b>= VARIATION IN CASH-FLOW ( D + E + F + G )</b>	<b>924</b>	<b>-205</b>
Net cash at the opening	2 250	2 455
Net cash at the closing	3 173	2 250

**20.1.1.4 Table of Variation in Shareholder Equity**

(in thousands of euros)	Capital stock	Share premium	Consolidated reserves	Shares of consolidating	Consolidated profit	Conversion adjustments	Total
<b>As at 1st January 2006 IFRS</b>	<b>341</b>	<b>8 828</b>	<b>149</b>	<b>-62</b>	<b>219</b>	<b>0</b>	<b>9 475</b>
Parent company capital increase (net of expenses)	1	22					23
Attribution of profit from previous fiscal year			219		-219		0
Profit from the fiscal year					-592		-592
Acquisition and disposal of shares from the parent							0
Cost of share based payments		40					40
Variation in conversion adjustments						-7	-7
<b>As at 31 décembre 2006 IFRS</b>	<b>342</b>	<b>8 890</b>	<b>368</b>	<b>-62</b>	<b>-592</b>	<b>-7</b>	<b>8 939</b>
Parent company capital increase (net of expenses)							0
Attribution of profit from previous fiscal year			-592		592		0
Profit from the fiscal year					-1 602		-1 602
Acquisition and disposal of shares from the parent company						-16	-16
Cost of share based payments		78					78
Variation in conversion adjustments						22	22
<b>As at 31 décembre 2007 IFRS</b>	<b>342</b>	<b>8 968</b>	<b>-224</b>	<b>-62</b>	<b>-1 602</b>	<b>-2</b>	<b>7 421</b>

**20.1.2 Appendix to the Consolidated Financial Statements****20.1.2.1 Information concerning the Company**

On 21 February 2008, the Board of Directors closed and authorised publication of the consolidated financial statements of ITESOFT SA, for the tax year ending 31 December 2007. ITESOFT SA is a stock company registered in France and listed on the Eurolist of Euronext Paris.

ITESOFT and its subsidiaries (the "Group") are developers and integrators of automatic document processing software.

**20.1.2.2 Context of the Publication**

Because it is listed in a country of the European Union, and in application of regulation n° 1606/2002 adopted 19 July 2002 by the European Parliament and European Council, the Group's consolidated financial statements for the 2007 tax year have been prepared in accordance with the IFRS (International Financial Reporting Standards) as approved by the European Union on the date of preparation of these financial statements.

The Group's consolidated financial statements for tax years previous to 2005 were established according to the French accounting rules and methods, in accordance with regulation R99-02 of the CRC (French Accounting Regulation Committee).

In accordance with the recommendation of the CESR (Committee of European Securities Regulators) of December 2003, the 2005 half-yearly financial statements were prepared on the basis of IFRS norms in application of the standards and interpretations adopted by the European Union on 30 June 2005.

These annual financial statements as of 31 December 2007 together with the comparative information for 2006 given in the present document were prepared on the basis of the IFRS norms in application of the standards and interpretations adopted by the European Union on 31 December 2007.

Standards IAS 32 and 39 were applied in anticipation as of 1 January 2004.

**20.1.2.3 Significant Accounting Methods**

The Group's consolidated financial statements have been established in application of the evaluation and accounting rules of the IFRS international accounting standards.

They have been established according to the convention of historical cost except for certain categories of assets and liabilities in compliance with the rules enacted in the IFRS norms. The categories concerned are mentioned in the notes below.

To establish its financial statements, the Group has to make estimations and hypotheses which affect the accounting value of certain assets and liabilities or products and costs, together with the information given in certain notes in the appendix. The Group revises its estimations and assessments regularly to take into account past experience and other factors deemed relevant with regard to economic conditions. In function of the development of these various hypotheses or conditions, the amounts given in future financial statements could differ from current estimations.

### **Principles of Preparation of the Financial States**

The group's consolidated financial statements have been established according to the principle of historical proceeds with the exception of the financial assets available for sale estimated at their fair value. The consolidated financial statements are given in euros and all values are rounded to the closest thousand (€000), except when otherwise indicated.

### **Interpretation of and Amendments to the Published Standards coming into Force in 2005**

The application of the following amendments and interpretations is required for the 2007 tax year:

- IFRS 7, Financial Instruments: information to be supplied and complementary amendment to IAS 1, Presentation of financial statements – Information on the capital (in force as of 1 January 2007).
- IFRS 7 introduces new information in order to improve the information on financial instruments. Quantitative and qualitative information should be supplied concerning exposure to the risk of financial instruments, in particular the minimum specific information on the credit, liquid asset and market risks, including an analysis of sensitivity to market risk. IFRS 7, which is applicable by all companies presenting their financial statements using IFRS, replaces IAS 30, Information to be supplied in the financial statements of banks and assimilated financial institutions, and replaces the information to be supplied in application of IAS 32, Financial Instruments: information to be supplied and presentation. The amendment to IAS 1 introduces new information on the capital of a company and the way it is managed. After having assessed the impact of IFRS 7 and the amendment to IAS 1, the Group concluded that the notes to the financial statements would not be substantially modified. The Group applied IFRS 7 and the amendment to IAS 1 as of the tax year opening 1 January 2007.
- IFRIC 8, Scope of IFRS2
- IFRIC 9, Reassessment of embedded derivatives
- IFRIC 10, interim financial reporting and impairment losses

### **Standards, Interpretations of and Amendments to Published Standards not yet in force**

The Group applied the following new standards and interpretations in anticipation of their coming into force:

- IFRS 8 "Operating Segments": The Group applied IFRS 8 as of 01/01/2007. Application of this standard is mandatory for fiscal years opening as from 01/01/09 and requires the publication of information concerning the operating segments of the Group. The adoption of this standard had no impact on the assets or performance of the Group. In effect, ITESOFT determined that the operating segments were identical to the segments previously identified according to IAS 14 (cf. note 23).
- IFRIC 11 IFRS 2 "Group and Treasury Share Transactions": The Group applied IFRIC 11 as from 01/01/2007. This interpretation requires the accounting of agreements in accordance with the terms of which an employee receives rights concerning the owner's equity instruments of an entity such as a payment based on shares, even when the entity purchases the instruments from a third party, or when the shareholders procure the equity instruments required. The adoption of this standard had no impact on the assets or performance of the Group.
- On the other hand, the Group has not applied the following new standards in anticipation of their coming into force:
  - IAS 1 "Presentation of Financial Statements", application required for fiscal years opening as from 01/01/2009.
  - IAS 23 "Borrowing Costs", revised, application required for fiscal years opening as from 01/03/2009.
  - IFRIC 11 IFRS 2 - Group and Treasury Share Transactions", application required for fiscal years opening as from 01/03/2007.
  - IFRIC 12 "Service Concession Arrangements", application required for fiscal years opening as from 01/01/2008.
  - IFRIC 13 "Customer Loyalty Programmes", application required for fiscal years opening as from 01/07/2008.

- IFRIC 14 “The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction”, application required for fiscal years opening as from 01/01/2008.

## Compliance with Accounting Standards

The consolidated financial statements of the ITESOFT Group and its subsidiaries have been prepared in compliance with the IFRS as adopted by the European Union.

## Principles of Consolidation

The consolidated financial statements consist of the financial statements of ITESOFT SA and its subsidiaries prepared on 31 December of each year. The financial statements of the subsidiaries are prepared for the same tax year as the mother company using the same accounting methods. Adjustments have been made to harmonise any differences in accounting methods that may exist.

All intra-group balances and transactions, including the internal profits produced by intra-group transactions, are entirely eliminated.

The subsidiaries are consolidated from the moment the Group takes them over until the date at which this control is transferred outside the Group.

## Methods of Consolidation

The subsidiaries under exclusive direct or indirect control are consolidated by global integration; this method consists in substituting in the balance sheet, using the value of the investment, the total assets and liabilities of those subsidiaries, and in incorporating all their costs and products into the profit and loss account, while recognising the rights of minority groups in the reserves and profits.

## Conversion of Foreign Currencies

The functional currency used and presented by ITESOFT and its subsidiaries in the Euro Zone is the euro. Operations in foreign currencies are initially recorded in the functional currency at the current rate of exchange on the date of transaction. On the closing date, monetary assets and liabilities in foreign currencies are converted into the functional currency at the current rate of exchange on the closing date. All discrepancies are recorded in the profit and loss account.

The functional currency of the British subsidiary (ITESOFT UK) is the pound sterling. On the closing date, the assets and liabilities of this subsidiary are converted into the reporting currency of ITESOFT SA at the current rate of exchange on the closing date and its profit and loss account is converted at the average weighted exchange rate for the period. The exchange discrepancies resulting from this conversion are entered directly under a distinct rubric of the shareholders' equity.

## Tangible Fixed Assets

Items likely to bring associated future economic advantages to the Company that can be reliably assessed are accounted for as fixed assets.

The tangible fixed assets have not been subjected to fair value re-evaluations.

Their useful life is reviewed each year and any resulting adjustments are accounted prospectively.

Tangible fixed assets are accounted at their cost reduced by accumulated amortization and accumulated loss of value.

The depreciation is calculated according to the linear method on the estimated useful life of the asset, i.e.:

	Useful Life
• Fittings and fixtures	5 to 10 years
• Transport equipment	to 5 years
• Office equipment and computer hardware	to 5 years
• Office furniture	to 10 years

The moveable property acquired through a lease agreement is capitalised and depreciated for the lengths of

time mentioned above. The corresponding debt is entered as a liability.

The depreciation of the accounting values of intangible fixed assets with a finite lifespan is reviewed when events or changes in circumstances indicate that the accounting values may not be recoverable. If an index of that kind exists and if the accounting value exceeds the estimated recoverable value, the assets are depreciated to their recoverable value.

A tangible fixed asset ceases to be accounted when it leaves the company or when no future economic advantage is expected from using or disposing of it. Any profit or loss resulting from an asset ceasing to be accounted for is included in the profit and loss account of the year in which it ceased to be accounted for.

### **Intangible Fixed Assets**

#### Acquired either separately or through mergers and acquisitions.

Tangible fixed assets acquired separately are accounted for at their acquisition cost and those acquired through mergers and acquisitions are accounted for at their fair value on the date of acquisition.

Intangible fixed assets are accounted for at their cost reduced by accumulated amortization and any loss of value.

With the exception of development costs, the intangible fixed assets generated internally are not activated and expenditures are accounted for as costs for the year during the course of which they are incurred.

The intangible fixed assets have not been subjected to fair value re-evaluations.

There are no intangible fixed assets whose lifespan is considered to be undefined.

The depreciation of the accounting values of intangible fixed assets with a finite lifespan is reviewed when events or changes in circumstances indicate that the accounting values may not be recoverable. Their useful life is also reviewed each year and any resulting adjustments are accounted for prospectively.

#### Costs of Research and Development

Research and development costs are accounted for as expenses when they are incurred. Development expenditure undertaken internally on a software product is activated when all the criteria required by standard IAS 38 are satisfied, in particular technical feasibility and the prospects for commercial profitability.

