# SHELF REGISTRATION DOCUMENT 2011

**This report is the English translation of the Shelf Registration Document which was filed with the *Autorité des Marchés Financiers* (AMF) on 6 June 2012 in accordance with Article 212-13 of the General Regulations of the AMF. It can be used as the basis for a financial operation provided it is accompanied by a transaction note endorsed by the AMF. This document was drawn up by the Issuer and engages the responsibility of its signatories. This English translation serves no purpose other than to facilitate the reading of the Shelf Registration 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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# CHAPITRE 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 this 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 that, to the best of my knowledge, the financial statements have been drawn up in compliance with the standards applicable and give a faithful representation of the assets, financial situation and results of the Company and its consolidated enterprises, and that the management report (page 130) gives a faithful picture of the business evolution, results and financial situation of the Company and its consolidated enterprises together with the main risks and uncertainties which they face.

I have obtained a closing letter from the legal accounts auditors 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 shelf-registration document in its entirety.

Aimargues, 6 June 2012.
Chief Executive Officer
Philippe Lijour

# CHAPITRE 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 Mrs 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 Meetings held on 2 June 2006 and 4 May 2012 renewed this mandate for further periods of 6 years.
Date of expiry of mandate: Ordinary General Meeting called to ratify the statements for the financial year ending 31 December 2017.

**Cabinet SOFIRA Audit** (previously called CB Audit)

125 rue de l'Hostellerie Parc Acti+ - 30900 - Nîmes
represented by Mr Olivier Jourdanney
Date of first mandate: CB Audit was substitute statutory auditor until 15/09/2005, when it became acting statutory auditor after the resignation of acting statutory auditor Mr Alain Reyftmann, due to his retirement.
Date of expiry of mandate: Ordinary General Meeting called to ratify the statements for the financial year ending 31 December 2013.

### 2.1.2 Substitute Statutory Auditors

**Auditex**

11, allée de l'Arche, faubourg de l'Arche - 92400 Courbevoie
The Mixed General Meeting of 17 June 2009 nominated the company Auditex as substitute statutory auditor. The General Meeting held on 4 May 2012 renewed this mandate for a further period of 6 years.
Date of expiry of mandate: Ordinary General Meeting called to ratify the statements for the financial year ending 31 December 2017.

**SA SOFIRA**

100, avenue Alfred Sauvy - 34473 Perols
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 2013.

## 2.2 CHANGES TO THE LEGAL AUDITORS

There is nothing in particular to mention.

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

Refer to Note 27 in the Appendix to the Consolidated Financial Statements.

# CHAPITRE 3 - SELECTED FINANCIAL INFORMATION

| | 2007 (K€) | 2008 (K€) | 2009 (K€) | 2010 (K€) | 2011 (K€) |
|---|---|---|---|---|---|
| **Accounting Standards** | **IFRS** | **IFRS** | **IFRS** | **IFRS** | **IFRS** |
| Turnover | 17 398 | 19 431 | 20 298 | 20 210 | 21 727 |
| Operating profit | (1792) | 952 | 538 | 388 | 276 |
| Profit from ordinary activities before tax | (1637) | 900 | 713 | 544 | 515 |
| Net profit | (1628) | 943 | 720 | 571 | 532 |
| Earnings per share | (0.29) € | 0.17 € | 0.13 € | 0.10 € | 0.10 € |
| Net dividend | - | - | - | - | - |
| Capital stock | 341 | 341 | 341 | 341 | 341 |
| Shareholders' equity | 7344 | 8290 | 8917 | 9523 | 10 117 |
| Fixed assets, net | 2546 | 2640 | 2593 | 2832 | 3076 |
| Financial debts | 164 | 201 | 162 | 726 | 1226 |
| Cash and cash equivalents | 5768 | 7284 | 7554 | 9389 | 9211 |
| **Total balance** | **14 950** | **18 828** | **21 424** | **22 562** | **23 485** |

# CHAPITRE 4 - RISK FACTORS

## 4.1 RISKS CONNECTED WITH HUMAN RESOURCES

The value of the company, its capacity for innovation, its growth, and its financial results essentially 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 often a noticeable deficit in terms of supply versus demand regarding 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 the 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 needs 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 will have a considerable negative effect on turnover, profits, and the Company’s financial situation.

### 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 Section 16.6) would be able to compensate for such a situation.

The Company has put in place a share warrants plan, as well as 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 expansion of other techniques (EDI, electronic forms, Internet, etc.) is quite slow, and ITESOFT is widening its offer to include the capture of information flows in electronic formats.

Forecasts are essentially founded on existing products using 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 property right to the company registering the brand; abuse of this right, whether by reproduction or by imitation, including any subsequent registration, constitutes an infringement, which can lead to 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 to defend it.

The ITESOFT brand is the property of the Company and was registered for France in 1993 (renewed in 2003), and for Europe, the US, and Canada in 2000. The logo has also been registeredt.
The All product and technology names and other identifiers (*ITESOFT.Freemind, Yooz, 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, ITESOFT.CO.UK, ITESOFT-UK.COM, ITESOFT.BIZ, ITESOFT.EU et ITSOFT.FR (to avoid any possible confusion).plus YOOZ.FR.

### 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:

- Professional civil liability (with coverage up to €M 4 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 about 4 months).

The Company is advised by a specialised insurance broker to ensure it has a coverage policy appropriate to its activity.
There was no significant event occasioning a claim in 2011 and the total amount of premiums paid was k€ 68 (as compared with k€ 53 in 2010).

## 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. ITESOFT considers the risk of a completely new arrival on the market to be quite low.

A more credible threat would be the entry on the market of bigger players than ITESOFT working in connected but distinct markets, which would become competitors by acquiring existing specialist companies similar to ITESOFT. That is what occurred in late 2005, when the EMC Group (world leader in storage solutions, turnover $17 billion in 2010) announced the acquisition of Captiva Software.
Another trend that was apparent in 2011 was the opposite of the trend described above, with certain of ITESOFT's direct competitors merging with or acquiring companies working in connected technologies in order to develop above and beyond document capture and position themselves on a more global Business Process Management market, with a broader product offer than that of ITESOFT.

These developments are not new, but they accelerated in 2011 and early 2012, as shown by the following three events:

- in September 2011, the capture market world leader Kofax PLC acquired Singularity, a Business Process Management software producer with a turnover of M$ 16.1
- in the first quarter of 2012, ITESOFT's main European competitor ReadSoft announced the acquisition of a small German Business Process Management software producer
- in the first quarter of 2012, the American ECM and BPM developer Perceptive Software, itself acquired by Lexmark International, announced the acquisition of Brainware, an American competitor of ITESOFT

These mergers and acquisitions follow on from others in previous years:

- in January 2008, Oracle announced acquisition of the American company Captovation. Captovation is a private company which had a turnover of about $M 2 in 2005, and is involved in the American document capture market.
- in September 2008, Opentext took over Captaris in the USA (turnover of M$ 95 in 2007 with a staff of 450). In early 2008, Captaris itself acquired the German company OCE (turnover of M€ 22 with a staff of 178).
- in August 2010, IBM acquired the private American company DataCap, which has a turnover of about M$ 7 on the American document capture market.

This movement shows the attractiveness of the market in which ITESOFT works and the strategic nature of the technologies it develops. It also confirms the pertinence of ITESOFT's strategy in recent years of extending its product portfolio beyond capture alone, to include software such as ITESOFT.Share for the electronic management of documents and workflow destined for document-centred Business Process Management applications, and ITESOFT.Balance for integrating data in SAP and Oracle EBS. The trend also validates the investment made in the French company W4, long-time player in the Business Process Management (BPM) market. It is therefore possible that the trend could continue and the competition increase, but also become more streamlined, to the detriment of the more fragile and less well-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, falling prices are a natural evolution, which continues year on year. ITESOFT responds to this development by implementing innovation and the capacity to set up complex projects.

#### 4.4.2 Competition from Freeware

There is currently only one freeware application on the capture market where ITESOFT operates. It is developed by the American company Ephesoft, and remains little known and effectively limited to the USA. ITESOFT has never found itself in competition against it. In addition, the range of functions of the “Community Edition” version (free of charge), like that of the commercialised “Enterprise” version, is incomparable with the ITESOFT.FreeMind Enterprise offer that it is intended to compete with. Moreover, ITESOFT.FreeMind Enterprise, while essential to the ITESOFT portfolio, is just one product in the range, and the competitive advantage that increasingly enables the Company to obtain market share is the completeness of its product offer.

In the present state of affairs, the Company considers that the risk presented by this software and company is very low.

However, ITESOFT considers the emergence of Freeware, generally speaking, as an indirect risk through pressure on license prices. If ever Ephesoft, or other such software, succeeds in breaking into the market, it is likely to call into question the current economic model, founded on the sale of licenses, complemented by maintenance and services. Freeware, with a free-of-charge “Community Edition” coupled with a paid “Enterprise” version could significantly reduce the proportion of 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 2011 fiscal year, about 27% of turnover was made with the 10 biggest customers (the largest of which accounted for nearly 7% of total turnover). The average payment period is 134 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 most of the company's internal processes and activities (for example software development, 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 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.

ITESOFT invests considerably in its computing systems and infrastructures, thus continuing to improve their efficiency and productivity. This process will be continued in the future.

### 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 hardware sales (which only concern standard hardware, essentially scanners), ITESOFT obtains its supplies from the major players on the market such as Kodak, Fujitsu or Canon. The average payment period is about 60 days.

ITESOFT strives to avoid creating any absolute dependency with respect to any acquired or resold hardware or any technology included in its products.

Every outsourced product or technology can therefore be quickly replaced without noticeably altering the technical characteristics of the solution offered by ITESOFT.

### 4.9 MARKET RISKS

See the financial statements in Section 20.1.2.24, 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 acts only in the capacity of 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 various 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

To ITESOFT's knowledge, there are no exceptional items or disputes that are likely to substantially affect, or to have substantially affected in the recent past, the financial situation of the issuer, its business, profit, or the Group.

# CHAPITRE 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 City and 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.

### 5.1.4 Head Office and Legal Form

Head Office Address: 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

Legal form: a publicly held company (*Société Anonyme*) with a Board of Directors regulated by the French Commercial Legal Code and the decree dated 23 March 1967.

### 5.1.5 Major Events in the Development of the Issuer's Activities

ITESOFT was founded in 1984 by its current Chairman.

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, especially 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 2000 the company achieved a turnover of more than M€ 11.3, 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.
2001 was marked by an 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 SuiteTM 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 the functions of Chairman of the Board and CEO, which had previously been handled by Didier Charpentier. This change enabled Didier Charpentier, who maintained his role as Chairman, 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 is responsible for all 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 M€ 3.
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 turnover) and the launch of two new software solutions: ITESOFT.FreeMind for Orders and ITESOFT.FreeMind Enterprise.

ITESOFT's turnover for 2008 was M€ 19.4, up 12% compared to the previous fiscal year (+14% on a constant exchange rate basis). Turnover recorded abroad represented 21% of total turnover. Operating profit stood at M€ 0.9. The Group was starting to reap the rewards of its major investments in R&D and commercial structures over the previous three years.

In 2009, despite a major economic crisis, ITESOFT continued to grow, with its turnover reaching M€ 20.3, an operating profit of M€ 0.5 and a net profit of M€ 0.7.

In 2010, ITESOFT launched its new SaaS product offer, Yooz. Yooz offers a high-performance invoice processing solution that is accessible to SMEs and accountancy firms. The offer is built round a subscription-based economic model. The product will evolve progressively so as to automate the processing of all document flows received by the company. ITESOFT benefits from the financial support of the OSEO (a public holding body intended to aid the development of SMEs) in the framework of a project called DOD (Documents On Demand). ITESOFT had a turnover of M€ 20.2 for the tax year, with an operating profit of M€ 0.4 M€ and a net profit of M€ 0.6.

En 2011, in a difficult economic climate, ITESOFT saw its turnover increase by 7.5 % to k€ 21 727 and invested k€ 800 in the future.

## 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 IT.

Material Investments:
They consist of the computer hardware and software, furniture and storage facilities required for the company to run correctly. Total investment in 2011 amounted to M€ 0.8 (as compared to M€ 0.5 in 2010 and M€ 0.2 M€ in 2009), and was entirely self-financed.

Acquisition of financial fixed assets:
In 2005, the company acquired a stake in W4 at a cost of k€ 300, supplemented by an additional k€ 55 in 2007, and in 2011 acquired a stake in IBISKUS at a cost of k€ 50.

### 5.2.2 Main Investments in progress

There are 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 competition in Europe and the USA remains very fragmented, opening up interesting possibilities for external growth. These opportunities, which ITESOFT both seeks and intends 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),
- in France, with the takeover of the business, assets and 13 employees of Almas Ingénierie through the creation of ITESOFT ALMAS in December 2003, enabling the Group to strengthen its expertise in the area of processing financial data flows.

ITESOFT remains on the lookout for any opportunities that may arise in other European countries, or for complementary acquisitions in Britain and Germany.

# CHAPITRE 6 - OVERVIEW OF ACTIVITIES

## 6.1 FREEMIND BUSINESS ACTIVITY (LICENCING)

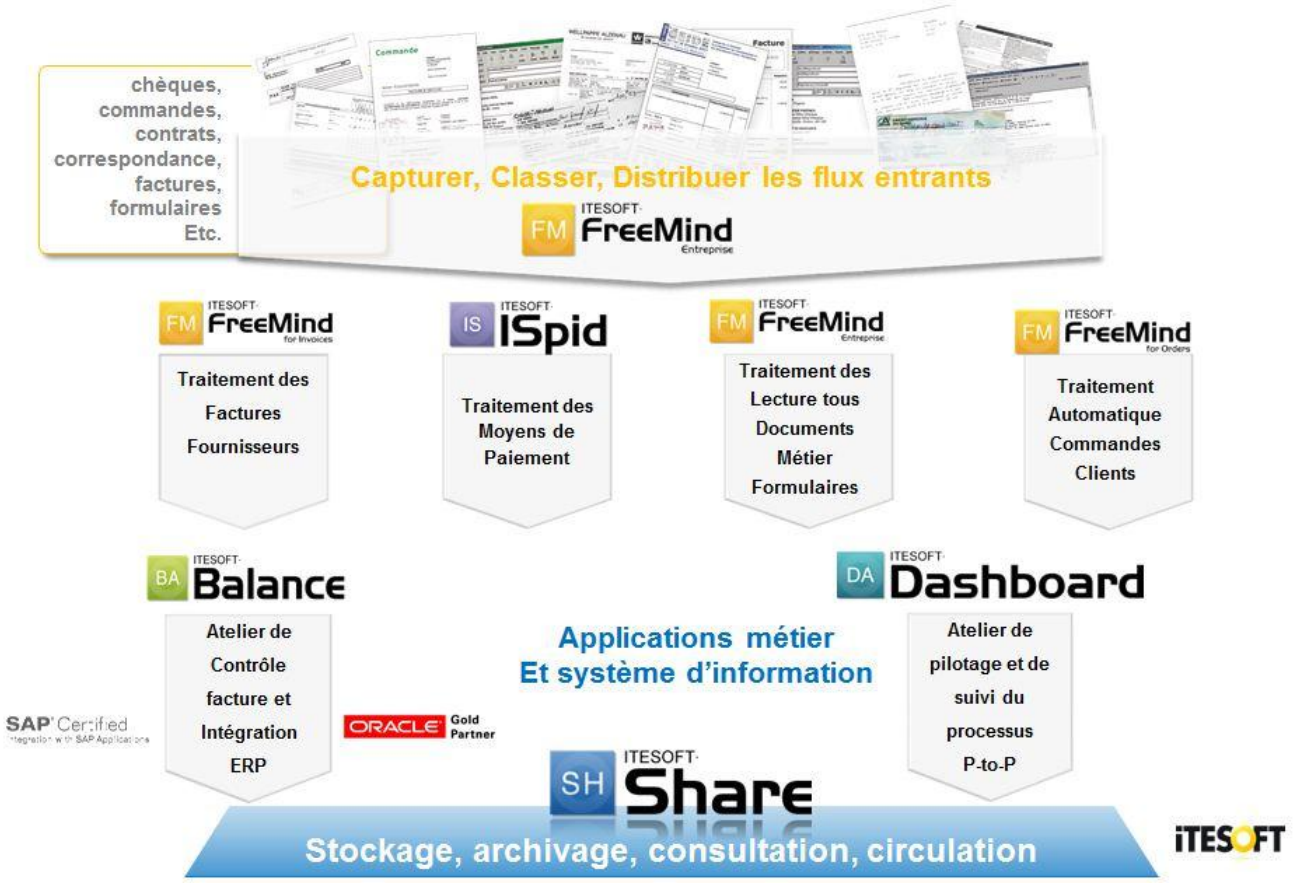
FreeMind forms the historical backbone and main part of ITESOFT's business activity.

### 6.1.1 Products, solutions and customers

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

ITESOFT's product offer consists of complete, upgradeable software solutions for digitising, automatically processing, and managing all its customers' incoming documents: letters, forms (purchase orders, slips, etc.), invoices, payments (cheques, bills of exchange, etc.).

The ITESOFT.FreeMind Enterprise input portal captures and identifies all document flows in order to route them towards their 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 enables automatic transmission to the various people involved in a given process.



The ITESOFT software suite is built around 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. Since all these solutions are produced by ITESOFT, they integrate together smoothly and transparently

ITESOFT.FreeMind is 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 types of documents.

ITESOFT.FreeMind Enterprise not only captures and sorts all incoming work- and dataflows, but also extracts and validates the data acquired and feeds it into your business-specific applications without any need for manual entry. At the same time it distributes the documents to the appropriate co-workers or the recipients' workflows.

The business-specific solutions ITESOFT.FreeMind for Invoices and ITESOFT.FreeMind for Orders are respectively dedicated to processing supplier invoices and B to B purchase orders. They both 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 that enable 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.

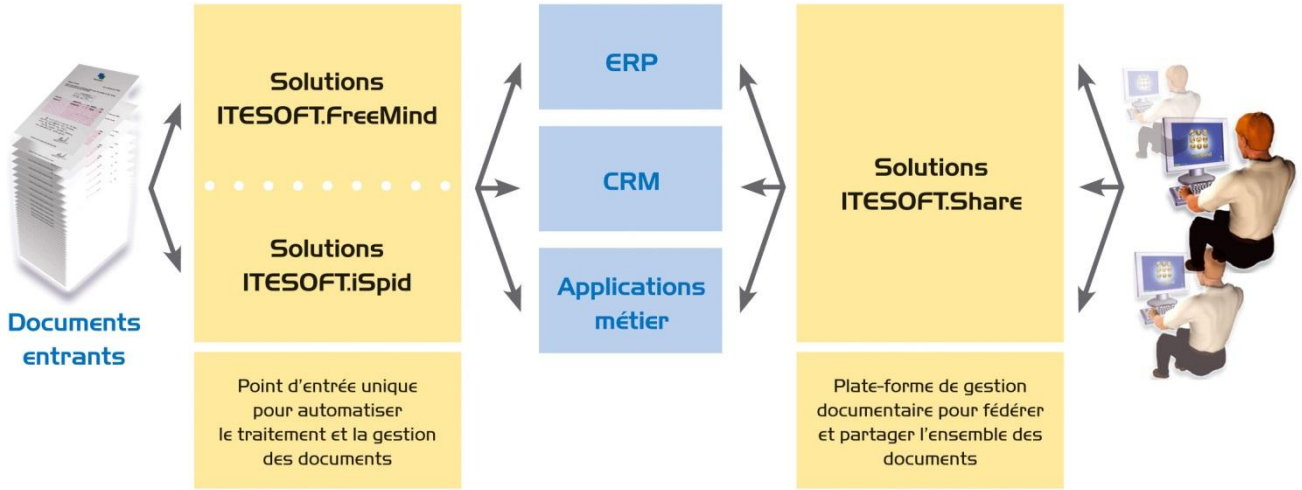
The solutions can be naturally integrated into more global systems, also intended to improve management quality and speed, such as:

- 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 produce software that simplifies, speeds up and fluidifies company processes based on the exchange of business documents."*

#### *6.1.1.3 Positioning of Business Activity in the Value Chain*

**Digitise and automate complete processes, with perfect integration into companies' Information Systems**




Compared to other software companies involved in information management (customer relations, logistics, knowledge bases etc.), ITESOFT's field is the digitising and automating of complete processes, from data capture and processing to integration in information systems and the archiving of documents. The factor that differentiates ITESOFT from other market players is its savoir-faire in the processing of both structured and unstructured, whether in electronic or paper form, and hence its ability to provide a single entry point for all the documents involved in all business processes that could benefit from being automated or require high levels of traceability.