These provisions apply to software development expenditures corresponding to part of the research carried out by R&D teams within the ITESOFT Group.

The analysis of ITESOFT's development work on 31/12/06 did not identify any expenditure satisfying all of the criteria required by the standard.

In effect, because of the non linear nature of the process of developing ITESOFT's software products, the technical feasibility is generally not known until a prototype has been created. The development costs incurred prior to finally establishing the technical feasibility are incurred as expenses as they are committed. Because of the rather short period between establishing technical feasibility and the commercialisation of software products, the expenses likely to be claimed as intangible assets were not significant as of 31/12/2007.

In addition, it is a recognised fact that the prospects of future economic benefits can not be justified when development expenses are committed except for in some rare cases.

Any activated expense is amortised for a duration corresponding to the expected economic benefit. This benefit is essentially correlated to technological obsolescence, today considered to be between 2 and 3 years.

The accounting value of activated development costs are subject to a loss of value test each year, or more frequently when there is an indicator that the asset could depreciate in value, indicating that the accounting value may not be recoverable.

When all of these criteria are not fulfilled, development expenditures are accounted for as costs when they are incurred.

#### Goodwill

At the date of acquisition, positive goodwill is initially assessed at its cost, that being the surplus of the cost of the acquisition on the interest component of the acquirer in the net fair value of the identifiable assets, liabilities, and potential liabilities. After initial accounting, goodwill is assessed at its cost reduced by its accumulated loss of value.

As from the date of acquisition, goodwill is allocated to each cash generating unit likely to benefit from the synergetic effect of the acquisition. The depreciation is determined by evaluating the recoverable value of the



cash generating unit to which the goodwill has been allocated. When the recoverable amount of the cash generating unit is lower than its accounting value, a depreciation is accounted.

Goodwill generated by an acquisition whose agreement date is after 1 January 2004 (date of transition to IFRS) is not amortised and any goodwill accounted previous to that date is no longer amortised after 1 January 2004. Goodwill must be submitted to a depreciation test each year, or more frequently when events or changes in circumstances indicate that it has depreciated.

This test is carried out for each annual closure, on 31 December each year. The test consists in comparing the recoverable values of each corresponding cash generating unit with their net accounting values.

These recoverable values are essentially determined from a discounted projection of future cash flows over a period of 5 years and a terminal value. The chosen update rate is the weighted average cost of the capital, including a risk premium.

The hypotheses chosen in terms of variation in turnover and terminal values are reasonable. Complementary depreciation tests are carried out if events or particular circumstances indicate a potential fall in value.

Depreciations with respect to goodwill are irreversible.

### **Current and Non-current Assets**

Assets to be realised, consumed or ceded in the framework of the normal operating cycle or the twelve months following the closure, are classified as “current assets”, as are assets held with a view to being ceded, cash or cash equivalents. All other assets are classified as “non-current assets”.

The value of non-current assets is examined at each closing date in order to determine if there are indicators pointing to a loss of value. If there is an indication of the depreciation of a non-current asset, the Group estimates the recoverable value of the asset. If the non current accounting value exceeds its recoverable value, the asset is considered to have depreciated and its accounting value is reduced to the recoverable value.

### **Current and Non-current Liabilities**

Liabilities to be paid within the framework of the operating normal cycle or in the twelve months following the closure, are classified as “current liabilities”, as are liabilities held with a view to being negotiated.

All other liabilities are classified as “non-current liabilities”.

### **Investments**

All investments are initially accounted for at the cost corresponding to the fair value of the price paid, including the acquisition costs linked to the investment.

After initial accounting, the investments classified in the categories “held with a view to transaction” or “available for sale” are evaluated at their fair value. Profits and losses on investments held with a view to transaction are recorded in the financial results. Profits and losses on investments available for sale are accounted for as a distinct line in owner equity until the investment is sold, cashed or otherwise leaves the company, or until it is shown that the investment has depreciated, at which date the accumulated profit or loss recorded until then as owner equity is transferred to the profit and loss account.

Non-derivative financial assets from liquidated or liquidatable fixed-term payments are classified as investments held until the expiry date if the Group has the manifest intention and ability to conserve them until their expiry. Investments intended to be conserved for an indefinite period are not included in this classification.

For investments which are actively negotiated on organised financial markets, the fair value is determined with reference to the published market price at the date of closure. For investments that have no published price market on an active market, the fair value is determined by reference to the current value of another almost identical instrument or calculated on the basis of the expected cash flow of the subjacent net asset serving as the basis for the investment.

### **Stocks**

Stocks of goods consist of computer hardware and licenses acquired externally and intended to be resold to clients. These items can already be attributed to the final client at the moment of the purchase.

Stocks are evaluated at the lowest purchase cost and the net realisable value.

The purchase cost is determined using the first in first out (FIFO) method.

The net realisable value is the estimated sale price in the normal course of activity, reduced by the estimated costs required for making the sale.



## Clients and Other Debtors

Client receivables, whose payment terms are generally between 30 and 90 days, are recognised and accounted for at the initial amount of the invoice with the deduction of provisions for non-recoverable amounts depreciations. An estimation of the amount of dubious receivables is carried out when it is no longer likely that all the receivables can be recovered. Irrecoverable receivables are accounted for as losses once identified as such.

## Shark Repellent Provision

Shark Repellent Provision shares are recorded at their acquisition cost as a reduction of owner equity. The profits of transfer of these shares are attributed directly to owner equity and do not contribute to the profits for the tax year.

## Cash and Cash Equivalents

The cash and short term deposits accounted in the balance sheet consist of bank cash, mutual funds, and shares negotiable immediately or in a few weeks, with short term deposits having an initial expiry date of three months maximum.

For the requirements of the consolidated cash flow statement, cash and cash equivalents consist of the cash and cash equivalents, as defined above, net of overdraft facilities.

## Provisions

Provisions are accounted for when the Group has a current obligation (legal or implicit) resulting from a past event, for which it is likely that the spending of resources representing an economic benefit will be necessary to satisfy the obligation and that the amount of the obligation can be reliably estimated.

If the effect of the time value is significant, the provisions are determined by updating the expected cash flow using an updating rate before tax, which reflects the current market assessment of the time value of the money and, where appropriate, the risks specific to the liabilities. When the provision is discounted, the increase in the provision over time is accounted for as a borrowing cost.

The provisions for liabilities mainly cover the costs of future services to be provided to customers without being invoiced, plus provision for retirement pensions, together with social or fiscal risks.

## Pensions and other Post Employment Benefits

In accordance with French statutory legislation, the Company undertakes to meet its obligations to finance the employees' retirement in France by paying contributions that are calculated on the basis of employee salaries to the administrative agencies that manage retirement programmes. There are no other obligations linked to these contributions.

French Law (in particular law no. 2006-1640 of 21 December 2006) also requires a company to pay a single-payment allowance when an employee retires. A provision is earmarked to that effect in the financial statements.

This provision corresponds to the rights acquired by all of the salaried staff pursuant to the current collective bargaining agreement. It is computed according to the retrospective projected unit credit method, pursuant to IAS 19. The amount to which the use of this method leads corresponds to the notion of P.B.O. (Projected Benefit Obligation). The P.B.O. represents the current probable value of the rights acquired, irremediably or not, evaluated by taking into account any increases in salary up until the retirement age, probabilities in turnover, and survival.

The main hypotheses are as follows:

- discounting rate excluding inflation: 2.06 %
- mortality table: INSEE 2007
- rate of increase in annual salaries excluding inflation: declining in function of age: (from 4% until 30 years old to 0% after 60)
- given the structure of the personnel, retirement after 65 years at the employer's initiative
- all actuarial differences are accounted for at closure

It should be underlined that French law has been modified, leading to a “change of plan” in the accounting sense of the term.

In effect, the law has modified the institutional framework applicable to retirement (and early retirement) by changing the conditions concerning the exercising of rights resulting from retirement regimes, with possible consequences on the modification of company practices and, in some cases, of collective bargaining agreements. As a complement to measures intended to modify the cost of early retirement and apply an employer's contribution to the pensioning of employees, LFSS 2008 modifies the rules applicable to retirement by eliminating the system of “negotiated departure” before 65 years old, established by LFSS 2007 for the period 01/01/2010 to 01/01/2014. Consequently, as from 01/01/2010, all retirements taken before 65 years old will necessarily be voluntary and the benefit paid will be the retirement pension subject to social security contributions by the employer and social security contributions plus income tax by the employee.

Nonetheless, this change did not have a significant impact on the financial statements for the fiscal year.

There are no such obligations in the United Kingdom or Germany.

### **Transactions regulated as Instruments of Owner Equity (accounting for subscribed or purchased stock options granted to employees and directors)**

The Group has a policy of granting stock options to its directors and employees. The options can be exercised on condition that the beneficiary works for the Group for a minimum period.

The cost of these transactions is accounted for in accordance with standard IFRS2 valuing the options at their fair value on the awarding date. This fair value is accounted for as an increase in the item “capital and emission premiums” on the awarding date, neutralised in the owner equity by the debiting of a deferred remuneration account, which is amortised by the profits over the period of acquisition of rights in the “remunerations” item.

The fair value of stock options is determined according to the model of Black & Scholes. In the event of the employee departing before the minimum exercise date, the options are lost. This probability of departure is taken into account in calculating the fair value of the options.

The accumulated cost recorded for these transaction at the end of each tax year until the date of acquisition of rights reflect this period of acquisition and the number of shares to be acquired, according to the directors of the Group at that date. This opinion is founded on the best available estimation of the number of owner equity instruments which will be definitively acquired.

No cost is recorded for the shares which are not finally acquired.

In addition, a cost is recorded for any increase in the value of the transaction resulting from a modification. It is evaluated on the date of the modification.

The dilutive effect of current options is taken into account in the calculation of the profit diluted by share (see Note 8).

The Group benefits from transitional IFRS 2 provisions concerning transactions regulated as owner equity instruments, and only applies IFRS2 to instruments allocated after 7 November 2002.

The Group also granted bonus shares for the first time in September 2007. These shares definitively become the property of the beneficiaries after a minimum period of 2 years in the Group's service.

The corresponding cost was also accounted for in accordance with standard IFRS2.

### **Turnover**

Turnover is accounted for when it is likely that the future economic benefits will come to the Group and these products can be reliably evaluated.

In the specific case of the ITESOFT Group, the turnover is made up of the sales of software developed by the Group, the services described below, as well as revenues from the resale of hardware and software acquired externally. The accounting rules for turnover are as follows:

- Sales of software developed by the Group: the sales of licenses are counted as turnover, according to the purchase order, when the material is shipped, on the basis of the sale price as contractually defined,

- Services accompanying the sales of software: the turnover generated by these services is accounted for progressively as they are performed,
- Maintenance services: the revenues relative to annual maintenance contracts are recorded prorata temporis for the length of the contract, and result in the recording of prepaid income at the close of each fiscal year,
- Resale of hardware and software: the turnover relative to the resale of merchandise acquired externally is recorded in full on the date of delivery to the client.

## Taxes

Deferred taxes are accounted for, using the liability method of tax allocation, for all the temporary differences existing at the closing date between the tax basis of the assets and liabilities and their accounting value in the balance sheet.

Deferred tax liabilities are accounted for regarding all taxable temporary differences:

- except when the deferred tax liability results from non-tax deductible depreciation of goodwill or from the initial accounting of an asset or liability in a transaction which is not connected with an acquisition and which, on the date of the transaction, affects neither the accounting income nor the taxable profit or loss,
- for taxable temporary differences concerning stakes in subsidiaries, associated companies, and joint ventures, except if the date at which the temporary difference will reverse can be controlled and it is likely that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are accounted for all deductible temporary differences, brought forward before tax losses and unused tax credits, when it is likely that a taxable profit will be available, to which these deductible temporary differences, brought forward before tax losses and unused tax credits, can be allocated,

- except when the deferred tax asset is generated by the initial accounting of an asset or liability in a transaction which is not connected with an acquisition and which, on the date of the transaction, affects neither the accounting income nor the taxable profit or loss,
- for taxable temporary differences concerning stakes in subsidiaries, associated companies, and joint ventures, deferred tax assets are only accounted for when it is likely that the temporary difference will reverse in the foreseeable future and there will be a taxable income to which the temporary difference could be allocated.

The accounting value of deferred tax assets is reviewed at each closing date and reduced if it is no longer likely that a large enough taxable income will be available to enable the company to benefit from all or part of the deferred tax asset concerned.

Deferred tax assets and liabilities are assessed at the tax rate expected to apply to the tax year in the course of which the assets will be realised or the liability paid, on the basis of the tax rates (and tax regulations) adopted or almost adopted at the closing date.

Taxes on items directly recognised as owner equity are accounted for as owner equity, not in the profit and loss account.

## Public Grants

Public grants are recognised at their fair value when it is reasonably sure that the grant will be received and all the attached conditions will be satisfied. When the grant is received in compensation for a cost item, it is accounted for as revenue on a systematic basis for the tax years required in order to attach it to the costs for which it is intended to compensate. When the grant is linked to an asset, the fair value is reported in the profit and loss accounts for the expected useful life of the asset concerned.

The Tax Credits ("Research", "Sales Prospecting" and "Family") granted to ITESOFT in France enter in the scope of IAS 20 - public grants - and are accounted for as "other revenue".

## Earnings per Share

Basic earnings per share are calculated from the average number of shares weighted according to their creation date in the tax year, excluding shark repellent provision.

The diluted earnings per share are calculated according to the buy-back method (Treasury Stock Method), which:

- concerning the numerator, corrects profits from financial interest on potential shares,
- concerning the denominator, adds on to the basic number of shares the potential number of shares which will result from the diluting instruments, excluding the number of shares which could be bought at the market price using the funds collected over the tax year from the instruments concerned. The market price used is the average for the share over the tax year.

Owner equity instruments for accessing capital are only included in the above calculation if they have a diluting effect on the earnings per share.

#### **20.1.2.4 Note 3 Turnover**

<b>In thousand of euros</b>	<b>31/12/2007</b>	<b>31/12/2006</b>
Software licences	5 224	4 485
Maintenance	5 788	5 730
Services	5 631	5 364
Hardware	755	899
<b>Total Turnover</b>	<b>17 398</b>	<b>16 478</b>

#### **20.1.2.5 Note 4 Revenues and Costs**

##### **Purchases consumed**

<b>In thousand of euros</b>	<b>31/12/2007</b>	<b>31/12/2006</b>
Purchase hardware for resale	569	602
Purchase of third party software licences	230	259
Purchase of maintenance and professional services	1 045	1 288
Other purchases	0	0
<b>Total</b>	<b>1 844</b>	<b>2 149</b>

Sub-contracted maintenance essentially concerns hardware.

##### **Staffing Costs**

<b>In thousand of euros</b>	<b>31/12/2007</b>	<b>31/12/2006</b>
Personnel expenses	8 213	7 399
Contractual Profit sharing	0	395
Social security expenses	3 308	2 906
Pensions	0	0
Other post-employment benefits	0	0
Share based payments	78	40
<b>Total</b>	<b>11 599</b>	<b>10 740</b>

DIF (Individual Right to Training): cumulated volume of hours of training, corresponding to the rights acquired in relation to the DIF: 7109.

Because of the Company's training policy, and the history of the use of the DIF, no provisions were made to this effect as of 31/12/07.

##### **Other Revenues and Costs**

In thousand of euros	31/12/2007	31/12/2006
<b>Other revenues</b>		
Other operating revenues	142	293
Subsidies	13	31
R&D tax credit	195	179
Revenues on disposals of tangible assets	0	6
<b>Total other revenues</b>	<b>350</b>	<b>508</b>
<b>Other purchases</b>		
Expenses on disposals of tangible assets		-5
other	-39	-15
<b>Total other purchases</b>	<b>-39</b>	<b>-20</b>
<b>Total other revenues and purchases</b>	<b>312</b>	<b>488</b>

#### 20.1.2.6 Note 5 Cost of Net Financial Debt

In thousand of euros	31/12/2007	31/12/2006
<b>Financial expenses</b>		
Interest on loans and overdraft facilities	-7	-8
Loans corresponding to leasing agreements	-1	-1
<b>Total financial expenses</b>	<b>-8</b>	<b>-9</b>
Interest revenue	206	282
<b>Total financial revenues</b>	<b>206</b>	<b>282</b>
<b>Cost of net debt</b>	<b>199</b>	<b>273</b>

#### 20.1.2.7 Note 6 Research and Development Costs

Research and development costs amounted to k€ 3,740 (2006: k€ 3,000), which were directly accounted for in the Profit and Loss Account.

#### 20.1.2.8 Note 7 Tax on Profits

In thousand of euros	31/12/2007	31/12/2006
Corporate tax	0	100
Temporary tax	9	12
<b>Total corporate tax</b>	<b>9</b>	<b>112</b>

#### Tax Reconciliation

"Tax reconciliation" consists in reconciling the total income tax expense entered in the consolidated accounting income with the theoretical income tax expense calculated by applying to the pre-tax consolidated income the tax rate applicable to the consolidating company, based on the official fiscal texts in force.

In thousand of euros	31/12/2007	31/12/2006
Pre-tax consolidated profit	-1602	-705
Tax rate in force	33,33%	33,33%
<b>Theoretical corporate tax expense</b>	<b>534</b>	<b>235</b>
Non-deductibility of goodwill amortisation	-10	0
Differences in tax rates between subsidiaries	0	0
Permanent tax differences	-26	31
Non recognition of deferred tax credit on losses brought forward	-488	-153
Temporary tax differences	0	0
<b>Entered corporate tax expense</b>	<b>9</b>	<b>113</b>

Due to the profit history of the subsidiaries concerned, no deferred tax debit was admitted with respect to the losses brought forward:

- the German subsidiary (approx. k€ 1,020 corresponding to a theoretical deferred tax debit of the order of k€ 410, with a loss of k€ 30 generated over the period),
- the British subsidiary (approx. k€ 1,375 corresponding to a theoretical deferred tax debit of the order of k€ 275, with k€ 85 generated over the period) because they were not recoverable in any probable way at closure.

**Breakdown of Deferred Taxes on the Balance Sheet**

<b>In thousand of euros</b>	<b>2007</b>	<b>2006</b>
Deferred tax on temporary tax differences Germany	0	0
Deferred tax on temporary tax differences France	0	0
Deferred tax on temporary tax differences UK	0	0
<b>Total deferred tax, liabilities</b>	<b>0</b>	<b>0</b>
Adjustments France	56	47
Deferred tax on temporary tax differences on losses brought forward UK	0	0
<b>Total deferred tax, assets</b>	<b>56</b>	<b>47</b>

**20.1.2.9 Note 8 Earnings per Share**

The basic earnings per share are calculated by dividing the net profits for the tax year attributable to shareholders by the mother entity by the average weighted number of outstanding shares during the course of the tax year.

The diluted earnings per share are calculated by dividing the net profits for the tax year attributable to shareholders by the mother entity by the average weighted number of outstanding shares during the course of the tax year, adjusted for the effects of the diluting options.

See below for the information concerning the profits and shares used to calculate the basic and diluted earnings per share for all activities.

	<b>31/12/2007</b>	<b>31/12/2006</b>
<b>Net profit part of the Group (in k€)</b>	-1 602	-592
Average weighted number of shares for the basic EPS	5 679 390	5 677 171
Effect of the dilution:	0	0
. Including stock-options		
Average weighted number of shares for the diluted EPS	5 679 390	5 677 171

Ordinary shares: There were 11,111 ordinary shares held by the Group as of 31/12/07 (versus 1,834 as of 31/12/06).

Potential shares: the numbers of subscription or purchase options not exercised as of 31/12/2007 and 31/12/2006 were 618,050 and 454,610 respectively. As of 31/12/2007, due to the profit deficit, all the corresponding potential shares were potentially accretive and were not therefore taken into account in the net diluted earnings per share.

As of 31/12/2007 there were also 4,000 potential shares resulting from the exercising of stock-options for which the corresponding increase in capital had not yet been recognised by the Board of Directors.

No options were exercised between the closing date and the completing of the present financial statements.

**20.1.2.10 Note 9 Intangible Fixed Assets**

The gross intangible fixed assets and their amortisation break down as follows:

(In thousand of euros)	31/12/2007			31/12/2006		
	Gross	Depreciation	Net	Gross	Depreciation	Net
Goodwill	1 411	71	1 340	1 411	40	1 371
Software	616	576	40	679	584	95
<b>Total</b>	<b>2 027</b>	<b>647</b>	<b>1 380</b>	<b>2 090</b>	<b>624</b>	<b>1 466</b>

The variation in gross intangible fixed assets is as follows:

(in thousand of euros)	Balance 31/12/06	Variation in scope	Allocations	Diposals	Effects of variations in exchange rates	Balance 31/12/07
Goodwill	1 411	0	0	0	0	1 411
Software	679	0	50	105	-7	616
<b>Total</b>	<b>2 090</b>	<b>0</b>	<b>50</b>	<b>105</b>	<b>-7</b>	<b>2 027</b>

The variation in the depreciation and provision of intangible fixed assets is as follows:

(In thousand of euros)	Balance 31/12/06	Variation In scope	Allocation s	Disposal s	Transfers	Effects of variation in exchange rates	Balance 31/12/07
Provisions on Goodwill	40	0	31	0	0		71
Software depreciation	584	0	105	105	0	-7	576
<b>Total</b>	<b>624</b>	<b>0</b>	<b>136</b>	<b>105</b>	<b>0</b>	<b>-7</b>	<b>647</b>

Amortisation of the software is linear over 12 to 24 months. Their useful life varies, generally between 1 and 3 years.