Upstream in the chain, 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 (between 12 and 18 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** |
| • | • Lower document processing costs<br>• Faster document processing<br>• Increased productivity and freeing up of resources for higher added value tasks<br>• Improvement of the quality and accuracy of information obtained and reduction of costs due to quality issues | • Increased production capacity<br>• Industrialisation of processes and increased company efficiency<br>• Move towards real-time company management and control by means of faster processing of supplier invoices and depositing of payments<br>• Immediate and continuous access to all client and supplier information in digital format<br>• Improved response times | • Quicker deposits and improved cash flow<br>• Higher discounts thanks to quicker invoice processing<br>• Shorter invoicing cycle thanks to optimised recording of orders | • Automatic integration into the information system and new productivity vectors, plus improved customer relations (ERP, CRM, KM, etc. …)<br>• Improved production security<br>• Full document traceability |
| | => 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 Customers*

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 numbers more than 600 references in a variety of sectors, including:

**Administrative Institutions and Public Services**

British Waterways (UK) - CETAF (INSERM) (FR) – EDF (FR) - État de Vaud (CH) – La Poste du Maroc (MA) – Ministère de l'Economie et des Finances (FR) – Préfecture de Police (FR) – SIG Genève (CH) - SNCF (34 sites, FR)

**Banks, Insurance Companies, Retirement and Pension Funds**

April Assurances (FR) - Assura (CH) - AXA (FR) - GMF (FR) - GMF Vie (FR) - Groupe Malakoff-Médéric (FR) - MFPS Mutualité de la Fonction Publique Services (FR) - MGP Mutuelle Générale de la Police (FR) - MAIF (FR) - MACIF (FR) - Swiss Life (FR) - Allianz Banque (FR) - BNP Paribas (FR) - Crédit Agricole (FR) - ING Direct (FR) - La Banque Postale (FR) - Société Générale (FR)

**Building, Construction and Materials**

Crest Nicholson (UK) - Groupe NGE (FR) - Portakabin (UK) - Raboni (FR) - VINCI Construction Grands Projets (FR)

**Culture and Media**

BBC Worldwide (UK) - Centre France Communication (FR) - Edipresse (CH) - Mondadori France (FR)

**Distribution and Major Brands**

Alinéa (FR) - Boulanger (FR) - Gifi (FR) - Harvey Nichols (UK) - KIABI (ST Dupont) (FR) - Système U (FR) - Yves Rocher (FR)

**Energy and Raw Materials**

Air Liquide (FR) - GDF SUEZ (COFELY, INEO) (FR) - VEOLIA (OTV) (FR)

**Food Industry**

Bünting (DE) – Cadbury (FR) - Groupe Soufflet (FR) - Roquette (FR)

**Laboratories, pharmaceutical and hospital products**

AAH Pharmaceuticals (UK) - Bristol-Myers Squibb (9 countries/pays) - Laboratoire Boiron (FR)

**Logistics and Transport**

Air France (FR) - Bourbon (FR) - CMA CGM (FR) - Geodis BM (FR) - SAGA (Groupe Bolloré, FR) - SDV Logistique Internationale (FR)

**Management organisations**

CGOS (FR) - FIFA (CH) - SACEM (FR)

**Manufacturing Industry**

Calderys (10 countries) - Faurecia (FR) - PSA (FR) - Mitsubishi Electric Europe (UK Branch) - Schneider Electric (FR) - VALEO (FR, DE) - Volvo Cars (UK)

**Services**

Alten (FR) - Brink's (FR) - Bull (DE, FR, UK) - Capgemini (22 countries) - Carglass (Groupe Belron, FR) - Cegos (FR) - Randstad (FR) - SAS Institute (FR) - Sodexo (FR) - Sogeti (FR)

**Social Security**

CAF (75 sites, FR) - CPAM (132 sites, FR) - CRAM (FR) – MSA (FR)

**Telesales and direct sales**

Groupe 3 Suisses (Europe) - La Redoute (FR) - Lyreco (18 countries)

**Telecommunications**

Belgacom (BE) - Debitel (DE) - SFD (FR) - Siemens Enterprise Communications (UK)

**Tourism and Leisure**

Belambra (FR) - Carlson WagonLit travel (Europe) - Jardin d'Acclimatation (FR)

#### *6.1.1.6 Examples of Applications*

l'Assurance Maladie
sécurité sociale

***CNAM-TS***

The regulatory body of the 132 French Health Care Benefits Offices, the French National Health Insurance Agency (CNAM TS) was faced with the need to make in-depth reforms. The major issues facing this national health insurance agency can be clearly expressed in four words: "Service", "Regulation", "Quality", and "Efficiency."

Having used the ITESOFT.FreeMind solution since 2004 for the automatic processing of health care forms, in 2008 the CNAM TS decided to extend digitising and automatic processing to all incoming documents, i.e. more than 200 million documents per year.

The project, called DIADEME, is one of the largest Digital Mailroom projects in the world, both in terms of the daily volume of documents automatically captured, classified and indexed, and fed into the business processes of more than 25,000 users, and in terms of its overall organisation: the processes will be distributed to its 9 Computing Centres and 132 local Health Insurance Agencies, together with their related sites.

DIADEME enables the CNAM TS increase its productivity, better manage the reimbursement process at the national level, and improve the quality of service given to insurees.

After a major bidding process, the CNAM TS chose the consortium led by Cap Gemini, consisting of EMC² Documentum for DMS and workflow, and ITESOFT for Digitising and Automatic Processing.

ITESOFT thus signed a M€1.8 contract for software licenses and services, most of which were delivered during the 2008 fiscal year.

*"We are truly proud to have been chosen by the CNAM TS for this major new project which, in terms of the daily volume processed and the number of interconnected sites; will be one of the largest Digital Mailroom set ups in the world. Our ITESOFT.FreeMind Enterprise solution has proven its technological performance, its architectural robustness (SOA, Web 2.0, Web Capture), and its very high level of security (real-time synchronisation of back-up platforms, virtualisation of servers). For ITESOFT, this represents an extraordinary showcase and a unique experience, which will enable us to take pole position in this strategic market",* declared Philippe Lijour, CEO of ITESOFT.

LCL, the only national network bank in France exclusively decicated to retail banking activities in the private, professional and company markets, selected ITESOFT.FreeMind Enterprise for the automatic classification of 150,000 per day. The solution digitises 60,000 paper documents received from clients daily, 70% of which are unstructured, and automatically distributes all 150,000 documents in all formats. In order to adapt to its organisation multi-site, permanently eveolving structure and optimise roll-out and application maintenance costs, LCL used a distributed architecture to set up the ITESOFT solution: web capture and video-assisted correction in Rich Client mode (Web 2.0).

**Rio Tinto Alcan**, market leader in the aluminium and packaging industry, set up a Shared Services Centre for its 17 sites in France and equipped it with ITESOFT.FreeMind for Invoices and ITESOFT.Share, interfaced with SAP® to integrate its annual volume of 160 000 accounts payable invoices into SAP® R/3. The observed gains in productivity (data entry three times faster) provided Rio Tinto Alcan with an R.O.I period of 15 months.

#### *6.1.1.7 New Products launched on the Market*

After having launched in 2006 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), then in 2007 new versions of its products with Balance for mySAP™ Business Suite v2.0, the new version of its business-specific solution dedicated to the automation of supplier invoice processing in an SAP® environment, and version 2.2 of its ITESOFT.FreeMind and ITESOFT.Share products, which offer major upgrades in terms of architecture with SOA, Web 2.0, and “High Availability”, in 2008 ITESOFT continued to roll out new versions of its products with the launching of:

- Versions 2.3 of ITESOFT.FreeMind and ITESOFT.Share
- DashBoard for SAPTM Business Suite: an SAP® add-on for automating B to B orders
- Balance for Oracle E-Business Suite: a complete solution for processing invoices in Oracle

The following new products and versions were launched in 2009:

- Versions 2.4 of ITESOFT.FreeMind and ITESOFT.Share
- ITESOFT.Everywhere, which enables access to document consultation and validation via any smartphone for the ITESOFT.FreeMind and ITESOFT.Share solutions

### 6.1.2 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 quantity of associated services.

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

#### *6.1.2.1 Sales of Licenses*

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.).

#### *6.1.2.2 Related Services*

**Services**

Provided to accompany the sale of licenses, services are invoiced in person/days, the number of which is decided 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 the 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 around 87% in 2010) 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.

#### *6.1.2.3 Break-down of Earnings by Type of Service*

| | 2009 (M€) | | 2010 (M€) | | 2011 (M€) | |
|---|---|---|---|---|---|---|
| Software Licences | 5.8 | 29% | 5.2 | 26% | 6.1 | 29% |
| Maintenance | 7.3 | 36% | 7.8 | 39% | 7.8 | 36% |
| Services | 6.4 | 31% | 6.6 | 32% | 7.0 | 32% |
| Hardware sales | 0.8 | 4% | 0.6 | 3% | 0.5 | 2% |
| Yooz | 0 | 0% | 0 | 0% | 0.3 | 1% |
| **Total** | **20.3** | **100%** | **20.2** | **100%** | **21.7** | **100%** |

#### *6.1.2.4 Break-down of Earnings by Geographical Market*

See the Financial Statements (Information by Geographical Segment) in Section 20.1.2.26.

### 6.1.3 Market and Competition

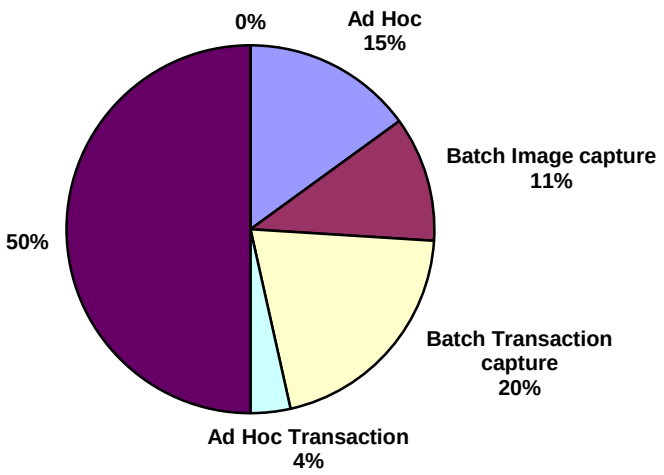
#### *6.1.3.1 Structure and Size of the Market*

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.).

- Ad-Hoc, including OCR: capture components. Main players: Nuance, eCopy, Adobe, Abbyy...
- Batch Image capture: capture of images for archiving or workflow. Main players: Kofax, EMC...
- Batch Transaction capture: capture of documents for dedicated professional applications. Main players: Readsoft, Kofax...
- Full Text Server capture

This entire Document Capture sub-market was evaluated by Harvey Spencer to have been worth about $ 2.2 billion worldwide in 2010, broken down as follows:

**Document Capture Market by Segment in 2010**




*Source : Harvey Spencer Associates, 2011-2012 World-Wide Survey for Document Capture software*

ITESOFT is above all positioned in the Batch Transaction capture segment, which was worth M$ 903 worldwide in 2010, i.e. 41% of the total market.
The European market was itself estimated at 42% of the world market in 2010 and is growing.

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

- The acceleration in the transition towards a digital economy leads both major and minor players, in both the private and the public sector, to seek a solution for completely digitising their key processes and to adopt a pragmatic approach in which all incoming flows, whether electronic or paper are automated using a multi-channel strategy
- Mobility and hyper-connectivity facilitate and at the same time accentuate the need for dematerialised processes
- The “consumerization of information technologies has eliminated barriers that may have existed when the technologies first appeared some years ago
- 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.),
- 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.

#### *6.1.3.2 Forecasts for Market Growth*

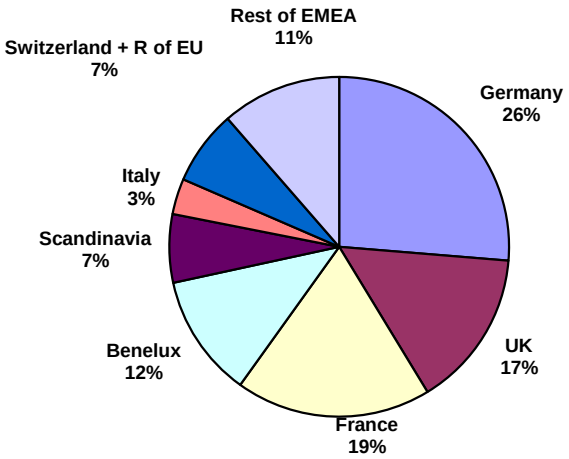
ITESOFT considers that the market will remain structurally sound in the medium term for the reasons highlighted above.

According to Harvey Spencer Associates, Batch Transaction capture segment of the world market, in which ITESOFT is mainly involved, should see average annual growth of about 9% from 2012 to 2015.

#### *6.1.3.3 Analysis of Demand by Country*

Demand is fairly concentrated in the main European markets:

**Analysis of Demand by Country in 2010**




*Source: Harvey Spencer Associates*

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 arrangement enables it to cover more than three-quarters of the European market.

### 6.1.4 Structure of the Competition

ITESOFT benefits from the position of leader on the French market. ITESOFT estimates its current market share to be around 30%, and its European market share is estimated to be 6 %.

### 6.1.5 Main Direct Competitors on the European Market

**Kofax** is a group with worldwide presence, listed on the London stock market. Kofax, which describes itself as the world's leading supplier of "Intelligent Capture & Exchange" solutions, sells its application and OEM/POS software planet-wide, together with hardware in Europe, the Middle East and Africa. It is world leader in the document capture software editing sector. For the tax year closed 30/06/11, the Group posted a turnover of M$ 244 (i.e. M€ 238 at the 14/05/12 exchange rate), up by 12% compared to 2010.

**Readsoft**: a Swedish group listed on the Stockholm stock exchange, is a major European player in data capture. Well established internationally, with subsidiaries in more than 16 countries and a network of partners in 70 countries, the company had a turnover of MSEK 663 in 2011), up by 7% compared to 2010 (M€ 73.6 at the 14/05/12 exchange rate)

**EMC2 (Captiva),** listed on the NASDAQ and world leader in storage solutions, posted a turnover of $ 20 billion in 2011 (i.e. € 15.5 billion at the 14/05/12 exchange rate). Captiva, EMC2's specialised document capture subsidiary does most of its turnover in the US but is also established internationally. It had a turnover of $68 M in 2004. The EMC Group announced the acquisition of Captiva in late 2005.

**Top Image Systems** (TIS), an Israeli company listed on the NASDAQ, had a turnover of M$ 28.7 in 2011 (M€ 22.3 at the 14/05/12 exchange rate) compared to M$ 21.8 in 2010, M$ 23.5 in 2009 and M$ 32.2 in 2008. TIS has subsidiaries in the US, Germany, South America, Singapore and Japan, and offices in Europe.

**ESKER**, a French company listed on the Alternext stock market, offers document digitisation and distribution solutions. Established in France, Switzerland, Luxembourg and francophone Africa, ESKER had a turnover of M€ 36.3 in 2011, up 11% compared to 2010.

**I.R.I.S. GROUP**, listed on the Brussels NYSE market and established mainly in Europe and the US, is involved in the field of document scanning and recognition and had a turnover of M€ 121.3 in 2011, up 1.5% compared to 2010.

### 6.1.6 Seasonality of Activity

The quarterly turnover figures for 2011 and 2010 were as follows (in millions of euros):

| | 2011 | proportion of annual turnover | 2010 | proportion of annual turnover |
|---|---|---|---|---|
| First quarter turnover | 4.9 | 22.6% | 4.5 | 22.3% |
| Second quarter turnover | 5.1 | 23.5% | 5.5 | 27.2% |
| Third quarter turnover | 5.3 | 24.4% | 4.8 | 23.8% |
| Fourth quarter turnover | 6.4 | 29.5% | 5.4 | 26.7% |
| Annual turnover | 21.7 | 100% | 20.2 | 100% |

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

### 6.1.7 Prospects for development

The Document Capture Market is undergoing considerable changes, which represent major opportunities because companies, particularly the largest, are really becoming aware of the potential gains offered by paper-free technologies such as those provided by ITESOFT. Consequently, capture solutions will increase in strategic visibility along with the size of the projects managed by ITESOFT.
Until now, capture solutions have mainly been considered as departmental. They are now increasingly being implemented as cross-company solutions capable of processing all its document flows in order to accelerate, automate and improve the reliability of all company processes depending on exchanges with exterior parties, clients and suppliers. It is in order to explain this tendency that the American consultancy firm Harvey Spencer & Associates introduced the term Enterprise Capture, which exactly corresponds to the vision that ITESOFT has developed in its product offer during the last few years.

The development factors are as follows:

- The on-going reality of the implementation by major users of completely paper-free processes and systems; this requires the scanning of 100% of the paper documents processed by the company or organisation, only a fraction of which were scanned in the past.
- The marked increase on the number of emails and electronic forms received by companies or organisations, together with or instead of paper documents. This creates increased complexity and additional management costs. 'Enterprise Capture solutions such as FreeMind are the only way to centralise and unify the processing of the multiple communication channels - paper, fax, email, e-documents – in order to respond to this problem.
- The continual effort on the part of large companies to reduce their costs. ITESOFT solutions increase productivity and enable the rationalisation of processes, with considerable and calculable returns on investment.
- The need for real-time information on the running of processes; by processing flows upstream of the information system, ITESOFT applications provide supervision tools (control panels and reports) that immediately give decision-makers the key information they require, without having to wait for it to be consolidated in the ERP or business-specific application.

To respond to these factors, ITESOFT is continuing to develop its product offer along the following main lines:

- reinforcing its technical leadership in order to achieve maximum automation levels, gauge for the resulting productivity gains;
- developing more packaged solutions for sector or business -specific applications so as to increase the added value for the customer and reduce the time require to implement the solution;
- developing complementary and additional products to supplement the current range that enhance integration and' interoperability with customers' applications (ERP, SharePoint, etc.) These products provide new income and competitive advantages.

ITESOFT is also continuing its commercial development abroad using a combined strategy based on three development vectors:

- In France and the UK, the development of a mixed direct and indirect sales strategy
- Outside France and the UK, the development of a strategy mainly based on indirect sales by selected market-specialist partners
  - Expansion through large international players who are already ITESOFT customers. For example, in 2010/2011, ITESOFT won a contract to provide software and services for an automated supplier invoice processing project with the American company PolyOne Corporation, world leader in the distribution of products, services and solutions in the specialised polymers market. The first phase of the project was implemented in 2011 at the headquarters of PolyOne Corporation in Ohio together with France. The solution is currently being rolled out in several European countries.

## 6.2 YOOZ BUSINESS ACTIVITY (SAAS)

The Yooz business activity is a recent development and is managed by an autonomous Business Unit within ITESOFT. The table below summarises the respective positioning of the two activities:

| | FreeMind | Yooz |
|---|---|---|
| Target market | Large companies and organisations | Small and medium-sized companies and organisations |
| Volume of documents | More than 25.000 doc/yr | 1000 to 25.000 doc/yr |
| Business model | Sales of licences and services | Sale of Internet service subscriptions (SaaS) |
| Organisation of sales | Sales engineers | Telesales |
| Processing of documents | ITESOFT baseline technologies | ITESOFT baseline technologies |

### 6.2.1 Products, solutions and customers

#### *6.2.1.1 A web-based paper-free processing service made available to all through SaaS*

The aim of Yooz is to provide medium-sized and small organisations with paper-free automated document processing technologies in the form of an Internet service (Software as a Service, SaaS), combining simplicity and accessibility with innovation and high performances.