#### Detail of Goodwill

(In thousand of euros)	CGU United Kingdom	CGU Germany	CGU ITESOFT ALMAS	Total Goodwill
<b>Balance as of 01/01/2006</b>	<b>976</b>	<b>193</b>	<b>202</b>	<b>1 371</b>
Change in perimeter	0	0	0	0
Acquisitions	0	0	0	0
Disposals	0	0	0	0
Loos of value	0	0	0	0
<b>Net balance as of 31/12/2006</b>	<b>976</b>	<b>193</b>	<b>202</b>	<b>1 371</b>
Change in perimeter	0	0	0	0
Acquisitions	0	0	0	0
Disposals	0	0	0	0
Loos of value	0	-31	0	-31
<b>Net balance as of 31/12/2007</b>	<b>976</b>	<b>162</b>	<b>202</b>	<b>1 340</b>

#### Test of Loss of Value of Goodwill

Since 01/01/2004, goodwill has no longer been amortised but tested each year.

For the requirements of the tests, the goodwill acquired during acquisitions is allocated to three cash generating units in the following way:

- cash generating unit United Kingdom (ITESOFT UK Ltd),
- cash generating unit Germany (ITESOFT Deutschland GmbH),
- cash generating unit ITESOFT ALMAS SAS.

#### Cash generating unit United Kingdom

The recoverable value of this unit was calculated from its going concern value. In this calculation, cash flow forecasts are based on the financial budgets approved by the Directors for a period of five years. The discount rate applied to these forecasts is 14.4% (2006: 13.4%). For cash flows after five years, an extrapolation is made using a perpetual growth rate of 2%, corresponding to the estimated long-term growth rate.

#### Cash generating unit Germany



The recoverable value of this unit was calculated from its going concern value. In this calculation, cash flow forecasts are based on the financial budgets approved by the Directors for a period of five years. The discount rate applied to these forecasts is 15.3% (2006: 14.2%). For cash flows after five years, an extrapolation is made using a perpetual growth rate of 2%, corresponding to the estimated long-term growth rate.

#### Cash generating unit ITESOFT ALMAS SAS

Since the Universal Transmission of Assets completed in January 2006, this unit has disappeared and been absorbed by the unit at the next highest level, i.e. ITESOFT SA.

For this reason, the value and existence of the goodwill are now monitored independently with a complementary indicator, which is the turnover of the electronic banking activity, corresponding to I-Spid software.

#### 20.1.2.11 Note 10 Tangible Fixed Assets

The gross tangible fixed assets and their amortisation break down as follows:

(In thousand of euros)	31/12/2007			31/12/2006		
	Gross	Depreciation	Net	Gross	Depreciation	Net
Buildings, buildings fixtures	219	90	130	211	67	144
Transportation equipment	46	46	0	50	49	1
Office and computer equipments, furnitures	1210	801	409	1237	854	384
<b>Total</b>	<b>1 475</b>	<b>937</b>	<b>538</b>	<b>1 499</b>	<b>970</b>	<b>529</b>

The variation in gross tangible fixed assets is as follows:

(In thousand of euros)	Balance 31/12/06	Variation in scope	Acquisitions	Disposals	Effect of variations in exchange rates	Balance 31/12/07
Buildings, buildings fixtures	211		8		0	219
Transportation equipment	50		0		-4	46
Office and computer equipments, furnitures	1237		182	188	-20	1210
<b>Total</b>	<b>1498</b>	<b>0</b>	<b>190</b>	<b>188</b>	<b>-24</b>	<b>1475</b>

The variation in the depreciation of tangible fixed assets is as follows:

(In thousand of euros)	Balance 31/12/06	Variation in scope	Allocations	Reversals	Effect of variation in exchange	Balance 31/12/07
buildings fixtures	67		23			90
Depreciation transportation	49		1			50
Depreciation office and computer equipment	853		151	188	-20	796
<b>Total</b>	<b>970</b>	<b>0</b>	<b>175</b>	<b>188</b>	<b>-20</b>	<b>937</b>

#### 20.1.2.12 Note 11 Other Non-current Financial Assets

Long-term investments as of 31 december break down as follows:

	31/12/2007			31/12/2006		
(In thousand of euros)	Gross	Depreciation	Net	Gross	Depreciation	Net
Equity interests	355		0 355	300		0 300
Receivable linked to investments	0		0 0	0		0 0
Other long-term investments	216		0 216	149		0 149
<b>Total</b>	<b>571</b>		<b>0 571</b>	<b>449</b>		<b>0 449</b>

The variations in gross long-term investments break down as follows:

(In thousand of euros)	Balance 31/12/06	Variation in scope	Acquisitions	Disposals	Transfer of items	Balance 31/12/07
Equity interests	300	0	55	0	0	355
Receivables linked to investments	0	0	0	0	0	0
Other long-term investments	149	0	103	28	-7	216
<b>Total</b>	<b>449</b>	<b>0</b>	<b>158</b>	<b>28</b>	<b>-7</b>	<b>571</b>

The equity interest was considered as "assets available for sale".

#### 20.1.2.13 Note 12 Staff Benefits

##### Stock Option Plan

The Company has put in place a stock options plan that awards non-transferable options to certain employees

The stock options awarded to French employees up to 23/05/2005 can be exercised no later than 7 years after the date of attribution and no earlier than:

- to the extent of 10% as from the end of the 1st year following their date of attribution,
- to the cumulated extent of 40% as from the end of the 2nd year following their date of attribution,
- to the cumulated extent of 70% as from the end of the 3rd year following their date of attribution,
- to the cumulated extent of 100% as from the end of the 4th year following their date of attribution.

The shares resulting from the exercise of these options are non-transferable for the legal period of unavailability (currently standing at 4 years).

The meeting of the Board of Directors of 23 May 2005 revised the Regulation of the plan by modifying certain items, essentially the final expiry date of the options, and clarified the period of the start of the tax year with regard to the period of tax unavailability concerning French employees:

- The stock options attributed as from 23 May 2005 can be exercised no later than 6 years after the date of attribution and no earlier than:
  - to the extent of 70% as from the end of the 3rd year following their date of attribution,
  - to the cumulated extent of 100% as from the end of the 4th year following their date of attribution.

Nonetheless, for French employees, and for foreign employees concerned by similar regulations, the stock options cannot be exercised before the end of the period of tax unavailability. This period currently being fixed at 4 years, French employees can exercise the option to the extent of 100% as from the end of the fourth year following the attribution date.

For the British and German employees, the stock options can be exercised no later than 7 years after the date of attribution (6 years for the attributions since 23 May 2005) and no earlier than:

- to the extent of 70% as from the end of the 3rd year following their date of attribution,
- to the cumulated extent of 100% as from the end of the 4th year following their date of attribution.

In the event of employees leaving when options have not yet been exercised, they are then cancelled. These options are paid as owner equity instruments when they are exercised.

As of 31 December 2007, the outstanding options concerned a total of 618,050 shares, which break down as follows:

Date of board meeting	8-Feb-01	7-Aug-01	29-Mar-02	20-Jun-02	1-Sep-03	9-Jun-04	9-Nov-04	3-Nov-05	8-Nov-05	15-Nov-06	1-Jun-07	14-Sep-07
Date of the Mixed General Meeting	3-Nov-00	3-Nov-00	3-Nov-00	3-Nov-00	Depending on individuals, 11/3/00 or 5/15/02	Depending on individuals, 11/3/2000 or 15/5/2002	Depending on individuals, 11/3/2000 or 5/15/2002, or 5/26/2004	3-Nov-00	Depending on individuals, 11/3/2000 or 5/15/2002, or 5/26/2004	26-May-04	5/26/2004 and 6/2/2005	02/06/2005 and 04/05/2007
Number of people concerned	90 employees in France	15 employees in France	15 employees in France	30 employees in UK	24 employees in France, 9 in Germany, 5 in UK	31 employees in France, 4 in UK	7 employees in France, 1 in UK	2 employees in UK	33 employees in France	1 employees in France, 1 in Germany	4 employees in France	2 employees in France
to corporate officers	2	0	0	0	0	0	2	0	0	0	0	1
Number of stock options attributed	232,800	7,350	36,350	60,000	65,500	62,850	98,000	2,000	36,850	23,000	34,000	165,000
to corporate officers P. Lijour	5,000	0	0	0	0	0	15,000	0	0	0	0	150,000
to corporate officers, J.-M. Pédréno	5,000	0	0	0	0	0	10,000	0	0	0	0	0
Total number of shares that can be subscribed or purchased	232,800	7,350	36,350	60,000	65,500	62,850	98,000	2,000	36,850	23,000	34,000	165,000
Starting date for exercise of options	8-Feb-01	7-Aug-01	29-Mar-02	20-Jun-02	1-Sep-03	9-Jun-04	9-Nov-04	3-Nov-05	8-Nov-05	15-Nov-06	1-Jun-07	14-Sep-07
Expiry date for exercise of options	7-Feb-08	6-Aug-08	28-Mar-09	19-Jun-09	31-Aug-10	8-Jun-11	8-Nov-11	2-Nov-11	7-Nov-11	14-Nov-12	1-Jun-13	14-Sep-13
Subscription price	8.90 € (1)	2.67€	1.20€	1.25€	2.03€	2.03€	2.49€	3.61€	3.46€	2.15€	2.58€	2.01€
Number of shares subscribed as at 31/12/2007	18,500	1,000	6,700	5,340	0	0	0	0	0	0	0	0
Options canceled during year	3,000	300	1,350	1,560	2,350	4,500	3,000	0	1,500	15,000	0	0
Existing options as at 31/12/2007	173,100	3,600	26,000	5,000	30,800	50,700	85,000	2,000	34,850	8,000	34,000	165,000

(1) on 07/08/2001 the Board of Directors changed the exercise price of these options to €2.67 (the initial price was € 8.9) and adjusted their nontransferability period to 7/08/2005.

During the 2007 tax year, 3,000 options were exercised and, taking into account the employees who have left the Company, the effective number of options is 618,050 for 89 beneficiaries (including 364,000 attributed to 9 members of the Executive Committee).

The fair value of the plan is estimated at the attribution date by means of the Black & Scholes model. The following table gives the hypotheses used for the 2005, 2006 and 2007 tax years (the balance of the options has not been accounted in accordance with IFRS 2 because they were attributed before 2002 November and have not subsequently been modified):

	2005 3 Nov grant	2005 8 Nov grant	2006 15 Nov grant	2007 1 June grant	2007 14 Sept grant
Return of the dividends (%)	0,00%	0,00%	0,00%	0,00%	0,00%
Expected volatility (%)	24,00%	24,00%	24,00%	24,00%	24,00%
No risk interest rate (%)	3,15%	3,07%	3,67%	4,47%	4,24%
Expected maturity of options (years)	6 ans	5 ans	5 ans	5 ans	5 ans
Average weighted price per share (€)	3,61	3,46	2,15	2,58	2,01
Probability to lose options due to end of employment (	21,00%	21,00%	21,00%	21,00%	21,00%
Fair value per option (€)	1,11	0,95	0,62	0,79	0,61
Fair value of the plan (€)	1 754	27 656	11 265	21 219	79 514

The expected lifespan of the options is based on hypotheses concerning the future behaviour of beneficiaries and is not necessarily indicative of the exercising of options that may occur.

The expected volatility is based on the historical volatility at the attribution date of a sample of computing companies listed on the Eurolist of Euronext Paris, since this volatility was considered more relevant than the historical volatility of ITESOFT shares, and also does not necessarily indicate what will happen in the future.

The probability of loss of options is based on historical data.

No other characteristic of the awarding of options was taken into account in evaluating their fair value.

### Bonus Share Plan

The Company has also put in place a staff stock incentive plan for awarding bonus shares to certain employees

The Mixed General Meeting of 4 May 2007 authorised the Board of Directors, for a period of 38 months starting from the date of the General Meeting, to consent, in one or more steps, for certain employees or corporate officers exercising their functions or mandates either in the Company or one of its French or foreign subsidiaries, within the shareholding limits laid down in the Law, to be awarded bonus shares issued by the Company, limited to a maximum global par value of € 12,000, corresponding to 200,000 shares.

The awarding of the Bonus Shares to beneficiaries considered to be French residents will be definitive after a minimum acquisition period of 2 years, during which the beneficiaries must remain in the service of the Group, the minimum obligatory conservation period of the shares by the beneficiaries being fixed at 2 years.

The awarding of the Bonus Shares to beneficiaries not considered to be French residents will be definitive after a minimum acquisition period of 4 years, during which the beneficiaries must remain in the service of the Group, there being no minimum obligatory conservation period of the shares by the beneficiaries in this case.

Using this authorisation, on 14 September 2007, the Board of Directors awarded 104,000 bonus shares, including 32,000 in favour of corporate representatives (20,000 to P. LIJOUR and 12,000 to J-M PEDRENO). The acquisition period for these bonus shares will end 14 September 2009.

In accordance with IFRS2, the impact of stock option and bonus share plans is accounted for as staffing costs (detail in Note 2.5). The consideration is accounted for as Share Premiums, within Owner Equity.

### 20.1.2.14 Note 13 Cash and Cash Equivalents, Current Financial Assets, Net Indebtedness

<b>(In thousand of euros)</b>	<b>31/12/2007</b>	<b>31/12/2006</b>
<b>Cash and cash equivalents</b>		
Fixed terms deposits	0	0
nds	-2 878	-1 910
Bank balances	-357	-419
<b>Gross cash position</b>	<b>-3 235</b>	<b>-2 329</b>
Bank overdrafts	62	79
<b>Net cash position</b>	<b>-3 173</b>	<b>-2 250</b>
Current financial assets		
Mutual funds	-1 410	-3 566
Others funds	-1 123	-1 030
Share	0	-48
<b>Total current financial assets</b>	<b>-2 533</b>	<b>-4 644</b>
<b>Gross debt</b>	<b>102</b>	<b>118</b>
<b>Net debt</b>	<b>-5 604</b>	<b>-6 776</b>

#### 20.1.2.15 Note 14 Issued Capital and Reserves

The company has several share purchase option plans in the framework of which company share subscription options have been awarded to certain employees (Note 12).

##### Nature and object of other reserves:

Reserves: this rubric records the balance of profits for past tax years not distributed to shareholders and not integrated into the capital stock. In function of their tax analysis, these reserves may be partly or wholly distributable to the shareholders.

Conversion discrepancies: this rubric is used to record exchange discrepancies produced by the conversion of subsidiaries' financial statements.

<b>Date</b>	<b>Nature of operation</b>	<b>Total par value of the operation</b>	<b>Share premium (gross)</b>	<b>Capital stock amount</b>	<b>Par value per share</b>	<b>Cumulative number of shares</b>
<b>Total as 01/01/2005</b>				<b>339 561</b>	<b>0,06</b>	<b>5 659 850</b>
13/09/2005	Capital increase in cash by exercise of options	<b>750,00</b>	<b>32 625,00</b>	<b>340 341,40</b>	<b>0,06</b>	<b>5 672 350</b>
<b>Total as 01/01/2006</b>				<b>340 341</b>	<b>0,06</b>	<b>5 672 350</b>
11/09/2006	Capital increase in cash by exercise of options	782,40	22 382,60	341 123,40	0,06	5 685 390
<b>Total as 31/12/07</b>				<b>341 123,40</b>	<b>0,06</b>	<b>5 685 390</b>

<b>In thousand</b>	<b>31/12/2005</b>	<b>31/12/2006</b>	<b>31/12/2007</b>
Treasury shares	2	2	11

#### 20.1.2.16 Note 15 Pensions and other Post Employment Benefits

The group only contributes to fixed-contribution retirement regimes.  
There are no other Post Employment Benefits

#### 20.1.2.17 Note 16 Provisions

(In thousand of euros)	Balance 31/12/06	Variation in scope	Year allocation	Year write- offs	Write- backs without use	Effect of exchange differences	Balance 31/12/07
Provision for risks	135	0	50	-40	0	0	145
Provision for pensions & obligations	99	0	18	0	0	0	117
Provision for expenses	48	0	136	-12	0	0	172
<b>Total provisions for risks and expenses</b>	<b>282</b>	<b>0</b>	<b>204</b>	<b>-52</b>	<b>0</b>	<b>0</b>	<b>433</b>
Provision for depreciation on intangible fixed	0	0			0	0	0
Provision for depreciation on stocks	17	0		0	0	0	17
Provision for depreciation on accounts receivables	338	0	166	-119	0		385
<b>Total provisions for depreciation</b>	<b>355</b>	<b>0</b>	<b>166</b>	<b>-119</b>	<b>0</b>	<b>0</b>	<b>402</b>
<b>Total</b>	<b>637</b>	<b>0</b>	<b>370</b>	<b>-171</b>	<b>0</b>	<b>0</b>	<b>836</b>
Current	538						719
Not current	99						117
<b>Total</b>	<b>637</b>						<b>836</b>

The risk provisions cover social and fiscal risks. In order to avoid the risk of causing serious prejudice to the Group in disputes with third parties, it was not possible to provide further details.

Due to the nature of these risks, there are uncertainties concerning the amounts or output dates of corresponding resources.

#### 20.1.2.18 Note 17 Suppliers and other Creditors (Current)

(In thousand of euros)	31/12/2007	31/12/2006
Upfront payments from customers	526	482
Accounts payable and related accounts	1 531	1 523
Social debts	2 241	2 457
Other	63	99
<b>Total other debts (current)</b>	<b>4 361</b>	<b>4 561</b>

Terms and conditions of the above financial liabilities:

Supplier debts are interest-free and are paid on average at 60 days.

Corporate debts are interest-free and have an average duration of between 2 and 6 months.

Revenues recognised in advance:

These are revenues relative to annual maintenance contracts sold to clients, which are recorded prorata temporis for the length of the contract, and result in the recording of prepaid income at the close of each fiscal year.

#### 20.1.2.19 Note 18 Commitments and Contingencies

##### Off Balance Sheet Commitments linked to Current Activity

	31/12/2006	31/12/2007
<b>Commitments Given</b>		
Avals, cautions and guarantees	none	none
Pledges to the benefit of our banks	none	none
Pledges on fixed assets	none	none
Commitments on leasing agreements	none	none
Currency hedging sales or purchases	none	none

<b>Commitments Received</b>		
Avals, cautions and guarantees	none	none
Other commitments received	none	none

**Off Balance-sheet Commitment**

Commitment Given

<b>31/12/2007</b>	
Earn-out in favour of the former shareholders of ITESOFT Deutschland GmbH	A maximum of € 50,000 and a minimum of 0, in annual instalments, in function of the performance levels of ITESOFT Deutschland GmbH at the closure of the tax year on 31/12/2008

Concerning the commitment in favour of the former shareholders of ITESOFT Deutschland GmbH, no amount was entered in the financial statements as of 31 December 2007 for the earn-outs that may be paid at the close of the current fiscal year on 31/12/08. On closure of the ITESOFT financial statements, this earn-out was unlikely and could not be determined in any reliable way.

**Contractual Obligations****Commitments Given**

In k€	Total		Maximum payments due					
			< 1 year		1 to 5 years		> 5 years	
	2006	2007	2006	2007	2006	2007	2006	2007
Rent on offices	572	2 541	549	741	23	1 800	0	0
Other rents	203	212	81	122	122	90	0	0
Other commitments	0	0	0	0	0	0	0	0
<b>Total</b>	<b>775</b>	<b>2 753</b>	<b>630</b>	<b>863</b>	<b>145</b>	<b>1 890</b>	<b>0</b>	<b>0</b>

To the knowledge of the Company, there are no other significant commitments apart from those mentioned in the present document.

**20.1.2.20 Note 19 Scope of Consolidation**

The consolidated financial statements consist of the financial statements of ITESOFT SA and its subsidiaries listed in the following table:

Company	Legal form	Address	Registration	Quality	Holding rate by the parent company	
					Direct	Indirect
ITESOFT S.A.	S.A.	Aimargues, 30 470 France	330 265 323	Parent company	N/A	N/A
ITESOFT UK Ltd	Ltd	Farnham, GU10 5EH United-Kingdom	2692814	Subsidiary	100%	-
ITESOFT Deutschland GmbH	GmbH	20097 Hamburg Germany	HR B 62 221	Subsidiary	100%	-

All these companies are consolidated using a full consolidation method. The percentages held are unchanged since 01/01/2005.

ITESOFT SA is the ultimate parent company of the Group.

**Main Acquisitions and Transfers during the Fiscal Year:**

None

**Companies not included in the Scope of Consolidation:**



W4 is not consolidated, since ITESOFT holds only 6% of the capital and does not exert a notable influence on the company. The amount of k€ 355 (including k€ 55 invested in 2007) corresponding to this stake is presented in the "Other Non-Current Financial Assets" line of the profit and loss account.

### 20.1.2.21 Note 20 Information concerning Linked Parties

#### Transactions with linked parties

In k€ Linked party	Sales to linked parties	Purchases to linked parties	Receivables on linked parties	Payables to linked parties
Key staff of the group: other interests of the corporate				
2 007	0	368	49	0
2 006	0	297	49	0

The transactions recorded in this table concern the renting of premises from SCIs whose principal director is Didier CHARPENTIER.

#### Remuneration of Directors

The remunerations before deductions paid out to corporate representatives of ITESOFT SA in were as follows (all of these remunerations were paid by ITESOFT SA, except for what is indicated concerning Jean-Marc PEDRENO, which was paid by the subsidiary ITESOFT UK Ltd).