Yooz is an On Demand service accessible on the Internet, available in two editions:
- Yooz Business Edition, for companies, local authorities, associations and the liberal professions
- Yooz Expert Edition, for chartered accountancy firms.

#### *6.2.1.2 An Internet service to improve efficacy and productivity*

Intended for organisations of any size that would like to optimise and automate the processing of their supplier invoices, Yooz offers a packaged service including all the functions required for accounts payable management:
- Scanning or capturing all types of invoices, credit notes, POs, delivery slips, etc.
- Accountancy allocation and analytical coding of invoices using automatic data recognition to avoid manual entry
- Electronic management of invoice validation and payment, issuing of electronic payment order
- Exporting of accountancy data to the accounting software or ERP used by the company or organisation
- E-archiving of documents
- Searching and consulting of e-documents
- Real-time monitoring and control of invoice processing.

#### *6.2.1.3 A unique offer*

The Yooz service offer is unique on the market in terms of both its characteristics and the benefits it provides to users.

Yooz is a paper-free processing service that can be accessed as a SaaS application using a standard web browser. It requires no initial investment whatsoever, with no need to buy either hardware or software before using it. The customer's existing scanner or multi-function device (scanner, fax, photocopier) is sufficient to use the service.

In order to simplify its implementation, Yooz has been designed to be set up in a few mouse- clicks, by the user him/herself without the need for any particular technical skills. This rapid setup enables each customer to begin the paper-free processing of his/her invoices the very day that he/she subscribes to the service, without having to pay the setup costs associated with the implementation of a project. Moreover, no prior training is required before using the service.

In order to facilitate access, Yooz is e-commercialised on the site www.yooz.fr and sold in the form of a monthly subscription (starting price 99€ a month) based on the level of consumption of the service. Paper-free processing thus becomes cost-effective from just a few dozen purchasing invoices per month. At such a competitive price, Yooz is accessible from any Internet browser, for an unlimited number of users. The service can be assessed for free for a period of 30 days before subscribing.

The same desire for simplicity has led to Yooz offering more than 40 connecters with the accounting and ERP software on the market (CEGID, Microsoft, Sage, SAP, etc.) in order to facilitate integration with the management systems already in place.

In order to provide an irreproachable quality of service, the Yooz SaaS uses a solution specifically dedicated to invoice processing, which is available 7/7 and 24/24 and ultra-secure with several means of assistance at the end-users' disposal.

Finally, Yooz provides the highest possible level of automation because it features the best invoice processing technology: ITESOFT's automated document recognition technology, internationally acknowledged for its exceptional performance and accuracy levels.

#### *6.2.1.4* **Positioning of the Yooz Business Activity in the Value Chain**

The position of the Yooz service is similar to that of the FreeMind solutions (historically ITESOFT's core business): the capture and processing of data flows.

#### *6.2.1.5 Customer Benefits*

Paper-free document processing consists in transforming all physical information formats into electronic formats and e-data flows. It is a major growth and efficiency factor for companies of all sizes.

The benefits provided by the Yooz service are similar to those provided by FreeMind solutions, on a smaller organisational scale. Yooz thus provides its user with considerable direct, measurable benefits, including:

- halving the turnaround time for processing an invoice
- halving the workload and therefore the cost of invoice processing
- halving the number of processing errors, lost documents, etc.

- making data and documents available 24/24 and 7/7, from any internet browser
- enhancing accountancy work by reducing low-added-value tasks
- ensuring document traceability by logging all interventions for every document
- simplifying communication and document exchange
- improving data lifespan, preservation and security
- optimising administrative processes through real-time monitoring and control
- conforming to developments in traceability regulations (LSF, SOX, etc.)
- reducing the organisation's carbon footprint (Green IT)

#### *6.2.1.6* Prestigious Customer References

Yooz can adapt to the needs of any SME, VSB, accountancy firm, association, local authority, etc…

As of 31 December 2011, the Yooz service offer has won over more than 200 customers, including:

**Accountancy Firms**

2AE Conseil, A3C Audit, A4 Conseil, ACC, Acogec, AGC Conseil Entreprise, Agde Audecia, Alience, AMEX Conseils, Apeca Comptabilité Conseil, Artemine, Audial, Auditia, Augefi, Axens, Bonnieu Expertise, BS Audit et Expertise, 2C2A, ECA Dijon, Louvois Audit et Conseil, Cabinet Martini, Cabinet Mohamed, Cabinet Weber, CLC, Cogest, David Aubry, Dualys Conseil, E2CS, Equitive, Eurexpertise, Fidacem Expertise, Fidus, In Momentum, JM Consultant Associés, Leprince et Associés, Martineau, Midi Compta Associés, Moreno Rouby et Associés, Nouvelle Expertise, Papin et Associés, Philippe François et Associés, PwC, Revigestion, RT Conseil, SCM Comptadoc, Scudo, Secpa, Sofinorex, Sogex, Sogorec, Unicompta,...

**SME, VSB, Associations and Local Authorities**

ALJT, ASTRID, AUXIA, Brunel Chimie, CCI de Montpellier, Cloitre, DAF On Line, Decombat, Dem Invest, DFCG, Ecureuil Prévoyance, Elixis, Européenne d'hôtellerie, ESAT 90, Germicopa, MacSI, Mairie d'Aubergenville, Mairie de Viroflay, Market Securities, Micropole, Nextiraone, NOVAE LR, QDHP, Quant House, Region Job, Saguez, Saretec, SIVU, Thalasso, Vanksen, Wylburis, , …

#### *6.2.1.7 Satisfied Customers*

"Yooz makes auditing much more comfortable by providing a direct link between accounting figures and the invoices from which they come"
Benoït Blanc – Chartered Accountant – AUGEFI

"Yooz was clearly the best answer to our needs as an SME. It enabled us to simplify our accounts payable processing procedure."
Xavier Leclech - Finance and Administration Director - Auxia

"Yooz enabled us to significantly reduce invoice processing costs and to improve efficiency, working conditions and control."
Philippe Lecorre – Associate Director - BIOS Consulting

"Yooz enabled us to access paper-free technologies that were previously only available to large companies."
Philippe Chastres - General Agent - DFCG

"We succeeded in meeting the challenge of dematerialising 18 client dossiers in 1 month, with those clients scanning their invoices themselves. A successful gamble and quality of service guaranteed!"
Thierry LEPRINCE, Associate Chartered Accountant, CABINET LEPRINCE et Associés

"Yooz was the obvious choice as an effective, eco-responsible paper-free processing solution."
Olivier Marsil – Managing Director - Pure Impression

"To my mind Yooz is the ideal tool for optimising accounts payable processing performances."
Franck Dermagne - Consultant on the optimisation of financial processes - Winch Team

"Yooz fits in perfectly with our continuous innovation policy."
Hervé Bellanger - Employee - Zeppelin Conseils

"Yooz enabled us to free up time for the accounts department to improve our management control."
Michel Horel – Management Controller - Germicopa

"We were immediately won over by the tool's simplicity of implementation, combined with the power of OCR technologies."
Philippe Leymarie - Financial Director - Aubergenville Town Hall

"Using Yooz enabled us to reorganise our invoice recording and validation circuits from scratch and gain 50% of processing time per invoice."
Brigitte Magne – Deputy General Director – Viroflay Town Hall

"I saw an online demonstration of Yooz. I set Yooz to adapt it to MacSI processes and we decided to use it immediately. We began the paper-free processing of our supplier invoices that very day."
Eric Michel - Director - MacSI.

"Yooz enabled us to absorb the invoices of 3 establishments instead of one, without any increase in staff. In addition to these tangible gains, it enabled us to set up the electronic archiving of invoices."
Arnaud San José, Administrative Director, SIVU Guipavas.

"Yooz integrated completely into our innovation policy, provided added-value services to our clients and improved productivity in the firm."
Franck Gavois, Chartered Accountant, SOFINOREX

#### *6.2.1.8 New Products launched on the Market*

During 2011 ITESOFT continued with its innovation policy in order to optimise the service provided by Yooz and target new markets. Yooz currently targets 3 distinct markets with 3 editions of its service offer:

Yooz Business Edition, launched in April 2010, is a paper-free accounts payable processing service for SMEs, VSEs, and associations.
During 2011, Yooz Business Edition was enriched with additional workflow and invoice processing features in response to more complex needs of larger enterprises by enabling them to define specific validation circuits in function of legal entities or sites, or the accounts concerned by certain invoices.

Yooz Expert Edition, launched in September 2010, is a paper-free accounts payable processing service for accountancy firms. In addition to the benefits usually observed, Yooz provides chartered accountants with collaborative functions to facilitate the exchanging of documents with their clients. In 2011, Yooz optimised its service for this market by adding the possibility of processing sales invoices, optimising its recognition and automation performances, and combining it with an innovative scanner, the Yooz'Box, which encourages the rollout of Yooz to the clients of the accountancy firms that use it.

Yooz Public Edition was launched in November 2011: it provides a paper-free accounts payable processing service for local authorities and public institutions.

### 6.2.2 Break-down of Earnings

#### *6.2.2.1 Subscriptions*

The economic model of the Yooz business activity is based on subscriptions to the service. In this fully SaaS model, the renewal of subscriptions creates recurrent earnings and acts as a major growth factor.

The subscription price gives the user access to the service, together with updates and online support.

The pricing of the basic service and optional additional services is based on the user's consumption of the service and calculated according to the number of documents processed per month. The minimum forfeit is 99€ per month for 100 invoices per month, with a sliding scale system so that the cost per document is reduced for larger volumes. Any consumption of the service over and above the forfeit is invoiced as an extra.

#### *6.2.2.2 Related Services*

Yooz is designed to be installed, set up and used without the need for additional services.

Nonetheless, in the case of complex projects or specific requirements, any additional services desired by the customer are invoiced per person-day.

There are numerous possible service requirements such the auditing of administrative processes, detailed needs analysis, setup, specific integration developments, user or manager training, start-up assistance, auditing of performances, etc.

#### *6.2.2.3 Break-down of Earnings by Type of Service*

| | 2011 (K€) | |
|---|---|---|
| Subscription | 209 | 75% |
| Services | 69 | 25% |
| **Total** | **278** | **100%** |

#### *6.2.2.4 Break-down of Earnings by Geographical Market*

All sales were made in France.

### 6.2.3 Market and Competition

#### *6.2.3.1 Structure and Size of the Market*

The current paper-free document processing market is the province of large companies and organisations. Average initial investment is considerable, including software, services and software together with internal costs. Installing a solution requires additional services which represent a major part of the overall cost. The high fixed costs only result in a relatively short return on investment (6 to 18 months) if the volumes of documents to be processed are high.

SMEs, VSEs, liberal professions, associations, local authorities, etc. are nearly all small or medium-sized organisations with the same problems as large organisations with regard to managing their paper documents, information flows and administrative processes. Although document volumes are much smaller the fixed costs remain high.

Traditional processing solutions are therefore not accessible to small or medium-sized organisations.

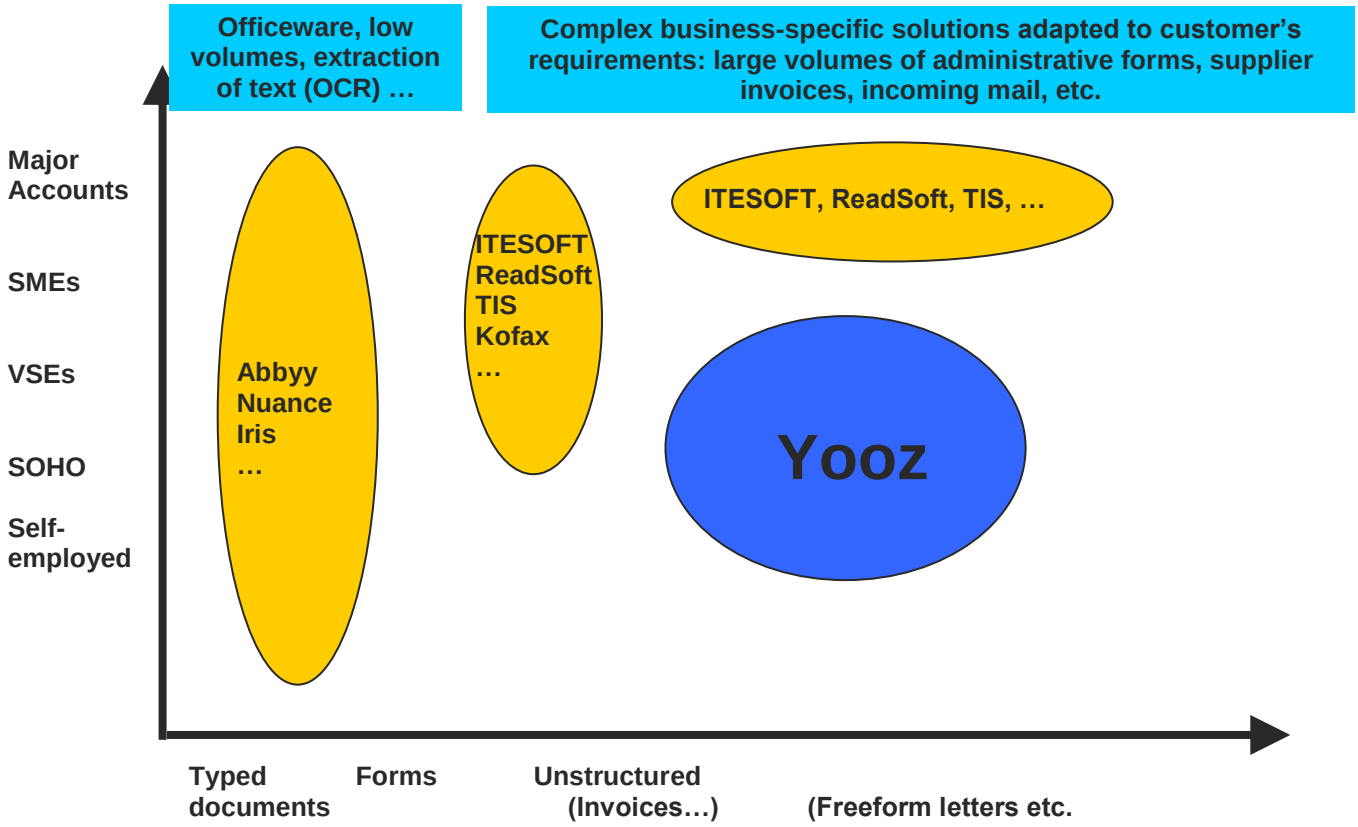
The current paper-free document processing market can be segmented according to several criteria (see diagram) including:

- the size of the client: self-employed, liberal profession, VSE, SME, major brand,
- the structure of the documents to be processed, which determines the technical complexity of the solution required.

The first zone (from left to right) represents the oldest OCR software market. Limited versions of such software are provided for free when the customer purchases a small scanner or MFD for between 100€ and 300€. The full software version costs between 50€ and 150€ and can extract the characters and page formats of typed documents. Error rates are low if the documents are of very high quality, but are not suited to everyday reliable professional uses, particularly for extracting very specific data such as an invoice total, client name, contract number, etc.

The second and third zones represent ITESOFT's traditional market, that of ADR software. These are complex business-specific solutions, adapted to the customer's specific requirements to reliably process large volumes of administrative forms, supplier invoices, incoming mail, etc. The volumes involved are between 100 and 10,000 documents per day (or even more). The data are read automatically with error rates below those

achieved using manual data entry. For the reasons cited above, these solutions are not accessible to SME/VSEs.




Yooz has been designed to respond precisely to the needs of these very numerous small and medium-sized organisations, which process low volumes of documents. Yooz can be implemented without any fixed costs and the level of variable costs (subscription) is in function of document volumes. This can divide document processing times by 2, or even more, whatever the annual volume processed.

There is no study available that analyses the market in SaaS paper-free processing. ITESOFT therefore carried out its own market research for Yooz in 2009, on the basis of:

- 170 enterprises questioned, in all sectors, between 25 and 2500 employees,
- 30 people involved in 5 Focus Groups for more interactive and detailed exchanges.

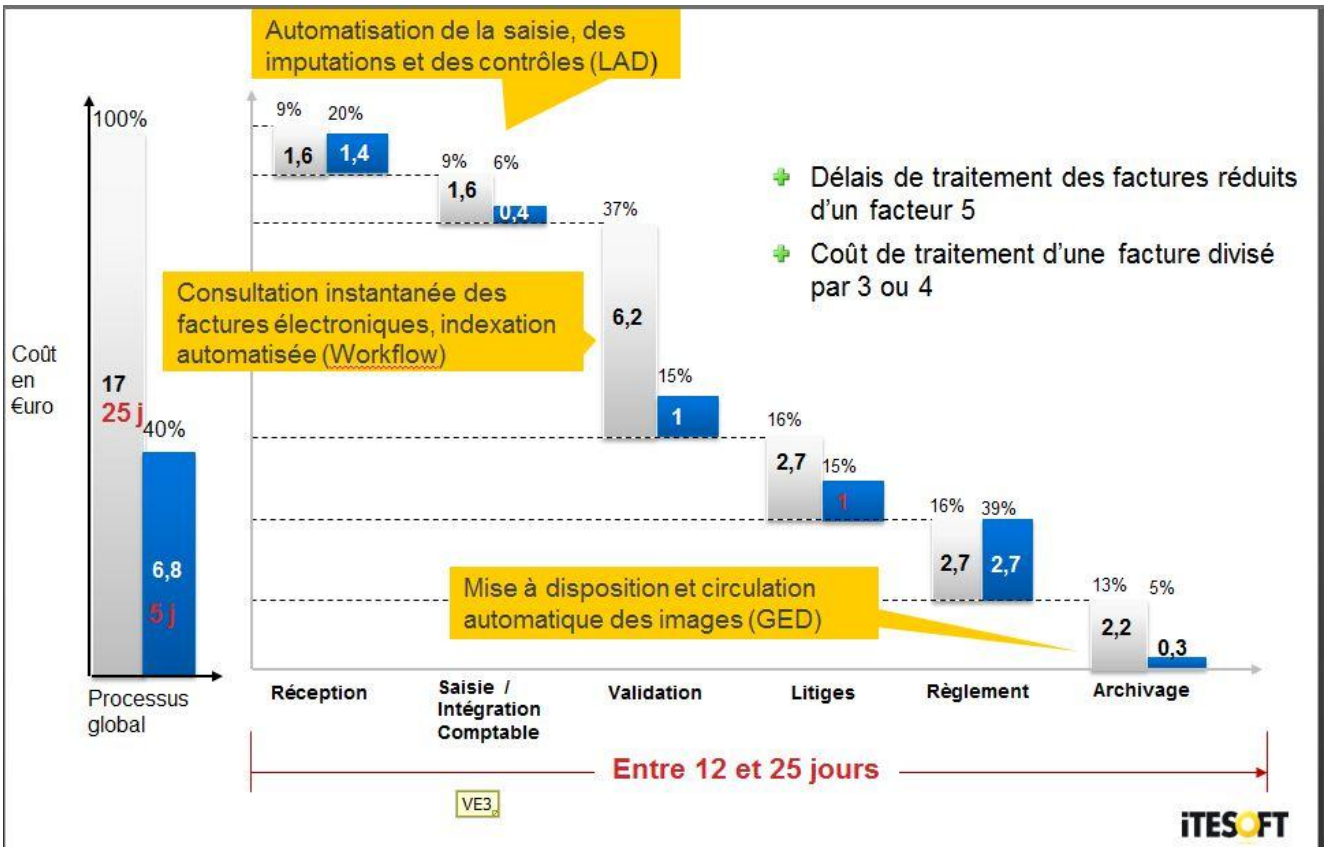
The main characteristics of this market are as follows:

- 96% of enterprises have Internet access
- 85% of enterprises are equipped with scanners or MFDs
- 55% of the market is covered by 3 ERP systems
- 85% of enterprises do not receive fully electronic invoices
- the volume of invoices processed depends on the size of the enterprise: less than 2500 invoices per year enterprises with between 20 and 50 employees, more the 10 000 for those with more than 500 employees.