- Didier CHARPENTIER: 115,986 € including € 3,902 benefits in kind (vehicle) (as compared with € 95,583 including € 28,879 variable remuneration and € 3,902 benefits in kind for 2006).
  - The remunerations for 2007 break down as follows:
    - € 63,600 of fixed remuneration,
    - € 48,534 of variable remuneration divided between a € 42,750 discretionary bonus for the 2006 tax year and a € 5,734 bonus also for the 2006 tax year, calculated in function of the operating result, turnover, and international turnover of ITESOFT SA.
- Philippe LIJOUR: € 152,615 including € 3,910 benefits in kind (vehicle) (as compared with € 154,825 including € 59,919 variable remuneration and € 3,910 benefits in kind for 2006).
  - The remunerations for 2007 break down as follows:
    - € 90,996 of fixed remuneration,
    - € 57,709 of variable remuneration divided between a € 18,200 discretionary bonus for the 2006 tax year and a € 8,309 bonus also for the 2006 tax year, calculated in function of the operating result, turnover, and international turnover of ITESOFT SA, plus a € 31,200 advance bonus for the 2007 tax year.
- Jean-Marc PEDRENO : € 28,684 (as compared with € 70,165 including € 37,879 variable remuneration and € 1,284 benefits in kind for 2006).
  - The remunerations for 2007 break down as follows:
    - € 28,684 of variable remuneration divided between a € 13,050 discretionary bonus for the 2006 tax year and a € 5,734 bonus also for the 2006 tax year, calculated in function of the operating result, turnover, and international turnover of ITESOFT SA, plus a € 9,900 discretionary bonus for the 2007 tax year.

In addition to this remuneration paid by ITESOFT SA, there is a remuneration paid by ITESOFT UK Ltd, of which Jean-Marc PEDRENO has also been an employee (in the function of Director of Professional Services) since 01/07/2006, which works out as follows for 2007:

- £ 62,004 of fixed remuneration (€ 90,649 at the average pound-euro exchange rate for 2007),
- a £ 4,950 discretionary bonus for the 2006 tax year (€ 7,236 at the average pound-euro exchange rate for 2007),
- a £ 7,500 advance bonus for the 2007 tax year (€ 10,964 at the average pound-euro exchange rate for 2007).

Finally, it should be noted that ITESOFT SA pays for:

- housing and schooling expenses directly linked to Jean-Marc PEDRENO's move to the United Kingdom for a total amount of £ 30,880 for the 2007 tax year (€ 45,146 at the average pound-euro exchange rate for 2007),
- complementary retirement benefits in France for Jean-Marc PEDRENO on the basis of a gross annual salary of € 90 K for the entire length of time he works at the ITESOF UK Ltd subsidiary.
- Simone CHARPENTIER : € 1,000 in director's fees (€ 1,000 in 2006)
- Laurent MATRINGE : € 1,500 in director's fees (€ 500 in 2006)

There are no other specific advantages in terms of differed remunerations, severance benefits, or pension obligations other than those indicated herein.

#### **Directors' Interests in the Stock Options and Bonus Shares Plans**

As of 31/12/2007, under these plans, the corporate officers held purchase options on ordinary shares and/or bonus shares rights with the following exercise conditions:

- P. LIJOUR: 5,000 options at an exercise price per share of € 2.67 (exercisable 08/08/2005 to 07/02/2008), 15,000 options at an exercise price per share of €2.49 (exercisable 09/11/2008 to 08/11/2011), 150,000 options at an exercise price per share of € 2.01 (exercisable 14/09/2011 to 14/09/2013) and 20,000 bonus shares whose acquisition period will end on 14/09/2009.
- J.-M. PEDRENO: 5,000 options at an exercise price per share of € 2.67 (exercisable 08/08/2005 to 07/02/2008), 10,000 options at an exercise price per share of €2.49 (exercisable 09/11/2008 to 08/11/2011) and 12,000 bonus shares whose acquisition period will end on 14/09/2009.

To date, no new options have been attributed in favour of the directors, and no options in their possession have been exercised.

#### **20.1.2.22 Note 21 Objectives and Policies of Financial Risk Management**

##### **Interest Rate Risks**

Since the Group is not indebted, variation in interest rates has no significant impact on its financial expenses. On the other hand, with about M€ 5.4 in cash investments, variation in interest rates may affect financial products. On an annual basis, a 1-point variation in short-term rates would have an impact on investment revenues, whether positive or negative, of about k€ 54.

##### **Currency Exchange Risks**

ITESOFT operates in the euro zone, and also in the UK through its subsidiary ITESOF UK. Since financial flows between ITESOF SA and ITESOF are accounted for in £ sterling, variations in the value of the £ are likely to have an impact on the Group's accounts. As of 31/12/07, the Company has not instituted any currency exchange hedging instruments.

There is no other significant risk due to exchange rates.

Exchange Risk Statement as at 31/12/2007 :

	£ Sterling (millions)
Assets	0.74
Liabilities	(0.59)
Net Position before risk management	(0.15)
Off-Balance Sheet position	None
Net Position nette after risk management	(0.15)

##### **Credit Risks**

The group may occasionally be directly exposed to credit risk in the context of its short-term investments (possible purchases of commercial papers or other debt instruments) or indirectly exposed (in function of the composition of the monetary mutual funds held), but has adopted a prudent attitude in this respect, with a management strategy aimed at achieving a performance close to that of the EONIA (Euro OverNight Index Average). As of 31 December 2007, virtually all short-term investments were placed via mutual funds, spreading the management of credit risks.

##### **Shares Risks**

Other than some treasury shares, the Company holds no shares as of 31/12/07.

## Cover Risks

There was no cover in place as of 31 December 2007.

## Liquidity Risks

Given that it is not indebted and is exclusively financed from its surplus cash resources, the Group is not liable to liquidity risks.

### 20.1.2.23 Note 22 Events Subsequent to Closure

There are no significant events to be mentioned.

### 20.1.2.24 Note 23 Sectorial Information

Since the companies in the Group are involved in the same activity, the organisation of the Group is based on geographical areas, corresponding to the first level of sectorial information. For this reason, there is no second level of sectorial information.

As of 31/12/07, the segments are as follows:

- France and ROW (rest of world aside from Germany and United Kingdom),
- Germany,
- United Kingdom.

The transfer prices between the segments of activity are the price which would have been fixed under normal conditions of competition, as for a transaction with a third-party. The sectorial revenues, costs, and profits include transfers between the sectors of activity. These transfers are eliminated for consolidation.

The following tables present, for each geographical sector of activity of the Group, information on the revenues from ordinary activities and the profits, together with certain information relative to assets and liabilities for the periods and tax years ending 31/12/2006 and 2007.

Trading year closed on 31 December 2007 (12 months)	France and others countries	United Kingdom	Germany	Total
<b>Revenues from ordinary activities</b>				
Sector revenues (turnover)	15 327	2 112	499	17 938
. Including inter-sectors turnover	-540	0	0	-540
<b>Profit</b>				
Sector operating profit	-820	-428	-518	-1 766
<b>Assets and liabilities</b>				
Sector assets	7 338	1 886	442	9 666
Sector liabilities	6 389	883	257	7 529
<b>Other sector informations</b>				
Acquisitions of tangible and intangible assets	174	55	11	240
Depreciation expenses	-248	-18	-14	-280
Loss value on goodwill	0	0	-31	-31
Other provisions (net of write-backs)	-250	81	-30	-199

Trading year closed on 31 December 2006 (12 months)	France and others countries	United Kingdom	Germany	Total
<b>Revenues from ordinary activities</b>				
Sector revenues (turnover)	13 711	2 712	571	16 994
. Including inter-sectors turnover	-516	0	0	-516
<b>Profit</b>				
Sector operating profit	-600	-45	-339	-984
<b>Assets and liabilities</b>				
Sector assets	7 428	2 108	422	9 958
Sector liabilities	6 805	1 215	159	8 179
<b>Other sector informations</b>				
Acquisitions of tangible and intangible assets	247	9	15	271
Depreciation expenses	-244	-49	-17	-310
Loss value on goodwill	0	0	0	0
Other provisions (net of write-backs)	-168	-42	7	-203

**20.2 PRO FORMA FINANCIAL INFORMATION**

Not relevant.

**20.3 FINANCIAL STATEMENTS**

See Section 20.1

**20.4 VERIFICATION OF ANNUAL HISTORICAL FINANCIAL INFORMATION****20.4.1 Report of the Statutory Auditors relative to the Consolidated Financial Statements**

To the shareholders,

In executing the mission entrusted to us by your General Meetings, we have carried out an audit of the consolidated financial statements of the Company ITESOFT S.A. relative to the fiscal year closed 31 December 2007, as appended to the present report.

The consolidated financial statements were closed by the Board of Directors. We are required, on the basis of our audit, to express our opinion about these financial statements.

**I. Opinion on the Consolidated Financial Statements**

We have performed our audit, in accordance with the professional standards generally applied in France; these standards require the exercising of due diligence so as to be reasonably certain that the annual statements contain no significant anomalies. An audit consists in examining, by means of samples, the key items that justify the data contained in those financial statements. It also consists in appraising the general accounting methods used, and the significant estimates chosen for closing the statements, and in assessing the overall presentation. We consider that our audits have provided us with a reasonable basis for the opinion expressed hereafter.

We certify that the consolidated financial statements, established in accordance with the accounting procedures generally applied in France, are regular and sincere, and give a faithful image of the assets, financial situation, and earnings of the group made up of the companies included within the scope of the consolidation.

**II. Justification of our Assessments**

Subject to the provisions of article L.823-9 of French Commercial Law concerning the justification of our assessments, we draw your attention to the following points:

- Your Company systematically, at each closure, carries out a goodwill depreciation test, according to the methods described in the section "Goodwill" in the Appendix. We have examined the methods of implementation of this depreciation test together with the cash flow forecasts and hypotheses used, and checked that the note in the appendix provides appropriate information.

The assessments that we have given of these points fall within the framework of our audit procedure, which concerns the consolidated financial statements in their entirety and therefore contributed to the formation of the unreserved opinion expressed in the first part of this report.

**III. Specific Verification**

Furthermore, in accordance with the professional standards applicable in France, we have also checked the information given in the report on the management of the Group.

We have no observation to make concerning the genuineness of the information and its consistency with the consolidated financial statements.

Nîmes and Montpellier, 17 March 2008

**The Statutory Auditors**

**CB AUDIT**

**MARCOS MARQUEZ**

**ERNST & YOUNG AUDIT**

**MARIE-THERESE MERCIER**

**20.4.2 Other Information Verified by the Legal Auditors**

None.

**20.4.3 Other Financial Information non taken from the Verified Financial Statements**

None.

**20.5 DATE OF LATEST FINANCIAL INFORMATION**

31 December 2007.

**20.6 INTERMEDIATE AND OTHER FINANCIAL INFORMATION**

Not relevant.

**20.7 DIVIDEND DISTRIBUTION POLICY**

No dividends were paid out during the course of the last 3 tax years.

The Company intends to continue to allocate all available funds to financing its business activities and growth, and therefore does not intend to distribute dividends in 2008.

**20.8 JUDICIAL AND ARBITRATION PROCEDURES**

The company has legal proceedings in progress with a former commercial partner. The first lawsuit was carried out in 2006 and ITESOFT won the case. The other party appealed and in 2007 the initial judgement was overruled in its favour. However, the other party has not yet served notice on this judgement. The procedure is pending. If the other party served notice on this judgement, ITESOFT would have the possibility of lodging an appeal in cassation. The Company considers that it has put in place sufficient provisions concerning the risks attached to this litigation.

To ITESOFT's knowledge, over the last 12-month period, there is no other governmental, judicial or arbitral procedure that could have or recently have had a significant effect on the financial situation or earning power of the Company.

**20.9 SIGNIFICANT CHANGES TO THE FINANCIAL OR COMMERCIAL SITUATION**

Since the end of the last fiscal year, there has been no significant change.

## CHAPTER 21 - COMPLEMENTARY INFORMATION

### 21.1 CAPITAL STOCK

#### 21.1.1 Capital Stock

On 31 December 2007, the capital stock of the company was € 341,123.40, divided into 5,685,390 shares each with a par value of € 0.06, all fully paid-up stock, all of the same category.

##### **21.1.1.1 Evolution of Capital Stock (past 3 years)**

See the financial statements in Section 20.1.2.15.

##### **21.1.1.2 Authorised Capital**

###### **21.1.1.2.1 Mixed General Meeting, 2 June 2005**

The General Meeting, for a period of 38 months starting from the date of the General Meeting, authorised the Board of Directors to consent, in one or more steps, for certain employees or corporate officers exercising their functions or mandates either in the Company or one of its French or foreign subsidiaries, within the shareholding limits laid down in the Law governing options giving subscription rights to new shares, to issue, as a capital increase by the Company, or to purchase existing shares from the Company coming from buy-backs carried out within the conditions laid down in the Law, limited to a maximum global par value of €9,000, corresponding to 150,000 shares.

Whatever the case may be, no single employee or corporate officer who possesses 10% of the capital of the Company can qualify for such an option.

This authorisation entails, to the profit of the beneficiaries of the options, a waiver by the shareholders of their pre-emptive rights to shares that may be subscribed as the options are progressively exercised.

The exercise price cannot be less than the average of the first rates quoted at the 20 trading sessions preceding the date when the option is granted. No option can be granted less than 20 trading sessions after the payment of a dividend or the issue of a right to participate in an increase in capital. In addition, when stock options are granted, this price cannot be less than 80% of the average purchase price of shares held by the Company, pursuant to Articles L 225-208 to L 225-212 of French Commercial Law

The options granted in accordance with this authorisation must be exercised within 6 years of the date when they were accorded.

The General Meeting decided that the price of subscription or purchase of shares by the beneficiaries, as determined above, can only be modified if, during the period when the option can be exercised, the company has carried out one of the financial or share operations authorised by Law. In this case, the Board of Directors, within the legal and regulatory conditions, will adjust the price and number of shares included in the granted options to take into account the effect of the planned operation.

At the date of writing of this Shelf Registration Document, all the options authorised by this Meeting have been granted.

###### **21.1.1.2.2 Mixed General Meeting, 4 May 2007**

The General Meeting, for a period of 38 months starting from the date of the General Meeting, authorised the Board of Directors to consent, in one or more steps, for certain employees or corporate officers exercising their functions or mandates either in the Company or one of its French or foreign subsidiaries, within the shareholding limits laid down in the Law governing options giving subscription rights to new shares, to issue, as a capital increase by the Company, or to purchase existing shares from the Company coming from buy-backs carried out within the conditions laid down in the Law, limited to a maximum global par value of €12,000, corresponding to 200,000 shares.

The other conditions decided by this General Meeting are identical to those relating to the authorisation of the issuing of subscription and/or purchase options on company shares previously agreed by the General Meeting of 2 June 2007.



At the date of writing of this Shelf Registration Document, the number of remaining options that may be granted, given those already granted (see Section 20.1.2.13) is 184,800.

The General Meeting, for a period of 38 months starting from the date of the General Meeting, authorised the Board of Directors to consent, in one or more steps, for certain employees or corporate officers exercising their functions or mandates either in the Company or one of its French or foreign subsidiaries, within the shareholding limits laid down in the Law, to the awarding of bonus shares by the Company, limited to a maximum global par value of €12,000, corresponding to 200,000 shares.

The awarding of the bonus shares to beneficiaries considered to be French residents will be definitive after a minimum acquisition period of 2 years, the minimum obligatory conservation period of the shares by the beneficiaries being fixed at 2 years.

The awarding of the Bonus Shares to beneficiaries not considered to be French residents will be definitive after a minimum acquisition period of 4 years, there being no minimum obligatory conservation period of the shares by the beneficiaries in this case.

The Meeting authorised the Board of Directors to carry out one or more capital increases by incorporation of premiums, reserves or profits for the issuing of bonus shares.

This authorisation implies, as of right, in compliance with Article L.225-197-1 of the French Commercial Code, to the profit of the beneficiaries of the bonus shares, the waiving by the shareholders of their pre-emptive subscription rights and includes, as of right, the waiving by the shareholders of that part of the profits, reserves and share premiums which, if the need arose, would be used for the issuing of new shares.

At the date of writing of this Shelf Registration Document, the number of Bonus Shares that may be granted, given those already granted (see Section 20.1.2.13) is 96,000.

#### **21.1.2 Non-capital Stock**

Not applicable.

#### **21.1.3 Acquired Shares**

The General Meeting of 4 May 2007 (5<sup>th</sup> ordinary resolution) authorised a share buy-back programme over an 18-month period.

The Company currently holds 11,111 of its own shares, corresponding to a par value of € 666.66 and a net book value of € 22,245.70.

#### **21.1.4 Convertible, Exchangeable, or Voucher-linked Securities**

Not applicable.

#### **21.1.5 Acquisition Rights, Obligations attached to unpaid up Subscribed Capital**

Not applicable.

#### **21.1.6 Conditional or Unconditional Options or Agreements**

Not applicable.

The information concerning stock options is given in Section 21.1.8

#### **21.1.7 History of the Capital Stock**

See the financial statements in Section 20.1.2.15.

#### **21.1.8 Potential Capital: Stock Option and Bonus Share Plans**

The Mixed General Meetings of 2 June 2005 and 4 May 2007 authorised the Board of Directors to issue options conferring the right to subscribe or purchase company shares within the limits of a total amount of € 21,000, corresponding to 350,000 company shares (see 21.1.1.2).

On 8 February 2001, the Board of Directors had adopted the Regulation of the applicable plan, which stipulates that:

The stock options can be exercised no later than 7 years after the date of attribution and no earlier than:

- to the extent of 10% as from the end of the 1st year following their date of attribution,
- to the cumulated extent of 40% (10%+30%) as from the end of the 2nd year following their date of attribution,



- to the cumulated extent of 70% (10%+30%+30%) as from the end of the 3rd year following their date of attribution,
- to the extent of 100% as from the end of the 4th year following their date of attribution.

The shares resulting from the exercise of stock options are nontransferable during the period in which they are legally unavailable (at the time of writing of this document, a period of 4 years from the date of attribution).

On 12 February and 29 May 2002, the Board of Directors adopted the terms and conditions of the plan applicable to employees of the English subsidiaries: The British tax authority (Inland Revenue) approved these terms and conditions on 18 June 2002, in accordance with Paragraph 1, Section 9 of the Income and Corporation Taxes Act 1988.

According to this by-law, applicable to the employees of the UK subsidiaries, the stock options can be exercised no later than 7 years after the date of attribution and no earlier than:

- to the cumulated extent of 70% as from the end of the 3rd year following their date of attribution,
- to the extent of 100% as from the end of the 4th year following their date of attribution.

On 29 May 2003, the Board of Directors adopted the terms and conditions of the plan applicable to employees of the German subsidiaries.

According to these terms and conditions, applicable to the employees of the German subsidiaries, the stock options can be exercised no later than 7 years after the date of attribution and no earlier than:

- to the cumulated extent of 70% as from the end of the 3rd year following their date of attribution,
- to the extent of 100% as from the end of the 4th year following their date of attribution.

The meeting of the Board of Directors of 23 May 2005 revised the terms and conditions of the plan decided by the Board on 8 February 2001. In order better to adapt the terms and conditions, particularly to the constraints created by the new international accounting standards, it modified certain items, essentially the final expiry date of the options, and clarified the period of the start of the tax year with regard to the period of tax unavailability concerning French employees:

The stock options attributed as from 23 May 2005 can be exercised no later than 6 years after the date of attribution and no earlier than:

- to the extent of 70% as from the end of the 3rd year following their date of attribution,
- to the cumulated extent of 100% as from the end of the 4th year following their date of attribution.

Nonetheless, for French employees, and for foreign employees concerned by similar regulations, the stock options cannot be exercised before the end of the period of tax unavailability.

This period currently being fixed at 4 years, French employees can exercise the option to the extent of 100% as from the end of the fourth year following the attribution date.

This period will be fully modified in function of any legislative or regulatory modification to the period of tax unavailability, including retroactive modifications, in that the latest legislative or regulatory modification will be fully applicable.

#### **21.1.8.1 Details concerning Options and Shares Attributed**

See the financial statements in Section 20.1.2.13.

#### **21.1.8.2 Effective Options and Bonus Shares as of 31 December 2007**

3,000 during the 2007 tax year, taking into account the employees who have left the Company, the effective number of options is 618,050, for 89 beneficiaries (including 364,000 attributed to 9 members of the Executive Committee).

It should be noted that due to the expiry on 08/02/2008 of the February 2001 Plan, the number of effective options at that date was reduced to 440,450.

#### **21.1.8.3 Stock Options of the Corporate Officers and 10 Main Employee Beneficiaries**

The stock options to the benefit of the corporate officers as of 31 December 2007 give them subscription rights as follows:

- D. CHARPENTIER: none

- P. LIJOUR: 5,000 shares at an exercise price per share of € 2.67, 15,000 shares at an exercise price of € 2.49, and 150,000 shares at an exercise price of € 2.01
- J.-M. PEDRENO: 5,000 shares at an exercise price per share of € 2.67 and 10,000 shares at an exercise price per share of € 2.49.

In addition, the 10 employees having received the greatest number of options as of 31 December 2007 hold subscription rights to a total of 256,500 shares.

SHARE SUBSCRIPTION OR PURCHASE OPTIONS GRANTED TO EACH CORPORATE OFFICER AND OPTIONS EXERCISED BY THEM	Number of options attributed or shares subscribed or purchased	Price	Maturity dates	Plan
Options attributed during the fiscal period				
D. CHARPENTIER	none			
P. LIJOUR	150,000	2.01 €	14/09/2013	14/09/2007
J.-M. PEDRENO	none			
Options exercised during the fiscal period by each corporate officer				
D. CHARPENTIER	none			
P. LIJOUR	none			
J.-M. PEDRENO	none			

SHARE SUBSCRIPTION OR PURCHASE OPTIONS GRANTED AND BOUGHT BY THE FIRST TEN EMPLOYEES APART FROM THE CORPORATE OFFICERS	Granted/Shares subscribed or bought	Weighted price	Plan
Options granted, during the tax year, by the issuer and any company included in the scope of the option attribution, to the ten employees of the issuer and any company included in this scope for whom the number of options thus granted is highest	49,000	2.41 €	01/06/2007 14/09/2007
Options on the issuer and the companies mentioned above, held during the tax year by the ten employees of to the ten employees of the issuer and these companies for whom the number of options thus granted is highest	3,000	1.22 €	29/03/2002 20/06/2002

#### 21.1.8.4 Maximum Potential Dilution of Capital

Given the stock options in effect as of 31 December 2007 (618,050), the theoretical maximum dilution is 10.9% (ratio between the number of shares that may be created and the number of shares making up the capital).