Concerning the most time-consuming steps in their invoice processing system:

- 52% of customers cite checking, verification and validation
- 19% of customers cite data entry and recording

Regarding invoice processing costs and times, results were in keeping with studies carried out in France and abroad with large companies. These studies estimate the processing cost per invoice to be between 10€ and 20€, and show that automatic processing solutions can divide this cost by a factor of between 2 and 3.




Paper-free processing benefits from an excellent image:

- 82% of enterprises have heard of it
- 56% have a positive or very positive perception of it
- 16% have a negative or very negative perception of it
- 28% see both advantages and disadvantages or are unsure

According to 93% of interviewees the Yooz service offer is clear as it was presented to them and its scope well understood. On an interest scale from 0 to 10, 61% gave a score ≥ 6 and 29% a score ≥ 8.

The study did not reveal any major potential slowdown factor, nor any surprise concerning that point:

- 18% cite problems of security and confidentiality linked to the Internet
- 7% cite changes in habits

The conclusions were very favourable and confirmed the hypotheses:

- The image of paper-free processing, and the understanding and acceptance of the service offer are very positive factors
- The idea of subscribing to SaaS seems to be naturally accepted
- The interface with the customer's accounting or ERP software is indispensable
- Security aspects are very important

ITESOFT's study of the SME/VSE market clearly showed the existence of a major potential market with real expectations concerning a solution for processing supplier invoices.

The vision of Yooz's potential market is based on:

- ITESOFT's market study (see summary above)
- ITESOFT's experience in paper-free document processing
- exchanges between ITESOFT and potential partners interested in the Yooz service offer

Globally speaking, the target market concerns SMEs, VSEs, liberal professions, associations, local authorities, etc. and all small or medium-sized organisations with broadband Internet (ADSL or faster). The target market is

divided into tranches according to the size (workforce) of the organisation. Each tranche is associated with a number of target customers in France.

| Employees | Nb in France |
|---|---|
| 25-2500 | 100 000 |
| 4-24 | 500 000 |
| 1-3 | 1 000 000 |
| 0 | 2 000 000 |
| **Total** | **3 600 000** |

Extrapolation to foreign markets gives a potential of more than 50 million target customers worldwide.

#### *6.2.3.2 Forecasts for Market Growth*

ITESOFT considers the market to be structurally sound for the reasons highlighted above.

Developments in document processing technologies influence the size of Yooz's potential market, through:

- the capacity to process increasingly complex documents
- the level of automation provided
- accessibility due to simplicity of implementation for very small organisations

To summarise, higher-performance technologies provide a higher level of automation and easier implementation. These two characteristics enable a broader and broader target market because the service can respond to the needs of smaller and smaller organisations.

The Yooz service's access to the market is thus progressive, broadening along 3 axes:

- geographical area (France, UK, Germany, Europe, USA, Asia, etc.)
- target customer size (MEs, SMEs, VSEs, liberal professions, very small organisations, etc.)
- functionalities of the service and the documents it can process (invoices, POs-payments, letters, etc.

#### *6.2.3.3 Analysis of Demand by Country*

As with FreeMind, demand is fairly concentrated in the main European and North American markets:

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 arrangement enables 80% coverage of the European market.

#### *6.2.3.4 Structure of the Competition*

According to the information available, there is currently no other service directly comparable to Yooz.

There are several major barriers that limit and will continue to limit, the arrival of competitors on the market:

- the simplicity of implementing and using the Yooz service
- the key document processing technologies used, providing maximum automation (performances) without having to change settings

#### *6.2.3.5 Main Competitors on the European Market*

Nonetheless, analysis of the players on ITESOFT's traditional markets can enable competition risks to be anticipated. The following categories can be distinguished:

- traditional players on the capture market: ITESOFT's current direct competitors
- players on the paper-free invoice processing market: ITESOFT's current competitors
- new SaaS players in the DMS and paper-free processing sectors, etc.: start-ups in France and abroad

### 6.2.4 Seasonality of Activity

| | 2011 | %age annual turnover |
|---|---|---|
| Q1 turnover | 32 | 12% |
| Q2 turnover | 85 | 30% |
| Q3 turnover | 65 | 23% |
| Q4 turnover | 96 | 35% |

| | | |
|---|---|---|
| Annual turnover | 278 | 100% |

The evolution in turnover through the year is characteristic of the cumulative subscription business model in SaaS. Each quarter, the turnover generated by the clients is augmented by the turnover generated by new subscriptions taken out during the year. In 2011, the fourth quarter was characterised by a dramatic acceleration in sales (60% of the year's subscriptions were taken out during the fourth quarter) due to the service becoming better known and the propitiousness of that period for the accounting firms market to purchase processing solutions.

### 6.2.5 Prospects for development

In late 2010, ITESOFT, Sagemcom and LORIA/READ obtained financing from the OSEO (a public holding body intended to aid the development of SMEs) for a technological innovation project without precedent in the world of paper-free document processing. This collaborative project, bringing together two companies that are leaders in their field, and a well-known research laboratory, consists in developing a new generation of paper-free processing products and services.

After thorough examination of the project, codenamed DOD (Documents On Demand) and instigated by ITESOFT, OSEO granted the three partners M€ 10.5 out of a total project cost of nearly M€ 25 over 5 years. OSEO's "ISI" programme (Strategic Industrial Innovation) favours the emergence of new European champions. It supports ambitious collaborative innovation projects, with industrial aims, created by innovative SMEs.

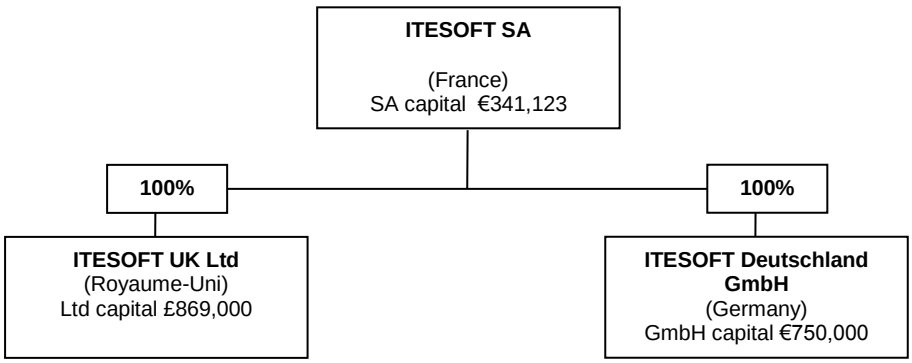
Through this project, the partners will develop a new generation of paper-free document processing offers that will enable the use of automated paper-free document flow processing to spread to very small organisations (VSEs, local authorities, liberal professions, etc.) DOD will remove the main obstacles to the widespread adoption of paper-free processing by providing:

- Even greater simplicity of implementation and use
- Pricing appropriate to the needs of each target customer
- The ability to process a very wide range of documents without having to change settings beforehand

By launching this new offer, ITESOFT and its partners will break new ground in the world of paper-free document processing, enabling them to expand into new markets.

# CHAPITRE 7 - ORGANISATIONAL CHART

## 7.1 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 of 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 20.1.2.23 and 20.1.2.27, each geographical segment of activity corresponding to a subsidiary:

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

# CHAPITRE 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 1,553 m2, together with an adjoining building of about 400 m² intended as a space for training and leisure reserved for employees, together with a large garden.

In 2011, the Group also rented offices in Nanterre (France, 92), Farnham (UK), and Hamburg (Germany), with respective surface areas of about 900, 300, and 5 m².

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

See Section 4.10. There are no significant items to mention.

# CHAPITRE 9 - EXAMINATION OF THE FINANCIAL SITUATION AND RESULTS

## 9.1 FINANCIAL SITUATION

### 9.1.1 During the 2009 Tax Year

In 2009, turnover was M€ 20.3, a 4.6% increase (+5,6% when adjusted for currency fluctuations), meaning ITESOFT achieved its 3rd consecutive year of growth.

This good performance, in spite of the world economic crisis, proves that the Group is well-positioned with respect to the issues and problems facing major decision makers: cost reduction, less time to process documents, and process security and traceability.

Growth in France increased every quarter, and a record number of major contracts was signed with both the existing customer base (Capgemini, Jouve, and Sodexo), and with new clients including CARGLASS, Geodis BM, GIFI, and Icade.

In the United Kingdom, during the last two quarters ITESOFT returned to encouraging dynamic growth with several new clients (British Waterways, NAAFI, and Mott MacDonald).

Since its founding, ITESOFT has made major investments in R&D in order to provide its clients with the most innovative electronic document processing solutions on the market.

2009 marked an major step forward in this strategy with a 25% increase in expenditures allocated to R&D, which now stand at M€ 5.1 or 25% of turnover.

In particular, in 2009 ITESOFT developed a new 100% web-based invoice processing solution in SaaS mode (Software as a Service). This strategic project required a new investment of M€ 1.3 (M€ 0.7 in R&D).

In spite of these exceptional investments, operating profit remained positive in 2009 at M€ 0.5, compared with M€ 0.9 in 2008.

The net profit was thus M€ 0.7, as opposed to M€ 0.9 in 2008.

The company's financial situation was extremely solid with M€ 8.9 of equity capital and a net cash position of M€ 7.6.

### 9.1.2 During the 2010 Tax Year

ITESOFT's turnover was nearly stable in 2010 (M€ 20.2).

In France, turnover was slightly down by 0.8%, negatively affected in particular by the late signing of major contracts.

In the United Kingdom, ITESOFT's UK subsidiary fulfilled the Group's expectations with 14.1% growth in £ sterling turnover.

ITESOFT's new "Yooz" 100% web-based SaaS (Software as a Service) inovice processing solution was launched in excellent conditions in the second quarter of 2010.

This SaaS business activity, marketed as Yooz, concerns a high-performance solution for automatic invoice processing that is accessible to SMEs, which has created great interest among prospects. It will enable the Group, which has traditionally worked with Fortune 500 companies, to broaden its prospects for development. This product offer is built around a subscription-based economic model. The expenses linked to this activity should be approximately M€ 2 in 2011.

Investments in R&D were significant in 2010 representing 28% of turnover, and a contract was signed with OSEO to fund R&D for the next five years.

ITESOFT's net profit was M€ 0.6 compared to M€ 0.7 in 2009.

The Group's financial situation remained extremely solid with M€ 9.5 in equity capital, and a net cash position of M€ 9.4 at the end of fiscal year (including current financial assets).

### 9.1.3 During the 2011 tax year

ITESOFT's turnover was M€ 21.7 as of 31 December 2011, a 7.5% increase compared with the previous tax year (+14% when adjusted for currency fluctuations). The Group's growth was mainly driven by licence sales, which increased by 18% compared with the previous year.

In France, turnover was up by more than 7.3% on the previous tax year, attesting to a positive trend despite the context of economic crisis during the period.

Abroad, cumulated activity showed annual growth of about 23%, with UK turnover at M€ 2.4, up 16.7% compared with the previous tax year.

Yooz, the SaaS inovice processing solution aimed at VSEs, SMEs and accountancy firms won over numerous companies during the 2011 tax year. ITESOFT anticipates a continued increase in orders during the coming quarters.

2011 was a year of heavy investment with M€ 0.8 devoted to renewing and improving the the performances of the Group's IT tools.

ITESOFT posted a stable operating profit of M€ 0.3 on 31 December 2011, compared with M€ 0.4 for the previous tax year, and net profits of M€ 0.5, compared with M€ 0.6 in 2010.

ITESOFT thus has M€ 10.1 of equity capital, a net cash position (including current financial assets) of M€ 9.2 and a comfortable financial situation.

## 9.2 MAJOR FACTORS INFLUENCING OPERATING PROFITS

### 9.2.1 Major Factors Considerably 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 are no particular comments to be made in this respect.

# CHAPITRE 10 - CASH FLOW AND CAPITAL

## 10.1 ISSUER'S CAPITAL

ITESOFT is essentially financed using its own capital stock approximately M€ 10.1, and its cash position (including current financial assets) was approximately M€ 9.2 as of 31/12/11.

## 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 has almost no 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 will continue financing its activities with its own capital stock. Its cash position (including current financial assets) was approximately M€ 9.2 on 31/12/11.
In 2010 ITESOFT signed a contract with OSEO, which will provide it with total funding of k€ 7058 over the next five years (a loan of k€ 2159 to be paid back and a public grant of k€ 4899), to bolster its research and development activities. In 2011, a cash inflow of k€ 1394 was received within the framework of this contract.

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

## 11.1 R &D PRIORITIES

ITESOFT has always endeavoured 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 continue 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 extend 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.

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 settings are 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.

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.

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## 11.2 RESEARCH AND DEVELOPMENT ORGANISATION AND RESOURCES

On account of its line of activity, 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€ 3.6 in 2007, M€ 4.0 in 2008, M€ 5.1 in 2009, M€ 5.7 in 2010 and M€ 5.9 in 2011. 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 now been 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 Research & 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.

Within the Yooz "business unit", the R&D team develops the software components making up the Internet platform of the Yooz service, the connectors with clients' management software, and the interfaces with the FreeMind platforms that process the documents.

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

On 31 December 2011, the Group's R&D teams consist of 59 highly qualified employees, divided up as follows:

| | |
|---|---|
| Engineers with Higher Diploma or Ph.D. | 14% |
| Engineers from High-Level Engineering Schools | 61% |
| Others | 25% |

For the method used to account for Research & Development expenses, see Section Intangible Assets in the consolidated accounts appendix, which explains in particular the IAS 38 standard.

# CHAPITRE 12 - INFORMATION ON TRENDS

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

On 19 April 2012, ITESOFT published its turnover figures for the 1st quarter of 2012. The Group posted a turnover of €5 M, stable compared to the first quarter of 2011, in line with the Group's forecasts.

The beginning of the year, despite forecasts of a difficult economic context, is therefore encouraging and ITESOFT is confident of a profitable tax year in 2011.

## 12.2 TRENDS FOR THE CURRENT TAX YEAR

ITESOFT operates in a market that is proving its long-term sustainability, even in the current economic crisis, because document digitising solutions generate concrete and measurable gains in productivity for enterprises and administrations, with a rapid return on investment.

In France, ITESOFT will continue to benefit from its key position on a still buoyant market. In the UK, the strong growth achieved in 2011 should continue, as is already the case for the first quarter of 2012. These positive prospects should lead to growth in turnover in 2012 compared to 2011.

The Group intends to maintain high levels of R&D expenditure in 2012.

The company's new SaaS product offer Yooz, launched in 2010, offers a high-performance invoice processing solution that is accessible to SMEs, and has been very davourably received by prospective customers. It will broaden the development prospects of the Group, which traditionally does business with large companies and institutions. The offer is built round a subscription-based economic model. Expenditure linked with this activity should amount to approximately M€ 2.2 in 2011.

These major strategic investments will undoubtedly have an impact on profitability, but ITESOFT remains confident of its ability to post positive results in 2012.

# CHAPITRE 13 - PROFIT FORECASTS FOR 2012

## 13.1 2012 FORECASTS

ITESOFT is not communicating any forecast figures for 2012.

## 13.2 STRATEGY AND DEVELOPMENT PLAN

From 2006 to 2008, ITESOFT pursued a development plan nicknamed "ITESOFT 2008," the objectives of which were to achieve long-term and significant growth in terms of business activity and profitability.

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

This explains why, as of 2006, the Group implemented the following actions:

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

The Group accelerated the release of new solutions, together with major new versions of existing products. At the same time the product development process was 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. The total number of people working in Research and Development almost doubled during this period, and stood at 45 employees at the end of 2008, and 59 in 2011.

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

The Group has been organised in 4 geographical zones since 2006, with a director for each one (France, Germany, the UK, the Rest of the World), whose objective is focused on increasing the number of orders placed.

**- Sales Strategy: strengthen resources**

Sales and Marketing staffing levels have been increased to develop new clients and satisfy the demands of the established client base.

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 the Yooz SaaS solution. 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.

At the end of the 2008 fiscal year, given our achievements and taking account of the experience we acquired by implementing the ITESOFT 2008 Plan, the Board of Directors confirmed this vision of the future.

Innovation and international development are the two strategic axes in ITESOFT's growth plan. In 2012 this will take the form of:

- continued major R&D activities
- the impact of OSEO's financial aid
- the development and sales of the Yooz SaaS product offer

# CHAPITRE 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 | 16 May 2008 | GM ruling on the financial statements for the tax year ending 31/12/13 |
| Director | Simone Charpentier | 31 May 1991 | 16 May 2008 | GM ruling on the financial statements for the tax year ending 31/12/13 |
| Director | Laurent Matringe | 08 November 2005 | 16 May 2008 | GM ruling on the financial statements for the tax year ending 31/12/13 |
| Director | Alain Guillemin | 16 December 2007 | 16 May 2008 | GM ruling on the financial statements for the tax year ending 31/12/13 |
| Director | François Legros | 17 June 2009 | N/A | GM ruling on the financial statements for the tax year ending 31/12/14 |

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 Pédréno: Executive Vice-President (date of nomination to current function: 10/05/02; previously Managing Director from 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: former CEO, France, for the software editor BEA Systems
- Alain Guillemin: CEO of the TERRENA Group
- François Legros: former President and CEO of the Genesys Conferencing Group

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

Independent Directors: Laurent Matringe, Alain Guillemin and François Legros
The criterion required for appointing an independent director is 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 this criterion.

There is no director 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

- Directors:

**Didier Charpentier - Founder & President (54 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 early 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 (78 years old)**
Simone Charpentier is one of the company's founding shareholders. She is a shopkeeper.

**Laurent Matringe - Director (55 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.) From 2002 to 2009 he held the responsibilities of CEO, 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 (57 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 Electroménager (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 group 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 CEO of the TERRENA Group (food-processing, turnover €3.3 billion) since November 2007.

**François Legros - Director (46 years old)**
Former chairman of Genesys Conferencing until its merger with the American group West Corporation in 2008, François Legros arrived in the group in 1988 as Financial Director. In 1991, he became Vice-President in charge of development before being appointed Managing Director in 1995. From 1997, he acted as President and CEO.
François Legros is multilingual and has a master's degree in management from Montpellier University.

- Corporate officers:

**Philippe Lijour - Chief Executive Officer (54 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 Pédréno – Executive Vice-President (47 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 headed the Professional Services department for the British market. He returned to France in late 2009 and is now in charge of the Innovation Division.

### 14.1.3 Other Information concerning the Directors

#### *14.1.3.1 Other Mandates Held*
See the management report on page 136 for the other mandates held in 2010.

Other mandates held during the last 5 years:

Didier Charpentier: Director GPC System (until 25/05/2006), President of the Supervisory Board of Netia (until 30/01/2007), member of the Supervisory Board of NextVenture (until its date of liquidation, 12/10/2007), Director of Rêve de Rose SARL (until 01/10/2009).

François Legros: member of the Supervisory Board of NextVenture (until its date of liquidation, 12/10/2007), President and CEO of Genesys Conferencing SA until 18 May 2008.

Alain Guillemin: none

Other Directors: 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 NextVenture for Didier Charpentier and François Legros.
- 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.

# CHAPITRE 15 - REMUNERATIONS AND FRINGE BENEFITS OF THE DIRECTORS

## 15.1 REMUNERATIONS PAID OUT IN 2010

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 paid complementary retirement benefits in France for Jean-Marc Pédréno on the basis of a gross annual salary of K€ 90 during the time he worked at ITESOFT UK Ltd; i.e. until 31 July 2009 (see Section 16.5).

# CHAPITRE 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

A contract for the provision of services to the benefit of ITESOFT and authorised by the Board of Directors meeting held on 27 April 2011, has been signed by ITESOFT SA and the company CDML, the main shareholder of ITESOFT, of which Mr Didier Charpentier is the director. By the terms of this contract, which was signed 1 December 2011 and came into immediate effect, Mr Didier Charpentier no longer receives direct remuneration from ITESOFT for his technical functions, but rather from CDML.

## 16.3 AUDIT AND REMUNERATION COMMITTEES

In 2009 the Board of Directors set up an audit committee consisting of all the members of the Board of Directors.

## 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 President's Report on the basis of Legal Requirements

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. The report was approved by the Board in compliance with the July 2008 Law on 27 March 2012.

#### 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 (in accordance with the definition in the AFEP MEDEF Code: "*A director is independent when he or she has no relationship of any kind with the company, its Group or management, which may in some way prevent him or her from exercising his or her freedom of judgement*"): 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).

In June 2009, a third independent director joined the Board: François Legros was appointed by the 17/06/2009 Board Meeting.

Pursuant to law n°2011-103 (27 January 2011) we point out that the composition of our Board of Directors does not have 40% women, as it should in accordance with this law. Today, women make up 20% of our Board of Directors. Our company will comply with this text at the latest on 1 January of the sixth year following the official publication of this law.

There is no director elected by the employees.

The Board is composed as follows:

| Function | Name | Nomination Date | Renewal Date | Date of expiry of current mandate | Age |
|---|---|---|---|---|---|
| President | Didier Charpentier | 31 May 1991 | 16 May 2008 | GM ruling on the financial statements for the tax year ending 31/12/13 | 54 years old |
| Director | Simone Charpentier | 31 May 1991 | 16 May 2008 | GM ruling on the financial statements for the tax year ending 31/12/13 | 78 years old |
| Director | Laurent Matringe | 08 November 2005 | 16 May 2008 | GM ruling on the financial statements for the tax year ending 31/12/13 | 55 years old |
| Director | Alain Guillemin | 16 December 2007 | 16 May 2008 | GM ruling on the financial statements for the tax year ending 31/12/13 | 57 years old |
| Director | François Legros | 17 June 2009 | N/A | GM ruling on the financial statements for the tax year ending 31/12/14 | 46 years old |

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 measures taken to assess its performances.

The Board observes the AFEP-MEDEF's 2003 Code of Corporate Governance for Listed Companies, amended by the recommendations made in October 2008 on the remunerations of corporate officers. However, due to the size of the company, it is only in partial compliance at the present time. In particular, the following points have not yet been covered:

- suspension of the work contracts of corporate officers: the work contracts of the CEO and Executive Vice-President have been suspended,
- distribution of bonus shares, or exercise of stock options by corporate officers conditional upon performance,
- distribution of bonus shares or stock-options during the same calendar periods every year,
- distribution of bonus shares conditional on the purchase of a pre-defined quantity of shares when the bonus shares are available for distribution,
- mandatory condition for the directors to keep a significant and increasing number of the shares they acquire through stock options or the distribution of bonus shares,
- publication of all the items of remuneration of the directors immediately after the Board Meeting at which they were made official,
- standardised presentation of items of remuneration

The Board decided that it was not necessary to establish set rules for self-evaluation given the relationships between its members (5 members, 3 of whom do not belong to the President's family). It debated nevertheless regularly and informally on the quality of its work and how this could be improved.

The Board set up an audit committee in 2009 whose functions are carried out by the members of the Board.

The Board met 4 times in 2011 and the average attendance was 3.25 directors per Board Meeting.

In 2011, the Board dealt with the following subjects in particular:

- closure of financial statements,
- preparation of general meetings
- approval of provisional financial documents,
- approval of contractual agreements,
- financing of the foreign subsidiaries and debt remissions,
- evolution of operations in Germany
- setting the remunerations of the corporate officers,
- allocation of stock options.
- examining external growth dossiers

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, while Mr Philippe Lijour, previously Executive Vice-President, became Chief Executive Officer. Jean-Marc Pédréno 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 more than €5,000 of cash funds from the bank.

## 2. Remuneration of the Corporate Officers

In accordance with law n°2006-1770 of 30/12/2006, the President here presents "the principles and rules decided upon, according to the case, 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 2010 were as follows (all of these remunerations were paid by ITESOFT SA).

- Didier Charpentier: € 107,285 including € 3961 benefits in kind (as compared with € 104,775 for 2010, of which € 30.000 was variable remuneration, € 3578 profit-sharing bonus, and € 4597 benefits in kind).
Remuneration for 2011 breaks down as follows:

- € 69,000 of fixed remuneration
- € 30,000 of variable remuneration corresponding to a €30,000 discretionary bonus for the 2010 tax year
- € 4324 of profit sharing bonus

- Philippe Lijour: € 176,564 including € 3405 benefits in kind (as compared with € 170,343 in 2010, of which € 54,948 was variable remuneration, € 10,000 exceptional bonus, € 5118 profit-sharing bonus, and € 4277 benefits in kind).
Remuneration for 2011 breaks down as follows:

- € 98,400 of fixed remuneration
- € 68,000 of variable remuneration divided between a € 31,200 discretionary bonus for the 2010 tax year, a € 5000 exceptional bonus, and a € 31,800 advanced bonus for the 2011 tax year
- € 6759 of profit sharing bonus

-Jean-Marc Pédréno: € 117,744 including € 2282 benefits in kind (as compared with € 98,348 in 2010, of which € 24,000 was variable remuneration, € 1575 profit sharing bonus and € 2273 benefits in kind.)
Remuneration for 2011 breaks down as follows:

- € 72,000 of fixed remuneration

- € 36,600 of variable remuneration divided between a € 18,000 discretionary bonus for the 2010 tax year and an € 18,600 advanced bonus for the 2010 tax year
- € 4963 of profit-sharing bonus
- € 1899 of paid leave

- Didier Charpentier: € 2500 in director's fees (€ 0 in 2010)
- Laurent Matringe: € 5000 in director's fees (€ 2000 in 2010)
- Alain Guillemin: € 3500 in director's fees (€ 1500 in 2010)
- François Legros: € 4000 in director's fees (€ 1500 in 2010)
- Simone Charpentier: € 500 in director's fees (€ 0 in 2010)

**Interests of the directors in the stock-options and bonus shares plan**
As of 31/12/2011, through these plans, the directors who were on the corporate management bodies held options to purchase ordinary shares and/or rights to bonus shares, which could be exercised as follows:
- P. Lijour: 150,000 options at an exercise price per share of €2.01 (exercisable 14/09/2011 to 14/09/2013), 11,800 options at an exercise price per share of €1.87 (exercisable 18/04/2012 to 18/04/2014), 3200 options at an exercise price per share of €2.00 (exercisable 16/05/2012 to 16/05/2014).
- J.-M. Pédréno: 13,000 options at an exercise price per share of €1.87 (exercisable 18/04/2012 to 18/04/2014), 2000 options at an exercise price per share of €2.00 (exercisable 16/05/2012 to 16/05/2014.

There are no specific advantages in terms of deferred remunerations, retirement allowances, or retirement commitments other than those indicated in this document.
Loans and sureties granted or made up in favour of the members of the administrative bodies: none.

## 3. Internal Control and Risk Management 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 cannot, however, provide an absolute guarantee that these risks will be totally eliminated.

### 3.2. Presentation of the Current Overall System

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 System
IT System
The accounting system is based 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 report to both the General Management of the subsidiary and 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,
the 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 checked 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.

**4. Anti-Takeover Measures**
The company has not taken any specific measures except for the implementation of double voting rights. Compared to the right attributed to other shares with respect to the ratio of capital they represent, in accordance with article 21 of the Articles of Incorporation and a decision by the Mixed General Meeting on 3 November 2000, a double voting right is conferred upon 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.

**5. Participation at the Annual General Meeting**
See articles 19 to 21 in the Articles of Incorporation.

Aimargues, 27 March 2012.
For the Board of Directors.
The President
Mr Didier Charpentier

### 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.**

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 2011.

The President must draft a report and submit it to the Board of Directors for their approval, in which he accounts for the internal auditing and risk management procedures set up within the Company, and also provides other information required by Article L. 225-37 of the French Commercial Code concerning specific procedures for corporate governance.
It is our duty to:

- communicate to you the observations we derived from the information given in the President's report concerning the internal auditing procedures pertaining to the elaboration and processing of financial and accounting information, and
- attest that this report contains the other information required by Article L. 225-37 of the French Commercial Code, whereas it is not our duty to verify the sincerity of this other information.

We have carried out our work according to the professional doctrine applicable in France.

**Information concerning the internal auditing procedures relating to the formulation and processing of accounting and financial information**
Standards of professional practice 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.

**Other information**
In compliance with the law, we draw your attention to the fact that the President's report to the Board of Director's does not contain all of the information concerning the respect of the AFEP MEDEF governance code (amended by the recommendations made in October 2008), as required by Article L.225-37 of French Commercial Law.
Indeed, this report implements only some of the recommendations made in the French Commercial Code of Commerce, which were partly disregarded, together with the rules proposed to complement the existing legally stipulated requirements.

Nîmes and Montpellier, 13 April 2012

The Statutory Auditors

| | |
|---|---|
| SOFIRA AUDIT | ERNST & YOUNG Audit |
| Olivier Jourdanney | Marie-Thérèse Mercier |

## 16.6 EXECUTIVE COMMITTEE

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

| FUNCTION | NAME |
|---|---|
| Chief Executive Officer | Philippe LIJOUR |
| Executive Vice-President | Jean-Marc PÉDRÉNO |
| Head of France Operations | Philippe LIJOUR |
| Head of UK Operations | Bill WEBB |
| Head of Germany Operations | Philippe LIJOUR |
| Chief R&D Officer | Laurent LALOY |
| Marketing Director and Yooz BU Director | Magali MICHEL |
| Chief Pre-Sales Officer | Jean-Jacques RONGÈRE |
| Director of Professional Services | Philippe ANDRIEU |
| Customer Support & IT Director and BU Yooz Technical Director | Jean-Philippe FONTANA |
| Chief Corporate Marketing Officer | Vincent EHRSTRÖM |
| Chief Financial Officer and Chief Human Resources Officer | Currently being recruited |

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

**Bill Webb – Head of UK Operations (49 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.

**Laurent Laloy – Chief Research & Development Officer (45 years old)**
A graduate of the prestigious *Ecole Polytechnique* engineering school (Paris) and a *Ponts et Chaussées* civil engineer, he began his R&D career at Dassault Systems in 1992. He was one of the founding member of CATIA V5 Geometric Modeller in 1996 (CATIA is the number one CAD/CAM software solution in the world). In 2003, he became Head of operations in the Visualisation and Virtual Reality Department. The components developed in this Department are used by all of the Group's brands (CATIA, ENOVIA, DELMIA, SIMULIA, SOLIDWORKS, and 3DVIA which is for the general public). He joined ITESOFT in the spring of 2010 as Chief Research and Development Officer.

**Magali Michel - Marketing Director and Director of the Yooz BU (43 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. Since the start of 2009 she has also been Director General of Yooz.

**Jean-Jacques Rongère - Chief Pre-Sales Officer (46 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.

**Philippe Andrieu – Professional Services Director (44 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 and Technical Director Yooz (43 years old)**
A graduate of the University of Provence in Scientific and Technical Computing, in 1993 he joined SAE Mediterranée (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. Since the start of 2009 he has also been Technical Director of Yooz.

**Vincent Ehrström - Chief Corporate Marketing Officer (48 years old)**
Holder of a degree in Strategic Marketing from the IFG in Paris, he was hired by ITESOFT after having worked in the software industry for more than 20 years in various General Management positions. He founded the French subsidiary of ReadSoft, then 5 years later became the General Manager of this company in Australia before returning to the head office in Sweden as Vice President of Business Development. In this position, he was in charge of setting up subsidiaries in Asia and Benelux, and supervised its 5 subsidiaries in the rest of the world as well as strategic horizontal projects. His role at ITESOFT will be to lead Product Marketing, Strategic Technological Alliances, and Corporate Marketing operations.

# CHAPITRE 17 - EMPLOYEES

## 17.1 NUMBER AND DISTRIBUTION OF EMPLOYEES

As of 31 December 2011, the ITESOFT group numbers 200 employees, divided up as follows:

| Staff | 2009 | 2010 | 2011 |
|---|---|---|---|
| Sales | 18 | 16 | 17 |
| Marketing Communication | 14 | 14 | 18 |
| Customer Support | 75 | 82 | 84 |
| Research & Development | 52 | 59 | 62 |
| Administration | 18 | 17 | 15 |
| General Management | 5 | 4 | 4 |
| **Total** | **182** | **182** | **200** |

## 17.2 DIRECTORS' PROFIT SHARING AND STOCK OPTIONS

Stake in ITESOFT's capital of the directors mentioned in Section 14.1.1, as of 20/04/2012:

- Didier Charpentier: see Section 18.1.1.
- Simone Charpentier: 400 shares
- Laurent Matringe: 23,977 shares
- Alain Guillemin : 10 shares
- Philippe Lijour: see Section 18.1.1.
- Jean-Marc Pédréno: 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 legally stipulated 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.

ITESOFT SA signed a new profit sharing agreement on 25 June 2010 for a duration of three years. This agreement will apply for the first time to the profit from the 2010 fiscal year, and will last three years. The amount of the share will be based on the achievement of an activities objective and on the profitability of operations.

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

| In k€ | 2007 | 2008 | 2009 | 2010 | 2011 |
|---|---|---|---|---|---|
| Legal Profit Sharing | 0 | 0 | 0 | 0 | 0 |
| Contractual Profit Sharing | 0 | 200 | 345 | 473 | 130 |

# CHAPITRE 18 - MAIN SHAREHOLDERS

## 18.1 BREAKDOWN OF CAPITAL AND VOTING RIGHTS

### 18.1.1 As of 20 April 2012

| | Capital 7/4/11 | | Capital 28/2/10 | |
|---|---|---|---|---|
| | Number of shares | % | Number of shares | % |
| **D. Charpentier** | 445 000 | 7,83% | 3 171 219 | 55,78% |
| SARL CDML* | 3 173 585 | 55,82% | 484 779 | 8,53% |
| J.-M. Pédréno | 282 980 | 4,98% | 282 980 | 4,98% |
| P. Lijours | 224 185 | 3,94% | 224 185 | 3,94% |
| Employee name-registered | 125 950 | 2,22% | 147 600 | 2,60% |
| Other name-registered | 27 610 | 0,49% | 3 610 | 0,06% |
| **Total** | **4 279 310** | **75,27%** | **4 314 373** | **75,89%** |
| **Treasury shares** | **110 420** | **1,94%** | **113 073** | **1,99%** |
| FCPI managed by Odysée Venture SAS** | 341 973 | 6,01% | 341 973 | 6,01% |
| Other public | 953 687 | 16,77% | 915 971 | 16,11% |
| **Total public** | 1 295 660 | 22,79% | **1 257 944** | **22,13%** |
| **Total** | 5 685 390 | 100,00% | **5 685 390** | **100,00%** |

* D. Charpentier controls 100% of SARL CDML
**Figures as of 16/05/08 (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 07 April 2011 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 of 20 April 2012 Capital | | As of 7 April 2011 Capital | | As of 28 February 2010 Capital | |
|---|---|---|---|---|---|---|
| | Number of shares | % | Number of shares | % | Number of shares | % |
| **D. Charpentier** | 445 000 | 7,83% | 445 000 | 7,83% | 3 171 219 | 55,78% |
| SARL CDML* | 3 173 585 | 55,82% | 3 173 585 | 55,82% | 484 779 | 8,53% |
| J.-M. Pédréno | 280 980 | 4,94% | 282 980 | 4,98% | 282 980 | 4,98% |
| P. Lijour | 224 185 | 3,94% | 224 185 | 3,94% | 224 185 | 3,94% |
| Employee name-registered | 136 450 | 2,40% | 125 950 | 2,22% | 147 600 | 2,60% |
| Other name-registered | 16 610 | 0,29% | 27 610 | 0,49% | 3 610 | 0,06% |
| **Total** | **4 276 810** | **75,22%** | **4 279 310** | **75,27%** | **4 314 373** | **75,89%** |
| **Treasury shares** | **99 710** | **1,75%** | **110 420** | **1,94%** | **113 073** | **1,99%** |
| FCPI managed by Odysée Venture SAS** | 341 973 | 6,01% | 341 973 | 6,01% | 341 973 | 6,01% |
| Other public | 966 897 | 17,01% | 953 687 | 16,77% | 915 971 | 16,11% |
| **Total public** | **1 308 870** | **23,02%** | **1 295 660** | **22,79%** | **1 257 944** | **22,13%** |
| **TOTAL** | **5 685 390** | **100,00%** | **5 685 390** | **100,00%** | **5 685 390** | **100,00%** |

* * D. Charpentier controls 100% of SARL CDML
** Figures as of 16/05/08 for 2009 and 04/05/07for 2008 (General Meeting). For 2010 and 2011, the same figure has been used as in 2009 because this shareholder did not vote at the General Meeting so the company has not been informed regarding the number of shares it holds.

## 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 SARL 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 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.

# CHAPITRE 19 - OPERATIONS WITH RELATED PARTIES

The special report of the statutory auditors below gives all the information concerning this subject with respect to the 2011 tax year.

For the 2009 and 2010 tax years, please refer to the shelf registration documents for 2009 (Section 19) and 2010 (Section 19).

See also the appendix to the financial statements in Section 20.1.2.23.

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

To the shareholders,

In our capacity as statutory auditors for your Company, we are pleased to present you our report on contractual agreements.
It is our responsibility to communicate to you on the basis of information we were given, the essential characteristics and terms of the agreements and commitments about which we have been informed or may have discovered during our mission, with no need to make a judgement as to their utility or justification and with no need to seek other agreements or conventions that may exist. 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.

In addition, it is our responsibility, if necessary, to communicate to you the information stipulated in article R. 225-31 of the French Commercial Code relating to the execution, during the last fiscal year, of agreements and commitments already approved by the General Meeting.

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.

### AGREEMENTS AND COMMITMENTS SUBMITTED FOR APPROVAL AT THE GENERAL MEETING

**Agreements and commitments approved during the 2011 fiscal year**
In accordance with article R. 225-40 of the French Commercial Code, we have been informed of the following agreements and commitments which were approved by your Board.

**1. With CDML**

***Nature and object***

Conclusion of a service providing contract between CDML and the Company

***Director concerned***

M. Didier Charpentier, President of the Board of Directors of ITESOFT SA and Director and majority shareholder of CDML

***Terms and Conditions***

A 3-year service providing contract, renewable by tacit agreement, was signed 1 December 2011 between CDML, ITESOFT's main shareholder of which Mr Didier Charpentier is Director and majority shareholder, and ITESOFT SA, for a fixed annual charge of € 156,000.

The aim of this contract is to assist the Company in its strategic decisions and to participate in decisions concerning its operational management.

This convention had previously been authorised by the Board of Directors at its 27 April 2011 meeting.

## 2. With ITESOFT UK Ltd

***Directors concerned***

Mr Philippe Lijour and Mr Didier Charpentier, Directors of ITESOFT UK Ltd

***a. Nature and object***

Remittance of debts

***Terms and Conditions***

A debt remittance was a agreed 6 December 2011 for a total amount of GBP 350,000 i.e. EUR 408,615.96.

This convention had previously been authorised by the Board of Directors at its 5 December 2011 meeting.

***b. Nature and object***

Conclusion of a loan contract for capital increases and other purposes

***Terms and Conditions***

The advances granted to the subsidiary on 31 December 2011 amount to a cumulated total of EUR 436,968.76, in the framework of the maximum authorisation of EUR 600,000 set by the Board of Directors at its 27 April 2011 meeting.

The total interest received during 2011 in the framework of this convention amounted to EUR 9907.76.