#### 21.1.8.5 Bonus Shares as of 31 December 2007

On 14 September 2007, the Board of Directors awarded 104,000 bonus shares, including 32,000 in favour of corporate representatives (20,000 to P. LIJOUR and 12,000 to J-M PEDRENO).

The acquisition period for these bonus shares will end 14 September 2009.

## 21.2 CONSTITUTIVE ACT AND ARTICLES OF INCORPORATION

### 21.2.1 Object of the Company (Article 2 of the Articles of Incorporation)

The object of the Company both in France and abroad is:

- to design, develop, use and market the technologies and solutions that offer the greatest level of productivity and reliability for the capture and processing of information flows;

- any activities, rendering of services and transactions, in particular in the areas of computing, electronics, and telecommunications, directly or indirectly linked to the aforementioned object or advanced techniques and technologies;
- any other related or complementary activities that may favour the Company's development;
- all of these activities being directly or indirectly on behalf of the Company or for a third party, either alone or with third parties, through the creating of new companies, mergers, partnerships, joint ventures, or other means;
- and generally any financial, sales, industrial, investment or securities operations that may be related directly or indirectly to one of the specified activities or any other similar activity or which may favour the development of the holdings.

## **21.2.2 Members of the Governing, Administrative, and Monitoring Bodies**

See Articles 10 to 17 of the Articles of Incorporation in Section 27.4.

## **21.2.3 Rights, Privileges, and Restrictions attached to each Category of Existing Shares**

All the shares are of the same category and therefore have the same rights attached to them.

There is no statutory clause restricting the free transfer of shares.

### **21.2.3.1 Double Voting Rights**

The voting right attached to shares is proportional to the ratio of the capital they represent. Each share confers one vote to its shareholder. However, a double voting right in comparison to that conferred upon the other shares with respect to the ratio of the capital they represent is attributed, subject to Article 21 of the Articles of Incorporation and as decided by the Mixed General Meeting on 3 November 2000, to all shares entirely paid-up and for which there is proof that they have been officially registered in the company's books for at least two years from the official registration date and in the name of the same shareholder.

Registered shares attributed free of charge to a shareholder as a result of former shares, for which the shareholder qualified for double voting rights, also qualify for double voting rights.

Double voting rights are terminated for any share which ceases to be registered or is transferred, other than any transfer from registered holder to registered holder by inheritance or family gift.

Double voting rights can be withdrawn by decision of an Extraordinary General Meeting, after ratification by a special meeting of the beneficiary shareholders.

## **21.2.4 Actions Required to modify the Rights of Shareholders**

The Articles do not provide for any specific provisions.

## **21.2.5 General Meetings (Articles 19 to 21 in the Articles of Incorporation)**

General Meetings are convened, held, and deliberated in accordance with the existing laws and regulations. There are no specific prerequisites.

## **21.2.6 Provisions that could delay, hinder, or prevent a Change of Control**

The Articles do not envisage any specific provisions, nor does any other act.

## **21.2.7 Statutory Limits (Article 7 in the Articles of Incorporation)**

The Mixed General Meeting on 3 November 2000 decided to implement a declaration limit of 5% of the capital stock or the voting rights, or any multiple of this percentage, either upwards or downwards.

In the case of undeclared exceeding of the limit as defined by the Articles of Incorporation, the excess shares which should have been declared forfeit their voting rights in accordance with the conditions laid down by Law, insofar as one or more shareholders holding 5% of the stock capital make the request laid down in the minutes of the General Meeting.

## **21.2.8 Conditions governing Modifications to Capital Stock**

See the Articles of Incorporation, which do not provide for any specific provisions.

## CHAPTER 22 - IMPORTANT CONTRACTS

In the two years preceding the publication of the shelf-registration document, there has been no important contract to be indicated (other than the contracts signed within the normal framework of business) to which the issuer or any other member of the group is party.

## CHAPTER 23 - INFORMATION FROM THIRD PARTIES, DECLARATIONS OF EXPERTS, AND DECLARATIONS OF INTERESTS

Not applicable.

## CHAPTER 24 - DOCUMENTS ACCESSIBLES TO THE PUBLIC

During the duration of validity of the shelf-registration document, the following documents (or copies) can be consulted at the head office:

- Articles of Incorporation,
- all reports, letters, and other documents, historical financial information, or evaluations and representations established by an expert at the request of the issuer, of which a part is included in or covered by the shelf-registration document,
- the historical financial information concerning the Group and its subsidiaries for the two fiscal years preceding the publication of this shelf-registration document.

It should also be noted that the Company's financial information is available at [www.itesoft.com](http://www.itesoft.com), in French and English, in particular:

- all press releases,
- all published shelf-registration documents.

## CHAPTER 25 - INFORMATION CONCERNING INVESTMENTS IN OTHER COMPANIES

ITESOFT holds the following investments in other companies:

- W4: In early 2005, ITESOFT acquired a 6% holding (M€ 0.355) in the capital of W4, a French company specialising in workflow software (more than 200 clients, turnover M€ 3.8 in 2005). The stakes acquired in W4 enable ITESOFT to gain access to complementary technologies in the workflow sector and offers partnership opportunities with a view to broadening its product offer.

Information concerning W4:

- Head office: 4 rue Emile Baudot – Palaiseau (91, France). 404 945 362 RCS Evry
- Legal form: Société Anonyme à Directoire et Conseil de Surveillance (limited-liability company with Board of Directors and supervisory board)
- Capital as of 28/02/2008: € 5,060,069
- Total other reserves as of 31/12/2007: k€ -3,814 (amount of capital stock at same date: k€ 5,060 )
- Profit before exceptional items after tax for the last tax year (31/12/2007): k€ 84
- Amount of dividends received from shares held in the course of the last fiscal year: none
- Amount of debt due to and by the issuer with respect to the company: none

W4's financial statements for the period ending 31/12/2007 have not been closed or approved at the date of writing of this shelf-registration document.

## CHAPTER 26 - STOCK EXCHANGE INFORMATION

### 26.1 ISSUER'S SECURITY MARKET

The Company is listed on the EURONEXT Market, Compartment C, under the name of ITESOFT, code ISIN FR0004026151 and mnemonic ITE.

The liquidity provider is PORTZAMPARC.

### 26.2 FINANCIAL CALENDAR 2008 AND FINANCIAL INFORMATION

General Meeting: 16 May 2008 at 14:30, at the Company's head office.

Financial Press Releases:

- 17 January: Publication of annual turnover for the period ending 31/12/2007
- 26 February: Publication of the consolidated annual financial statements for 2007
- 17 April: Publication of quarterly turnover as of 31 March
- 17 July: Publication of half-year turnover as of June 30
- 29 August: Publication of half-year financial statements as of 30 June
- 17 October: Publication of turnover for the first 9 months of the year

ITESOFT does not intend to publish financial statements relating to the first and third quarters of the 2008 fiscal year. For these periods, only information relating to turnover will be communicated and commented upon, in accordance with the Group's current practice.

Information Meetings:

- 26 February: presentation of the 2007 consolidated annual financial statements
- 29 August: presentation of the half-yearly financial statements as of 30 June

This calendar is provisional and for information only.

The Company's financial information is available at [www.itesoft.com](http://www.itesoft.com), in French and English.

### 26.3 FINANCIAL ANALYSES

At the date of the present shelf-registration document, the following analysis companies monitor the company regularly and have drawn up analyses with regard to it:

- Portzamparc ([www.portzamparc.fr](http://www.portzamparc.fr)),
- Nexgen Finance ([www.nexresearch.fr](http://www.nexresearch.fr)),
- Atout Capital ([www.atoutcapital.com](http://www.atoutcapital.com)).

### 26.4 ANVAR QUALIFICATION

Having first obtained this qualification in 1999, in January 2003 ITESOFT was once again awarded the label of "*Entreprise Innovante*" (Innovative Company), which was renewed in November 2006 by the ANVAR (*Agence Nationale de la Valorisation de la Recherche* - French National Agency for the Valorisation of Research). This qualification enables an FCPI (*Fond commun de placement dans l'innovation* - a French type of venture fund for promoting innovation) to account for any participation in the obligatory part of its investment in unlisted companies.

### 26.5 ANNUAL INFORMATION DOCUMENT

#### FINANCIAL PRESS RELEASES

- 26/02/2008 Annual results for 2007
- 17/01/2008 Annual turnover for 2007
- 14/01/2008 Nomination of a new independent director
- 10/01/2008 New partnership agreement
- 03/01/2008 Halfyearly assessment of liquidity contract
- 28/12/2007 ITESOFT SA share buyback programme
- 24/12/2007 ITESOFT SA share buyback programme

- 13/12/2007 ITESOFT SA share buyback programme
- 04/12/2007 ITESOFT SA share buyback programme
- 29/11/2007 New customer contract
- 19/11/2007 New partnership agreement
- 16/11/2007 ITESOFT SA share buyback programme
- 07/11/2007 ITESOFT SA share buyback programme
- 31/10/2007 New customer contract
- 29/10/2007 ITESOFT SA share buyback programme
- 24/10/2007 Product information
- 18/10/2007 Turnover for the third quarter of 2007
- 20/09/2007 ITESOFT SA share buyback programme
- 10/09/2007 ITESOFT SA share buyback programme
- 30/08/2007 Results for the 1st half of 2007
- 23/07/2007 Halfyearly assessment of liquidity contract
- 17/07/2007 Turnover for the first half of 2007
- 04/06/2007 Description of the ITESOFT SA share buyback programme
- 25/04/2007 Ordinary and Extraordinary Mixed General Meeting
- 18/04/2007 Turnover for the first quarter of 2007
- 02/04/2007 New customer contract
- 01/03/2007 Annual results for 2006
- 18/01/2007 Annual turnover for 2006
- 10/01/2007 Halfyearly assessment of liquidity contract

#### **SHELF REGISTRATION DOCUMENT**

- 20/03/2007 Shelf Registration Document 2006

#### **DOCUMENT DEPOSITED IN THE REGISTRY OF THE COMMERCIAL COURT**

##### **Company Financial Statements**

- 01/06/2007 Company financial statements 2006

##### **Consolidated Financial Statements**

- 01/06/2007 Consolidated Financial Statements 2006

##### **Others**

- 20/02/2008 Modification concerning directors

#### **PUBLICATIONS IN THE BALO (BULLETINS DES ANNONCES LEGALES OBLIGATOIRES)**

- 21/01/2008 Publication of annual turnover
- 24/10/2007 Publication of quarterly turnover
- 05/09/2007 Publication of halfyearly consolidated financial statements
- 25/07/2007 Publication of halfyearly turnover
- 21/05/2007 Publication of annual statements
- 16/05/2007 Miscellaneous statements
- 25/04/2007 Publication of quarterly turnover
- 26/03/2007 Publication of annual statements
- 19/03/2007 Convocations Assemblies of shareholders and unitholders