### 3. With ITESOFT GMBH

***Nature and object***

Conclusion of a loan contract for capital increases and other purposes

***Director concerned***

M. Philippe Lijour, Geschäftsfhürer of Itesoft Deutschland

***Terms and Conditions***

The advances granted to the subsidiary on 31 December 2011 amount to a cumulated total of EUR 210,000, in the framework of the maximum authorisation of EUR 300,000 set by the Board of Directors at its 27 April 2011 meeting.

The total interest received during 2011 in the framework of this convention amounted to EUR 1480.83.

### II. AGREEMENTS AND COMMITMENTS ALREADY AGREED BY THE BOARD OF DIRECTORS

**Agreements and commitments approved during previous tax years that continued to be executed last tax year**

In accordance with article R. 225-30 of the French Commercial Code, we were informed that the following agreements and commitments, previously approved by your Board, continued to be executed during the last fiscal year.

### 1. With S.C.I. Andron Parc

***Nature and object***

A professional lease agreement, for a period of 6 years, starting 1 January 2001, for a house of renovated surface area 405 m², which includes meeting and training facilities, a company restaurant reserved for employees of the Company, and approximately 3 hectares of gardens, belonging to the S.C.I. Andron Parc.

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 m².
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 2011 was EUR 78,959.It is invoiced on a quarterly basis.

Rental expenses in 2010 amounted to EUR 6208 excluding VAT.

**2. With S.C.I. Andron Bâtiment 1**

***Nature and object***

An amendment to a commercial lease for the rental of additional offices in the office building belonging to S.C.I. Andron Bâtiment 1, whose Director is Mr Didier Charpentier.

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

The total rented floor area is 1553 m², with 25 parking places in the area under the building and 69 outside it.

***Terms and Conditions***

This amendment modifies the nine-year commercial lease (from 18 September, 2000 to 18 September 2009) renewed by tacit agreement on 18 September 2009 to 18 September 2018, the rent being updated annually, in function of variations in the construction cost index.

The annual rent excluding tax invoiced in 2010 amounts to €340,313, including parking and rental expenses. The costs recorded for the fiscal year were €251,981 for the rent, and €88,332 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.

Nîmes and Montpellier, 13 April 2012

The Statutory Auditors

SOFIRA AUDIT

Olivier Jourdanney

ERNST & YOUNG Audit

Marie-Thérèse Mercier

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

## 20.1 HISTORICAL FINANCIAL INFORMATION

In accordance with Article 28 of EC regulation n° 809/2004, the following information is included for reference in this Shelf Registration Document:

- the consolidated financial statements and corresponding audit reports given in pages 59 to 86 of the shelf-registration document for the 2009 tax year, registered with the FMA on 18 May, 2010, no. D.10-0454,
- the consolidated financial statements and corresponding audit reports given in pages 68 to 97 of the shelf-registration document for the 2010 tax year registered with the FMA on 23 June, 2011, no. D.11-0624,
- 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 *Consolidated Balance Sheet*

| Amounts in thousands of euros | Notes | 31/12/2011 IFRS | 31/12/2010 IFRS |
|---|---|---|---|
| **Assets** | | | |
| **Non current assets** | | | |
| Net intangible fixed assets | 9 | 124 | 78 |
| Net tangible fixed assets | 10 | 968 | 671 |
| Net goodwill | 9 | 1 178 | 1 340 |
| Net financial fixed assets | 11 | 633 | 587 |
| Taxes >1 year | | | |
| Deferred taxes assets | | 173 | 156 |
| **Total non current assets** | | **3 076** | **2 832** |
| **Current assets** | | | |
| Stocks and liabilities | | 16 | 86 |
| Account receivable and related accounts | | 9 583 | 8 784 |
| Taxes <1 year | | 773 | 683 |
| Other receivables | | 332 | 255 |
| Marketable securities | 14 | 776 | 767 |
| Cash assets | 14 | 8 455 | 8 711 |
| Prepaid expenses | | 474 | 444 |
| **Total current assets** | | **20 409** | **19 730** |
| **Total assets** | | **23 485** | **22 562** |
| **Liabilities** | | | |
| Shareholders' equity | 15 | | |
| Capital | | 341 | 341 |
| Share premiums | | 8 890 | 8 890 |
| Consolidated reserves | | 325 | -310 |
| Other shareholders' equity | | 29 | 31 |
| Annual result | | 532 | 571 |
| **Total shareholders' equity** | | **10 117** | **9 523** |
| **Minority interests** | | **0** | **0** |
| **Non current liabilities** | | | |
| Provision for liabilities > 1 year | 19 | 439 | 361 |
| Financial debts > 1 year | 17 | 1 173 | 584 |
| Financial commitments > 1 an | 14 | 33 | 53 |
| Taxes > 1 an | | | |
| Deferred taxes liabilities | | | |
| Other debts > 1 year | 18 | 15 | 108 |
| **Total non current liabilities** | | **1 660** | **1 106** |
| Provision for liabilities < 1 year | 19 | 118 | 201 |
| Financial debts < 1 year | 14 | 20 | 89 |
| Financial commitments < 1 an | | | |
| Taxes < 1 an | | 2 197 | 2 054 |
| Other debts < 1 year | 20 | 5 024 | 5 136 |
| Prepaid income | 20 | 4 349 | 4 453 |
| **Total current liabilities** | | **11 708** | **11 933** |
| **Total liabilities** | | **23 485** | **22 562** |

### *20.1.1.2 Consolidated Profit and Loss Account*

| Amounts in thousands of euros | Notes | 31/12/2011 (12 months) IFRS | 31/12/2010 (12 months) IFRS |
|---|---|---|---|
| **Turnover** | 3 | 21 727 | 20 210 |
| Other business revenues | | | |
| Purchases of goods and raw material, variation in stocks | 4 | -836 | -839 |
| Personnel and social security expenses | 4, 16 | -15 619 | -14 795 |
| External expenses | 4 | -5 723 | -4 608 |
| Local and misc. Taxes | | -606 | -581 |
| Depreciation expenses | | -464 | -297 |
| Provisions | 18 | -206 | -56 |
| Change in stock of work in pr. And finished goods | | | |
| Loss of value on goodwill | 9 | -162 | |
| Other revenues and expenses | 4 | 2 165 | 1 354 |
| **Ordinary Operating Profit** | | **276** | **388** |
| Other operating revenues and expenses | | 0 | 0 |
| **Operating profit** | | **276** | **388** |
| Cash investments and equivalents revenues | | 184 | 147 |
| Interest cost | | -3 | -4 |
| **Cost of the net indebtness** | 5 | 181 | 143 |
| **Other revenues and interest expenses** | | 58 | 13 |
| **Corporate tax** | 7 | 17 | 27 |
| **Net profit before profit of stopped activities or ongoing disposals** | | **532** | **571** |
| **Net profit of stopped activities or ongoing disposals** | | **0** | **0** |
| **Net profit** | | **532** | **571** |
| · Group | | 532 | 571 |
| · minority interests | | 0 | 0 |
| Earnings per share (in €) | 8 | | |
| · basic EPS | | 0,10 | 0,10 |
| · diluted EPS | | 0,09 | 0,10 |

**Comprehensive Income Statement**

| In thousands of euros | 31/12/2011 | 31/12/2010 |
|---|---|---|
| Consolidated Net Profit | 532 | 571 |
| Other items : | | |
| - Gains and losses resulting from converting foreign currency subsidiaries to the parent currency | -2 | -4 |
| **Total Comprehensive Income** | **530** | **567** |

### *20.1.1.3 Consolidated Cash Flow Table*

| CASH-FLOW STATEMENT (in thousands of euros) | 31/12/2011 (12 mths) | 31/12/2010 (12 mths) |
|---|---|---|
| Net consolidated profit ( including minority part) | 532 | 571 |
| +/- Net depreciation and provisions (excluding those on working capital) | 619 | 355 |
| -/+ Profit and loss latent on changes in fair value | 0 | 0 |
| +/ - Costs and revenues on share base payments | 42 | 52 |
| -/+ Other non cash revenues and expenses | 0 | 0 |
| -/+ Profit and loss on disposals | 8 | |
| -/+ Profit and loss on dilution | 0 | 0 |
| +/- Profit share in associated companies | 0 | 0 |
| - Dividends (non consolidated stakes) | 0 | 0 |
| **Cash-Flow after net debt cost and corporate tax** | **1 201** | **978** |
| + Cost of net debt | -181 | -143 |
| +/- Corporate tax expense (including deferred taxes) | -17 | -27 |
| **Cash-Flow before net debt cost and corporate tax (A)** | **1 003** | **808** |
| - Corporate Tax paid **(B)** | | |
| +/- Variation in Clients and other debtors **(C)** | -893 | 1 241 |
| +/- Variation in Suppliers and other creditors **(C)** | 404 | -466 |
| +/- Variation in other debtors and creditors **(C)** | -247 | -574 |
| **= NET CASH-FLOW FROM ACTIVITIES (D) = (A + B + C)** | **267** | **1 009** |
| - Acquisitions of tangible and intangible assets | -814 | -484 |
| + Disposal of tangible and intagible assets | 0 | 0 |
| - Acquisitions of financial assets | -43 | -21 |
| + Disposal of financial assets | 0 | 0 |
| +/- Impacts of changes in perimeter | 0 | 0 |
| + Dividends earned (from associated or non consolidated companies) | 0 | 0 |
| + Investment subsidies received | 0 | 0 |
| +/- Other flows on investment activities | 0 | 0 |
| +/- Disposals or acquisitions of current financial assets | -9 | -767 |
| **= NET CASH-FLOW FROM INVESTMENTS ACTIVITIES (E)** | **-866** | **-1 272** |
| + Capital increases | 0 | 0 |
| + Stock-options exercises | -2 | 33 |
| -/+ Acquisitions and disposals of treasury shares | 25 | -17 |
| - Dividends paid during the year | 0 | 0 |
| + Subscription of new loans | -17 | 0 |
| -/+ Rembursment of loans | 590 | 584 |
| + variation in subsidies | -374 | 579 |
| - Net interests paid | 181 | 143 |
| +/- Other financing flows | 0 | 0 |
| **= NET CASH-FLOW FROM FINANCING ACTIVITIES (F)** | **403** | **1 322** |
| +/- Impact of the variation of the exchange rates **(G)** | 10 | 9 |
| **= VARIATION IN CASH-FLOW ( D + E + F + G )** | **-186** | **1 068** |
| Net cash at start | 8 622 | 7 554 |

### 20.1.1.4 Table of variation in consolidated shareholder equity

| (in thousands of euros) | Capital stock | Share premium | Consolidated reserves | Shares of consolidating | Consolidated profit | Conversion adjustements | Total |
|---|---|---|---|---|---|---|---|
| **As of 1st January 2010** | **342** | **8890** | **-881** | **-188** | **720** | **35** | **8917** |
| Profit from the fiscal year | | | | | 571 | | 571 |
| Other items from Comprehensive Income | | | | | | -4 | -4 |
| **Total Comprehensive Income** | **0** | **0** | **0** | **0** | **571** | **-4** | **567** |
| Parent company capital increase (net of expenses) | | | | | | | 0 |
| Attribution of profit from previous fiscal year | | | 720 | | -720 | | 0 |
| Acquisition and disposal of shares from the parent compagny | | | | -13 | | | -13 |
| Cost of share based payments | | | | 52 | | | 52 |
| **As of 31 December 2009** | **342** | **8890** | **-161** | **-149** | **571** | **31** | **9523** |
| Profit from the fiscal year | | | | | 532 | | 532 |
| Other items from Comprehensive Income | | | | | | -2 | -2 |
| **Total Comprehensive Income** | **0** | **0** | **0** | **0** | **532** | **-2** | **530** |
| Parent company capital increase (net of expenses) | | | | | | | 0 |
| Attribution of profit from previous fiscal year | | | 571 | | -571 | | 0 |
| Acquisition and disposal of shares from the parent compagny | | | | 22 | | | 22 |
| Cost of share based payments | | | | 42 | | | 42 |
| **As of 31 December 2011** | **342** | **8890** | **410** | **-85** | **532** | **29** | **10117** |

## 20.1.2 Appendix to the Consolidated Financial Statements

### *20.1.2.1 Information concerning the Company*

On 27 March 2012, the Board of Directors closed and authorised publication of the consolidated financial statements of ITESOFT SA, for the tax year ending 31 December 2011. 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 accordance with regulation n° 1606/2002 adopted 19 July 2002 by the European Parliament and European Council, the Group's consolidated financial statements for the 2011 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.

These annual financial statements as of 31 December 2011 together with the comparative information for 2009 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 as of 31 December 2011.

The main items requiring estimation by senior management were goodwill, provisions and deferred taxes.

### *20.1.2.3 Significant Accounting Methods*

The Group's consolidated financial statements have been established in accordance with the evaluation and accounting rules of the IFRS international accounting standards adopted by the European Union as of 31 December 2011, available at http://ec.europa.eu/internal_market/accounting/ias_fr.htm#adopted-commission.

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.

These principles do not differ from the IFRS norms as they were published by the IASB.

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 for the Preparation of the Financial Statements**

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 2011**

The application of the following amendments and interpretations is required for the 2011 tax year:

- Amendment to IAS 32 – Classification of Rights Issues
- IAS 24 (revised) – Related Party Disclosures
- IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments
- Amendments to IFRIC 14 – Prepayments of a Minimum Funding Requirement
- Improvement to IFRS (May 2010)

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

Concerning standards and interpretations adopted by the European Union but whose application was not obligatory as of 1 January 2011, the ITESOFT Group decided not to apply the following in anticipation of its coming into force:

- IFRS 7 – Financial Instruments: transfer of financial assets

In addition, the Group did not apply the following texts, which had not been adopted by the European Union as of 31 December 2011:

- Amendment to IAS 12 –Deferred Tax: Recovery of Underlying Assets
- IFRS 9 – Financial Instruments (Published 2009)
- IFRS 9 – Financial Instruments (Published 2010)
- IFRS 10 – Consolidated Financial Statements
- IFRS 11 – Joint Arrangements
- IFRS 12 – Disclosure of Interests in Other Entities
- IFRS 13 – Fair Value Measurement
- IAS 28 – Investments in Associates and Joint Ventures
- IAS 19 – Employee Benefits
- Amendment to IAS 1 – Presentation of Financial Statements: presentation of other comprehensive income (OCI).
- IFRIC 20 – IFRIC 20 - Stripping Costs in the Production Phase of a Surface Mine

ITESOFT is currently in the process of determining the potential impacts of these changes on the Group's consolidated accounts. At this stage in the analysis, ITESOFT does not anticipate that there will be any significant impact on its consolidated accounts.

### 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 | 3 to 5 years |
| • Office equipment and computer hardware | 2 to 5 years |
| • Office furniture | 5 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 31/12/2011 did not identify any expenditure satisfying all of the criteria required by the standard.
In effect, because of the nonlinear 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 31/12/2011.
In addition, it is clear that the prospects of future economic benefits when development expenses have been committed can only be justified in a few 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 not all of these criteria are 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 value of each cash-generating unit with its net accounting value.
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 liquidable 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:
- discount rate excluding inflation: 2.06 %
- mortality table: INSEE 2009
- 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 67 years at the employer's initiative
- all actuarial differences are accounted for at closure

The sensitivity of the calculated provision to the discount rate is as follows:
- for a 1% increase in the discount rate: a k€ 88 decrease in the amount of the provision
- for a 1% decrease in the discount rate: a k€ 112 increase in the amount of the provision

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. Law 2010-1330 (09/11/2010), the so-called 'retirement reform' law, stipulates that the age at which an employee is eligible for full retirement benefits must be increased by 4 months per year for people born in the second half of 1951 until a maximum of 67.
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 and bonus shares 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 awarded 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.

**Tax**

Deferred tax is 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.
Tax 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", "Profit Sharing" and "Family") granted to ITESOFT in France enter in the scope of IAS 20 - public grants - and are accounted for as “other revenue”.

The profit from a government loan for which the interest rate is lower than the market rate is accounted for as a public grant. The loan is accounted for and assessed in accordance with IAS 39 Financial Instruments: Recognition and Measurement. The profit due to this lower interest rate is measured as the difference between the initial accounting value of the loan determined in accordance with IAS 39 and the earnings made. The profit is accounted for according to IAS 20. ITESOFT analysed the conditions and obligations that were or must be respected during the identification of the costs that the profit made from the loan is intended to compensate.

**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*

| In thousands of euros | 31/12/2011 | 31/12/2010 |
|---|---|---|
| Software licences | 6 146 | 5 160 |
| Maintenance | 7 014 | 6 590 |
| Services | 7 825 | 7 835 |
| Hardware | 464 | 583 |
| Yooz | 278 | 42 |

### *20.1.2.5 Note 4 Revenues and Costs*

**Purchases consumed**

| In thousands of euros | 31/12/2011 | 31/12/2010 |
|---|---|---|
| Purchase hardware for resale | 239 | 347 |
| Purchase of third party software licences | 230 | 37 |
| Purchase of maintenance and professionnal services | 367 | 455 |
| Other purchases | | 0 |
| **Total** | **836** | **839** |

Sub-contracted maintenance essentially concerns hardware.

**Staffing Costs**

| In thousands of euros | 31/12/2011 | 31/12/2010 |
|---|---|---|
| Salary costs | 10 973 | 10 603 |
| Contractual Profit sharing | 130 | 473 |
| Social security expenses | 4 474 | 3 667 |
| Pensions | | |
| Other post-employment benefits | | |
| Share based payments | 42 | 52 |
| **Total** | **15 619** | **14 795** |

DIF (Individual Right to Training): cumulated volume of hours of training, corresponding to the rights acquired in relation to the DIF: 14,003.
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 31/12/11.

**Other Revenues and Costs**

| In thousands of euros | 31/12/2011 | 31/12/2010 |
|---|---|---|
| **Other revenues** | | |
| Other operating revenues | 301 | 378 |
| Subsidies | 1330 | 438 |
| R&D tax credit | 650 | 579 |
| Revenues on disposals of tangible assets | | |
| **Total other revenues** | **2281** | **1395** |
| **Other purchases** | | |
| Expenses on disposals of tangible assets | -8 | |
| Other | -108 | -41 |
| **Total other purchases** | **-116** | **-41** |
| **Total other revenues and purchases** | **2165** | **1354** |

The other operating revenues of k€ 301 include about k€ 203 of re-invoiced training or marketing fees and about k€ 69 of transferred expenses, essentially for training.
The public grants of k€ 1330 are for the R&D programme.

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

| In thousands of euros | 31/12/2011 | 31/12/2010 |
|---|---|---|
| **Financial expenses** | | |
| Interest on loans and overdraft facilities | -3 | -3 |
| Loans corresponding to leasing agreements | -1 | -1 |
| **Total financial expenses** | **-4** | **-4** |
| Interest revenue | 185 | 147 |
| **Total financial revenues** | **185** | **147** |
| **Cost of net debt** | 181 | 143 |

### *20.1.2.7 Note 6 Research and Development Costs*

Research and development costs amounted to €5,700 k (2009: €5,100 k), which were directly accounted for in the Profit and Loss Account.

### *20.1.2.8 Note 7 Tax on Profits*

| In thousands of euros | 31/12/2011 | 31/12/2010 |
|---|---|---|
| Current tax | 0 | 0 |
| Deferred tax | 17 | 27 |
| **Total tax on profits** | **17** | **27** |

**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 thousands of euros | 31/12/2011 | 31/12/2010 |
|---|---|---|
| Pre-tax consolidated profit | 515 | 544 |
| Tax rate in force | 33,33% | 33,33% |
| **Theoretical tax expense** | **-172** | **-181** |
| Non-deductibility of goodwill amortisation | 0 | 0 |
| Differences in tax rates between subsidiairies | 0 | 0 |
| Permanent tax differences | 174 | 157 |
| Tax savings on losses brought forward | 32 | 63 |
| Non recognition of deferred tax credit on losses brought forward | | |
| Temporary tax differences | -17 | -12 |
| **Entered tax expense** | **17** | **27** |

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€ 1044 corresponding to a theoretical deferred tax debit of approximately k€ 42 generated over the period)
- the British subsidiary (approx. k€ 1451 corresponding to a theoretical deferred tax debit of approximately k€ 290 , of which k€ 20 was generated over the period, with a variation of k€ -46 due to the fluctuations in the currency exchange rate ).
- the parent company (approx. k€ 57 corresponding to a theoretical deferred tax debit of approximately k€ 19)

because they were not recoverable in any probable way at the closure.

On the other hand, in 2010, the tax office audited the accounts of ITESOFT SA for the period from January 2007 to June 2010. As a result of this audit the Company had to pay k€ 15 of tax penalties during the 2011 tax year.

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

| In thousands of euros | 2011 | 2010 |
|---|---|---|
| Deferred tax on temporary tax differences France | 0 | 0 |
| **Total deferred tax, liabilities** | **0** | **0** |
| Deferred tax on temporary tax differences France | 173 | 156 |
| **Total deferred tax, assets** | **173** | **156** |

### *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 parent 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.

| | 31/12/2011 | 31/12/2010 |
|---|---|---|
| Net profit part of the Group (in k€) | 532 | 571 |
| Average weighted number of shares for the basic EPS | 5 596 680 | 5 585 970 |
| Effect of the dilution: | 43 917 | 52 083 |
| . Including Free share | | |
| . Including stock-options | 43 917 | 52 083 |
| Average weighted number of shares for the diluted EPS | 5 640 597 | 5 638 053 |

Ordinary shares: There were 99,710 ordinary shares held by the Group as of 31/12/11 (versus 110,420 as of 31/12/10).

Potential shares: the numbers of subscription or purchase options not exercised as of 31/12/2011 and 31/12/2010 were 465,350 and 528,550 respectively. As of 31/12/2011, due to their exercise price, 334,000 options were potentially dilutive and therefore taken into account in the diluted net earnings per share.
As of 31/12/2011 there were also 11,000 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:

| | 31/12/2011 | | | 31/12/2010 | | |
|---|---|---|---|---|---|---|
| (in thousands of euros) | Gross | Amortisations and provisions | Net | Gross | Amortisations and provisions | Net |
| Goodwill | 1 411 | 233 | 1 178 | 1 411 | 71 | 1 340 |
| Software | 1 154 | 1 030 | 124 | 987 | 909 | 78 |
| **Total** | **2 565** | **1 263** | **1 302** | **2 398** | **980** | **1 418** |

The variation in gross intangible fixed assets is as follows:

| (In thousands of euros) | Balance 31/12/10 | Variation In scope | Purchases | Transfers | Effects of variation in exchange rates | Balance 31/12/11 |
|---|---|---|---|---|---|---|
| Goodwill | 1 411 | 0 | 0 | 0 | 0 | 1 411 |
| Software | 987 | 0 | 229 | 64 | 2 | 1 154 |
| **Total** | **2 398** | **0** | **229** | **64** | **2** | **2 565** |

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

| (In thousands of euros) | Balance 31/12/10 | Variation In scope | Allocations | Disposals | Transfers | Effects of variation in exchange rates | Balance 31/12/11 |
|---|---|---|---|---|---|---|---|
| Provisions on Goodwill | 71 | 0 | 162 | 0 | 0 | 0 | 233 |
| Software depreciation | 909 | 0 | 183 | 64 | 0 | 2 | 1030 |
| **Total** | **980** | **0** | **345** | **64** | **0** | **2** | **1263** |

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

**Details of Goodwill**

| (In thousands of euros) | CGU United Kingdom | CGU Germany | CGU ITESOFT ALMAS | Total Goodwill |
|---|---|---|---|---|
| Net balance as of 01/01/2010 | 976 | 162 | 202 | 1 340 |
| Change in perimeter | 0 | 0 | 0 | 0 |
| Acquisitions | 0 | 0 | 0 | 0 |
| Disposals | 0 | 0 | 0 | 0 |
| **Loss of value** | **0** | **0** | **0** | |
| Net balance as of 31/12/2010 | 976 | 162 | 202 | 1 340 |
| Change in perimeter | 0 | 0 | 0 | 0 |
| Acquisitions | 0 | 0 | 0 | 0 |
| Disposals | 0 | 0 | 0 | 0 |
| Loss of value | 0 | -162 | 0 | -162 |
| **Net balance as of 31/12/2010** | **976** | **0** | **202** | **1 178** |

**Test of Loss of Value of Goodwill**

Since 01/01/2004, goodwill has no longer been amortised but is 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 12.6% (2010: 12.6%). 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.

The main hypotheses are an average annual growth rate in turnover of 18% over 5 years and the achievement at the end of the period of a gross operating margin (operating profit before amortisation) of 7.2%.

Analysis of the sensitivity of the goodwill calculation:

- A variation of +/- 1% in the discount rate would have an impact on the value of the goodwill of -k€159 / +k€ 193.
- A variation of +/- 1% in the infinite growth rate would have an impact on the value of the goodwill of +k€ 151 / -k€ 125.
- A variation of +/- 1% in the gross operating margin achieved after 5 years would have an impact on the value of the goodwill of +k€ 174 / -k€ 174.

None of the downward variations calculated above would lead to a depreciation of the value of the goodwill in the financial statements.

A drop of more than 3.2% in the gross operating margin achieved after 5 years would have an impact on the value of the goodwill in the financial statements.

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 14.4% (2010: 14.4%). For cash flows after five years, an extrapolation is made using a perpetual growth rate of 3%, corresponding to the estimated long-term growth rate.

The restructuring of the German subsidiary carried out during 2010 did not lead to its recovery and turnover fell for the 2011 tax year.

In these circumstances, given the pessimistic forecasts concerning the future of the subsidiary, it was decided to depreciate by 100%, i.e. k€ 162, the value of the goodwill of ITESOFT DE in the Group's balance sheet.

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 and associated hardware and services.

Since 2010, the recoverable value of this unit is calculated on the basis of its going concern value. In this calculation, the cash-flow forecasts are based on budgets approved by the Management for a period of five years. The discounting rate applied to these forecasts is 13.3%. For cash-flows beyond five years, an extrapolation is made on the basis of an infinite growth rate of 2%, which corresponds to the estimated long-term growth rate.

The principal hypotheses are an annual average growth rate of -20% for 5 years with at the end of that period a gross operating margin (operating profits before amortisations) of 74%.

Analysis of the sensitivity of the goodwill calculation:
- A variation of +/- 1% in the discount rate would have an impact on the value of goodwill of k€ -91 / k€ +108.
- A variation of +/- 1% in the infinite growth rate would have an impact on the value of goodwill of k€ +60 / k€ -51.
- A variation of +/- 1% in the gross operating margin achieved after 5 years would have an impact on the value of goodwill of k€ +9 / k€-8.

None of negative variations calculated above would have a negative impact on the goodwill on the balance sheet.
A decrease of more than 144% in the gross operating margin achieved after 5 years would have an impact on the value of the goodwill on the balance sheet.

### *20.1.2.11 Note 10 Tangible Fixed Assets*

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

| (In thousands of euros) | 31/12/2011 | | | 31/12/2010 | | |
|---|---|---|---|---|---|---|
| | Gross | Depreciation | Net | Gross | Depreciation | Net |
| Buildings, buildings fixtures | 390 | 189 | 201 | 250 | 158 | 92 |
| Transportation equipment | 0 | 0 | 0 | 19 | 19 | 0 |
| Office and computer equipments, furniture | 2030 | 1263 | 767 | 1718 | 1139 | 579 |
| **Total** | **2 420** | **1 452** | **968** | **1 987** | **1 316** | **671** |

The variation in gross tangible fixed assets is as follows:

| (In thousands of euros) | Balance 31/12/09 | Variation in scope | Allocations | Reversals | Effect of variation in exchange | Balance 31/12/11 |
|---|---|---|---|---|---|---|
| Buildings, buildings fixtures | 250 | 0 | 140 | 0 | 0 | 390 |
| Transportation equipment | 19 | 0 | 0 | 19 | | 0 |
| Office and computer equipments, furniture | 1718 | 0 | 446 | 141 | 7 | 2030 |
| **Total** | **1987** | **0** | **586** | **160** | **7** | **2420** |

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

| (In thousands of euros) | Balance 31/12/10 | Variation in scope | Allocations | Reversals | Effect of variation in exchange | Balance 31/12/11 |
|---|---|---|---|---|---|---|
| buildings fixtures | 158 | 0 | 31 | 0 | 0 | 189 |
| Depreciation transportation | 19 | 0 | | 19 | | 0 |
| Depreciation office and computer equipment | 1138 | 0 | 251 | 133 | 6 | 1262 |
| **Total** | **1316** | **0** | **282** | **152** | **6** | **1452** |

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

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

| | 31/12/2011 | | | 31/12/2010 | | |
|---|---|---|---|---|---|---|
| **(In thousands of euros)** | **Gross** | **Depreciation** | **Net** | **Gross** | **Depreciation** | **Net** |
| Equity interests | 405 | 0 | 405 | 355 | 0 | 355 |
| Receivable linked to investments | 0 | 0 | 0 | 0 | 0 | 0 |
| Other long-term investments | 228 | 0 | 228 | 232 | 0 | 232 |
| **Total** | **633** | **0** | **633** | **587** | **0** | **587** |

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

| (In thousands of euros) | Balance 31/12/10 | Variation in scope | Acquisitions | Disposals | Transfer of items | Balance 31/12/11 |
|---|---|---|---|---|---|---|
| Equity interests | 355 | 0 | 50 | 0 | 0 | 405 |
| Receivable linked to investments | 0 | 0 | 0 | 0 | 0 | 0 |
| Other long-term investments | 232 | 0 | | | | 232 |
| **Total** | **587** | **0** | **50** | **0** | **0** | **637** |

The equity interest was considered as “assets available for sale”.

### *20.1.2.13* Note 12 Balance by maturity of unpaid and undepreciated outstanding customer debts

| Year | Total | Debts neither overdue nor impaired | Overdue and unimpaired debts | | | | |
|---|---|---|---|---|---|---|---|
| | | | 0-30 | 31-60 | 61-90 | 91-120 | 121+ |
| 2011 | 9 583 | 7 680 | 699 | 224 | 150 | 104 | 726 |
| 2010 | 8 784 | 7 498 | 124 | 291 | 54 | 122 | 695 |

### *20.1.2.14 Note 13 Staff Benefits*

**Stock Option Plan**

The Group 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 2011, the outstanding options concerned a total of 528,550 shares, which break down as follows:

| Number of people concerned | 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 |
|---|---|---|---|---|---|---|
| *to corporate officers* | 0 | 2 | 0 | 0 | 0 | 0 |
| Number of stock options attributed | 62,850 | 98,000 | 2,000 | 36,850 | 23,000 | 34,000 |
| *to corporate officers P. Lijour* | 0 | 15 | 0 | 0 | 0 | 0 |
| *to corporate officers, J.-M. Pédréno* | 0 | 10 | 0 | 0 | 0 | 0 |
| Total number of shares that can be subscribed or purchased | 62,850 | 98,000 | 2,000 | 36,850 | 23,000 | 34,000 |
| Starting date for exercice of options | 9-Jun-04 | 9-Nov-04 | 3-Nov-05 | 8-Nov-05 | 15-Nov-06 | 1-Jun-07 |
| Expiry date for exercice of options | 8-Jun-11 | 8-Nov-11 | 2-Nov-11 | 7-Nov-11 | 14-Nov-12 | 1-Jun-13 |
| **Subscription price** | **2.03** | **2.49** | **3.61** | **3.46** | **2.15** | **2.58** |
| Number of shares subscribed as of 31/12/2011 | 1.000 | 0 | 0 | 0 | 0 | 0 |
| Options canceled during year | 0 | 0 | 0 | 0 | 8.000 | 0 |
| **Existing options as at 31/12/2010** | **23,200** | **70.000** | **2,000** | **31,350** | **0,000** | **24,000** |

During the 2011 tax year, 14,500 options were exercised, and taking into account the employees who have left the Company, as well as the expiry of the 09/06/2004, 09/11/2004, 03/11/2005 and 08/11/2005 plans, the effective number of options is 378,000 pour 26 beneficiaries (including 262,000 attributed to 8 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 2006, 2007 2008, 2009, 2010 and 2011 tax years (the balance of the options has not been accounted in accordance with IFRS 2 because they were attributed before 7 November 2002 and have not subsequently been modified).

| | 2006 15 Nov | 2007 1st June | 2007 14 Sept | 2008 18 Apr | 2008 16 May | 2010 22 March |
|---|---|---|---|---|---|---|
| Return of the dividends (%) | 0% | 0% | 0% | 0% | 0% | 0% |
| Expected volatility (%) | 24% | 24% | 24% | 24% | 24% | 24% |
| No risk interest rate (%) | 3.67% | 4.47% | 4.24% | 4.11% | 4.23% | 4.23% |
| Expected maturity of options (years) | 5 years | 5 years | 5 years | 5 years | 5 years | 5 years |
| Average weighted price per share (€) | 2.15 | 2.58 | 2.01 | 1.87 | 2.00 | 3.00 |
| Probability to lose options due to end of emloyment (%) | 21% | 21% | 21% | 21% | 21% | 100% |
| Fair value per option (€) | 0,62 | 0,79 | 0,61 | 0,56 | 0,60 | 0,60 |
| Fair value of the plan (€) | 11 265 | 21 219 | 79 514 | 81 756 | 18 107 | 0 |

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

The Mixed General Meeting held on 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.
This authorisation expired on 13 November 2010.
The Mixed General Meeting held on 17 June 2009 authorised, under the same conditions, to be awarded bonus shares, limited to 100 000 shares.

The Mixed General Meeting held on 31 May 2010 authorised the Board of Directors, for a period of 38 months as of the date of the Meeting, to undertake, on one or several occasions, for certain employees or corporate officers carrying out their functions or mandates either in the Company or in one of its French or foreign subsidiaries, and within the limit of holdings set by law, to attribute bonus shares to them to be issued by the Company within the limits of a maximum total number of 104,000 bonus 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.

The General Meeting authorised the Board to increase the capital through the incorporation of bonuses, reserves, and profits so that the bonus shares can be issued.

Using the authorisation of the Board, (04 May 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 Pédréno). The acquisition period for these bonus shares ended 14 September 2009, date at which the property was transferred to the beneficiaries.

In accordance with IFRS2, the impact of stock option and bonus share plans is accounted for as staffing costs (detail in 20.1.2.5). The consideration is accounted for as Share Premiums, within Owner Equity.

#### *20.1.2.15 Note 14 Cash and Cash Equivalents, Current Financial Assets, Net Indebtedness*

| (in thousands of euros) | 31/12/2011 | 31/12/2010 |
|---|---|---|
| **Cash and cash equivalents** | | |
| Fixed terms deposits | -2 749 | -2 633 |
| Money market accounts and Mutual funds | -4 232 | -3 882 |
| Bank balances | -1 474 | -2 196 |
| **Gross cash position** | **-8 455** | **-8 711** |
| Bank overdrafts | **20** | **89** |
| **Net cash position** | **-8 435** | **-8 622** |
| **Current financial assets** | | |
| Money market accounts and Mutual funds | -776 | -767 |
| Fixed terms deposits | 0 | 0 |
| Others funds | 0 | 0 |
| Securities | 0 | 0 |
| **Total current financial assets** | **-776** | **-767** |
| **Gross debt** | **1 206** | **637** |
| **Net debt** | **-8 005** | **-8 752** |

#### *20.1.2.16 Note 15 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 13).

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.

| Date | Nature of operation | Total par value of the operation | Share premium (gross) | Capital stock amount | Par value per share | Cumulative number of shares |
|---|---|---|---|---|---|---|
| Total 31/12/09 | | | | 341 123 | 0,06 | 5 685 390 |
| Total 31/12/10 | | | | 341 123 | 0,06 | 5 685 390 |
| Total 31/12/11 | | | | 341 123 | 0,06 | 11 370 780 |

| In thousand | 31/12/2011 | 31/12/2010 | 31/12/2009 |
|---|---|---|---|
| Treasury shares | 100 | 110 | 108 |

### 20.1.2.17 *Note 16* Pensions and other Post Employment Benefits

The Group only contributes to pension plans with well-defined contributions.
There are no Post Employment Benefits.

### *20.1.2.18 Note 17 Financial debts beyond one year*

In 2010, ITESOFT signed a contract with OSEO by means of which the company will benefit from total financial aid of k€ 7058 over five years, (a loan of k€ 2159 to be paid back and a public grant of k€ 4899), to bolster its research and development activities). In 2011, the Company received k€ 1394 within the framework of this contract.
As of 31 December 2011, the Company had received k€ 1173 of the loan (k€ 590 during the 2011 tax year), accounted for as financial debt, and k€ 1764 of the grant (k€ 804 during the 2011 tax year).
The amount of the loan recorded in the 2011 profit and loss account was K€ 1032, leaving K€ 402 of prepaid income.

### *20.1.2.19 Note 18 Other non-current liabilities beyond one year*

This line of k€ 15 corresponds to the part of the grant accounted for as prepaid income.

### *20.1.2.20 Note 19 Provisions*

| (In thousands of euros) | Balance 31/12/10 | Variation in scope | Year allocation | Year write-offs | Write-backs without use | Effect of exchange differences | Balance 31/12/11 |
|---|---|---|---|---|---|---|---|
| Provision for risks | 169 | 0 | | -86 | | 0 | 83 |
| Provision for pensions & obligations | 361 | 0 | 78 | 0 | 0 | 0 | 439 |
| Provision for expenses | 32 | 0 | 9 | -6 | 0 | 0 | 35 |
| **Total provisions for risks and expenses** | **562** | **0** | **87** | **-92** | **0** | **0** | **557** |
| Provision for depreciation on intangible fixed | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Provision for depreciation on stocks | 17 | 0 | 0 | -7 | 0 | 0 | 10 |
| Provision for depreciation on accounts receivables | 523 | 0 | 251 | -101 | 0 | 1 | 674 |
| **Total provisions for depreciation** | **540** | **0** | **251** | **-108** | **0** | **1** | **684** |
| **Total** | **1102** | **0** | **338** | **-200** | **0** | **1** | **1241** |
| Current | 741 | | | | | | 802 |
| Not current | 361 | | | | | | 439 |
| **Total** | **1102** | | | | | | **1241** |

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.

### *20.1.2.21 Note 20* Suppliers and other Creditors (Current)

| **(In thousands of euros)** | **31/12/2011** | **31/12/2010** |
|---|---|---|
| Upfront payments from customers | 248 | 401 |
| Accounts payable and related accounts | 1 404 | 1 385 |
| Social debts | 3 267 | 3 203 |
| Other | 105 | 147 |
| **Total other debts (current)** | **5 024** | **5 136** |

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 services provided that have already been invoiced. They resulted in the recording of k€ 3840 of prepaid income at the close of the fiscal year.

ITESOFT has been awarded a European grant and two OSEO grants to finance its research programmes. Prepaid income of k€ 122 was recorded for the European grant, k€ 15 of which was recorded as other non-current liabilities beyond one year (see Note 18), together with k€ 402 for the OSEO grant awarded in 2010.

### *20.1.2.22 Note 21* Commitments and Contingencies

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

| | **31/12/2010** | **31/12/2011** |
|---|---|---|
| **Commitments Given** | | |
| 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 |
| **Commitments Received** | | |
| Avals, cautions and guarantees | none | none |
| Other commitments received | none | none |

**Contractual Obligations**

**Commitments given**

| In k€ | Total | | Maximum payments due | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | < 1 year | | 1 to 5 years | | > 5 years | |
| | 2010 | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 | 2011 |
| Building rents | 1 303 | 672 | 710 | 411 | 592 | 262 | 0 | 0 |
| Other rents | 340 | 318 | 108 | 123 | 232 | 195 | 0 | 0 |
| Other commitments | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total** | 1 643 | 990 | 818 | 534 | 824 | 457 | 0 | 0 |

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

### *20.1.2.23 Note 22* 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 UK | 2692814 | Subsidiary | 100% | - |
| ITESOFT Deutschland GmbH | GmbH | 70771 Leinfelden-Echterdingen Germany | HR B 62 221 | Subsidiary | 100% | - |

All these companies are consolidated using a full consolidation method. The percentages held have not changed since 01/01/2005.
ITESOFT SA is the ultimate parent company of the Group.

Main Acquisitions and Transfers during the Fiscal Year:
ITESOFT acquired a 6.88% minority stake in the company IBISKUS for k€ 50.

Companies not included in the Scope of Consolidation:
W4 and IBISKUS are not consolidated, since ITESOFT holds only 6% and 6.88% of their capital, respectively, and does not exert a notable influence on them. These stakes, respectively k€ 355 and k€ 50, are recorded in the “Other Non-Current Financial Assets” line of the profit and loss account.

### *20.1.2.24 Note 22* Information concerning related parties

**Transactions with related parties**

| In k€<br>Related party | Sales to related parties | Purchases to related parties | Receivables on related parties | Payables to related parties |
|---|---|---|---|---|
| Key staff of the group: other interests of the corporate | | | | |
| 2 011 | 0 | 452 | 77 | 0 |
| 2 010 | 0 | 425 | 77 | 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 2010 were as follows (all of these remunerations were paid by ITESOFT SA, except for what is indicated concerning Jean-Marc Pédréno to have been paid by the subsidiary ITESOFT UK Ltd).

- Didier Charpentier: € 107,285 including € 3961 benefits in kind (as compared with € 104,775 for 2010, of which € 30,000 was variable remuneration, € 3578 profit sharing bonus, and € 4597 benefits in kind).
Remuneration for 2011 breaks down as follows:
- € 69,000 of fixed remuneration
- € 30,000 of variable remuneration corresponding to a €30,000 discretionary bonus for the 2010 tax year
- € 4324 of profit sharing bonus

- Philippe Lijour: € 176,564 including € 3405 benefits in kind (as compared with € 170,343 in 2010, of which € 54,948 was variable remuneration, € 10,000 profit sharing bonus, and € 4227 benefits in kind).
Remuneration for 2011 breaks down as follows:
- € 98,400 of fixed remuneration
- € 68,000 of variable remuneration divided between a € 31,200 discretionary bonus for the 2010 tax year, a € 5000 exceptional bonus, and a € 31,800 advanced bonus for the 2011 tax year
- € 6759 of profit sharing bonus

- Jean-Marc Pédréno: € 117,744, including € 2282 benefits in kind (compared to € 98,348 in 2010, of which € 24,000 was variable remuneration, € 1575 profit sharing and € 2273 benefits in kind).
Remuneration for 2011 breaks down as follows:
- € 72,000 of fixed remuneration
- € 36 600 of variable remuneration divided between a € 18,000 discretionary bonus for the 2010 tax year, and an € 18,600 advanced bonus for the 2011 tax year.
- € 4963 of profit sharing bonus
- € 1899 paid leave

- Didier Charpentier: € 2500 in director's fees (€ 0 in 2010)
- Laurent Matringe: € 5000 in director's fees (€ 2000 in 2010)
- Alain Guillemin: € 3500 in director's fees (€ 1500 in 2010)
- François Legros: € 4.000 in director's fees (€ 1500 in 2010)
- Simone Charpentier: € 500 in director's fees (€ 0 in 2010)

**Directors' Interests in the Stock Options and Bonus Shares Plans**
As of 31/12/2011, through these plans, the directors on the corporate management bodies held options to purchase ordinary shares and/or rights to bonus shares, which could be exercised as follows:
- P. Lijour: 150,000 options at an exercise price per share of €2.01 (exercisable 14/09/2011 to 14/09/2013), 11,800 options at an exercise price per share of €1.87 (exercisable 18/04/2012 to 18/04/2014), 3200 options at an exercise price per share of €2.00 (exercisable 16/05/2012 to 16/05/2014).
- J.-M. Pédréno: 13,000 options at an exercise price per share of €1.87 (exercisable 18/04/2012 to 18/04/2014), 2 000 options at an exercise price per share of €2.00 (exercisable 16/05/2012 to 16/05/2014).

There are no specific advantages in terms of deferred remunerations, retirement allowances, or retirement commitments other than those indicated in this document.
Loans and sureties granted or made up in favour of the members of the administrative bodies: none.

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

### *20.1.2.25 Note 24 Objectives and Policies of Financial Risk Management*

**Interest Rate Risks**
Since the Group has virtually zero debt, variation in interest rates has no significant impact on its financial expenses. On the other hand, with about M€ 7.8 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€ 78.

**Currency Exchange Risks**
ITESOFT operates in the euro zone, and also in the UK through its subsidiary ITESOFT UK. Since financial flows between ITESOFT SA and ITESOFT are accounted for in £ sterling, variations in the value of the £ are likely to have an impact on the Group's accounts. As of 31/12/11, the Company has not instituted any currency exchange hedging instruments.
There are no other significant exchange risks.

**Exchange Risk Table as of 31/12/11:**

| | $ (millions) | £ Sterling (millions) |
|---|---|---|
| Assets | 0 | 1.06 |
| Liabilities | 0 | (1.14) |
| Net Position before risk management | 0 | (0.08) |
| Off-Balance Sheet position | None | None |
| Net Position after risk management | 0 | (0.08) |

**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 2011, virtually all short-term investments were placed via mutual funds, spreading the management of credit risks, or in time-deposit accounts with top-flight banking institutions.
Concerning the credit risks in terms of accounts receivables, the main clients of the ITESOFT Group are major private corporations and government administrations. Its portfolio of clients includes more than 500 active references. During the 2011 fiscal year, about 27% of the turnover was recorded with the 10 biggest clients (the top client accounted for approximately 7% of the Group's total turnover). The average payment period range is 134 days. The compensation for this rather long payment period is the high quality of the contracts. The Group has no coverage or insurance for this purpose.

**Shares Risks**
Other than some treasury shares, the Company holds no shares as of 31/12/11.

**Cover Risks**
Aside from the currency hedging cover mentioned above, there was no cover in place as of 31 December 2011.

**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.

#### *20.1.2.26 Note 25 Events Subsequent to Closure*
There are no significant events to be mentioned.

#### *20.1.2.27 Note 26 Sectoral Information*
Since the companies in the Group were involved in the same activity until 2009, the organisation of the Group is based on geographical areas, corresponding to the first level of sectoral information. As of 2010, a new business activity called 'Yooz' was launched by the Group which adds to the Group's strategic segmentation.

This new activity, marketed as 'Yooz', proposes a cutting edge automatic invoice processing solution for SMEs, which is 100% web-based, and runs in SaaS mode (Software as a Service). This product offer is built around a subscription-based economic model.

As of 31/12/11, the segments are as follows:
- France (except for Yooz) and ROW (rest of world aside from Germany and the United Kingdom),
- Yooz,
- 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 sectoral revenues, costs, and profits include transfers between the sectors of activity. These transfers are eliminated for consolidation.

The following tables present, for each 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 31/12/2010 and 31/12/2011

| Trading year closed on 31 December 2011 (12 months) | France (except Yooz) and ROW | Yooz | UK | Germany | Total |
|---|---|---|---|---|---|
| **Revenues from ordinary activities** | | | | | |
| Sector revenues (turnover) | 19 621 | 278 | 2 428 | 185 | 22 512 |
| . Including inter-sector turnover | -778 | 0 | 0 | -7 | -785 |
| **Profit** | | | | | |
| Sector operating profit | 2 208 | -1 346 | -297 | -289 | 276 |
| **Assets and liabilities** | | | | | |
| Sector assets | 12 280 | 85 | 1 865 | 24 | 14 254 |
| Sector liabilities | 10 698 | 515 | 927 | 21 | 12 161 |
| **Other sector informations** | | | | | |
| Acquisitions of tangible and intangible assets | 803 | | 11 | | 814 |
| Depreciation expenses | -413 | -29 | -16 | -6 | -464 |
| Loss value on goodwill | 0 | 0 | 0 | -162 | -162 |
| Other provisions (net of write-backs) | -193 | 0 | -13 | 0 | -206 |

| Tradind year closed on 31 December 2010 (12 months) | France (except Yooz) and ROW | Yooz | UK | Germany | Total |
|---|---|---|---|---|---|
| **Revenues from ordinary activities** | | | | | |
| Sector revenues (turnover) | 18 491 | 42 | 2 075 | 456 | 21 064 |
| . Including inter-sectors turnover | -847 | | | -7 | -854 |
| **Profit** | | | | | |
| Sector operating profit | 2 589 | -1 485 | -436 | -280 | 388 |
| **Assets and liabilities** | | | | | |
| Sector assets | 10 545 | 104 | 2 169 | 266 | 13 084 |
| Sector liabilities | 11 249 | 457 | 1 121 | 212 | 13 039 |
| **Other sector informations** | | | | | |
| Acquisitions of tangible and intangible assets | 423 | 62 | | | 485 |
| Depreciation expenses | -253 | -16 | -16 | -12 | -297 |
| Loss value on goodwill | 0 | 0 | 0 | 0 | 0 |
| Other provisions (net of write-backs) | -34 | 0 | -22 | 0 | -56 |

### *20.1.2.28 Note 27* Statutory Auditors Fee

| in € | CB Audit/ SOFIRA Audit | | | | HMT | | | | Ernst & Young Audit | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Amount | % | Total | % Amount | | % | Total | % Amount | | % | Total | % |
| | 2 010 | | 2 011 | 2 010 | | | 2 011 | 2 010 | | | 2 011 | |
| **Audit** | | | | | | | | | | | | |
| - Statutory auditors, certification & examination of company and consolidated financial statements | 9 900 | 100% | 15 800 | 100% | | 0% | | 0% | 36 702 | 79% | 37 000 | 83% |
| - Statutory auditors, certification & examination ofsubsidiary and consolidated financial statements | | 0% | | 0% | 15 738 | 100% | 18 205 | 100% | 9 707 | 21% | 5 300 | 12% |
| - linked services | 0 | 0% | 0 | 0% | 0 | 0% | 0 | 0% | 0 | 0% | 2 250 | 5% |
| **Subtotal** | **9 900** | **100%** | **15 800** | **100%** | **15 738** | **100%** | **18 205** | **100%** | **46 409** | **100%** | **44 550** | **100%** |
| Others services | 0 | 0% | 0 | 0% | 0 | 0% | 0 | 0% | 0 | 0% | 0 | 0% |
| **Subtotal** | **9 900** | **100%** | **15 800** | **100%** | **15 738** | **100%** | **18 205** | **100%** | **46 409** | **100%** | **44 550** | **100%** |
| **TOTAL** | **19 800** | **200%** | **31 600** | **200%** | **31 476** | **200%** | **36 411** | **200%** | **92 818** | **200%** | **89 100** | **200%** |

## 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 are presenting you our report concerning the tax year ending on 31 December 2011, on:

- the control of the consolidated accounts of the ITESOFT corporation, as they are attached to this report;
- the justification of our assessments;
- the specific verification stipulated by law.

The consolidated accounts were closed by the Board of Directors Meeting. It is our duty 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, with regard to the IFRS reference base as adopted in the European Union, 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, 13 April 2012

The Statutory Auditors

| | |
|---|---|
| SOFIRA AUDIT | ERNST & YOUNG Audit |
| Olivier Jourdanney | Marie-Thérèse 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 2011.

## 20.6 INTERMEDIATE AND OTHER FINANCIAL INFORMATION
Not relevant.

## 20.7 DIVIDEND DISTRIBUTION POLICY
No dividends were paid out during the 2010 and 2011 tax years. On 18 May 2012, ITESOFT paid out € 977,147.41 in dividends and € 4,036,626.90 in partial reimbursement of the share issue premium.

## 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 has been involved in legal proceedings at the industrial tribunal, since December, 2010, with a former employee and member of the Executive Committee. The Company considers that it has put in place sufficient provisions concerning the risks attached to these litigations.

To ITESOFT's knowledge, over the last 12-month period, there is no other governmental, judicial or arbitrational 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 IN THE FINANCIAL OR COMMERCIAL SITUATION
Since the end of the last tax year, by decision of the Mixed General Assembly held 4 May 2012, the Company decided to distribute M€ 5, approximately half the cash available as of 31 December 2011.
There has been no other significant change.

# CHAPITRE 21 - COMPLEMENTARY INFORMATION

## 21.1 CAPITAL STOCK

### 21.1.1 Capital Stock

On 31 December 2011, 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 4 May 2012*

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, for the Company to issue up to 200,000 shares.

The other terms and conditions decided upon at the General Meeting are identical to those concerning authorisations to issue options to subscribe to or purchase company shares, which was previously agreed upon at the Mixed General Meeting held on 17 June 2009.

At the date of writing of this Shelf Registration Document, none of the options authorised by this Meeting have been granted.

In addition, 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 bonus shares, for the Company to issue up to 100,000 bonus shares.

The other terms and conditions decided upon at the General Meeting are identical to those concerning authorisations to issue options to subscribe to or purchase bonus shares, which was previously agreed upon at the Mixed General Meeting held on 31 May 2010.

At the date of writing of this Shelf Registration Document, none of the bonus options authorised by this Meeting have been granted.

##### *21.1.1.2.2 Mixed General Meeting 31 May 2010*

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, for the Company to issue up to 104,000 bonus shares.

The other terms and conditions decided upon at the General Meeting are identical to those concerning authorisations to issue options to subscribe or purchase Company shares, which was previously agreed upon at the Mixed General Meeting held on 4 May 2007.

At the date of writing of this Shelf Registration Document, none of the bonus options authorised by this Meeting have been granted.

##### *21.1.1.2.3 Mixed General Meeting 17 June 2009*

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 terms and conditions decided upon at the General Meeting are identical to those concerning authorisations to issue options to subscribe or purchase Company shares, which was previously agreed upon at the Mixed General Meeting held on 4 May 2007.

At the date of writing of this Shelf Registration Document, none of the options authorised by this Meeting have been granted.

#### *21.1.1.2.4 Mixed General Meeting 17 June 2009*

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 terms and conditions decided upon at the General Meeting are identical to those concerning authorisations to issue options to subscribe or purchase Company shares, which was previously agreed upon at the Mixed General Meeting held on 4 May 2007.

At the date of writing of this Shelf Registration Document, none of the options authorised by this Meeting had been granted.

In addition, for a period of 38 months starting from the date of the General Meeting, the General Meeting also authorised the Board of Directors to award, in one or more steps, to 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, the right to bonus shares to be issued by the Company for a maximum total par value amount of € 6,000, corresponding to 100,000 bonus shares.

The other terms and conditions decided upon at the General Meeting are identical to those concerning authorisations to issue options to subscribe or purchase Company shares, which was previously agreed upon at the Mixed General Meeting held on 4 May 2007.

At the date of writing of this Shelf Registration Document, 50,000 of the bonus share options authorised by this Meeting have been granted.

#### *21.1.1.2.5 Mixed General Meeting 16 May 2008*

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 terms and conditions decided upon at the General Meeting are identical to those concerning authorisations to issue options to subscribe or purchase Company shares, which was previously agreed upon at the Mixed General Meeting held on 4 May 2007.

At the date of writing of this Shelf Registration Document, the maximum period for granting those shares has expired.

#### *21.1.1.2.6 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.

In any event, a single employee or corporate representative already owning more than 10% of the Company's capital will not be able to take advantage of such an option.
This authorisation entails, to the advantage of the beneficiaries of the options, a waiver by the shareholders of their preferential right to purchase the shares likely to be purchased 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.

For a period of 38 months starting from the date of the General Meeting, the General Meeting also authorised the Board of Directors to award, in one or more steps, to 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, the right to bonus shares to be issued by the Company for a maximum total amount 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, no new bonus shares may be granted, given that the maximum period for granting those shares has expired.

### 21.1.2 Non-capital Stock

Not applicable.

### 21.1.3 Acquired Shares

L'assemblée générale du 04 mai 2012 (5ème résolution à titre ordinaire) a autorisé un programme de rachat d'actions pour une durée de 18 mois.
La Société détient à ce jour (au 20 avril 2012) 100 480 de ses propres actions, correspondant à une valeur nominale de 5.982.60 € et pour une valeur brute dans les comptes de 235.690,13 €.

The General Meeting held on 4 May 2012 (5th ordinary resolution) authorised a share buy-back programme over an 18-month period.
The Company currently holds (on 20 April 2012) 100,480 of its own shares, corresponding to a par value of € 5982.60 and a net book value of € 235,690.13.

### 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 held on 17 June 2009 and 16 May 2008 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 €24,000 corresponding to 400,000 shares (see Section 21.1.1.2).

On 8 February 2001, the Board of Directors 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 non-transferable 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 decide 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 20.1.2.14.

#### *21.1.8.2 Effective Options and Bonus Shares as of 31 December 2010*
Au cours de l'exercice 2011, 14.500 options ont été exercées, et compte-tenu des départs de salariés intervenus, ainsi que de la caducité des plans du 09/06/2004, du 09/11/2004, du 03/11/2005 et du 08/11/2005, le nombre d'options attribuées en vigueur est de 378.000 pour 26 bénéficiaires (dont 262.000 en faveur de 8 membres du comité de direction). Le nombre d'options attribuables compte tenu des autorisations non caduques des différentes assemblées générales mixtes est de 378.000 au 31 décembre 2011.

14,500 options were exercised during the 2011 tax year. Therefore, taking into account the employees who have left the Company and the expiry of the 09/06/2004, 09/11/2004, 03/11/2005 and 08/11/2005 plans, the effective number of options is 378,000 for 26 beneficiaries (including 262,000 attributed to 8 members of the Executive Committee). The number of options that can be attributed in the context of unexpired Mixed General Meeting authorisations as of 31 December 2011 is 378,000.

#### *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 2011 give them subscription rights as follows:

- D. Charpentier: none
- P. Lijour: 150,000 options at an exercise price per share of € 2.01, 11,800 options at an exercise price per share of € 1.87 and 3200 options at an exercise price per share of € 2.00.
- J.-M. Pédréno: 13,000 options at an exercise price per share of € 1.87 and 2000 options at an exercise price per share of € 2.00.

In addition, the 10 employees having received the greatest number of options as of 31 December 2007 hold subscription rights to a total of 143,000 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 | None | | | |
| J.-M. Pédréno | None | | | |
| Options exercised during the fiscal period by each corporate officer | | | | |
| D. Charpentier | None | | | |
| P. Lijour | None | | | |
| J.-M. Pédréno | None | | | |

| SHARE SUBSCRIPTION OR PURCHASE OPTIONS GRANTED AND BOUGHT BY THE FIRST TEN EMPLOYEES APART FROM THE CORPORATE OFFICERS | GRANTED/SHARES SUBSCRIBED OR BOUGHT | AVERAGE 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 | none | | |
| 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 | 14,500 | 2.03€ | 09/06/04 |

***21.1.8.4 Maximum Potential Dilution of Capital***

Given the stock options in effect as of 31 December 2011 (378.000), the theoretical maximum dilution is 6.6% (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 2010***

See the financial statements in 20.1.2.14.

No bonus shares were awarded during the 2010 tax year, and the number of options that can be attributed in the context of unexpired Mixed General Meeting authorisations as of 31 December 2011 is 204,000.

## 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 Provisions Concerning 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 for attending them.

### 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.

## CHAPITRE 22 - IMPORTANT CONTRACTS

In the two years preceding the publication of the shelf-registration document, there has been no important contract to be mentioned (other than the contracts signed within the normal framework of business) to which the issuer or any other member of the group is party.

## CHAPITRE 23 - INFORMATION FROM THIRD PARTIES, DECLARATIONS OF EXPERTS, AND DECLARATIONS OF INTERESTS

Not applicable.

## CHAPITRE 24 - DOCUMENTS ACCESSIBLE TO THE PUBLIC

During the duration of validity of the shelf-registration document, the following documents (or copies thereof) 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, in French and English, in particular:

- all press releases,
- all published shelf-registration documents.

## CHAPITRE 25 - INFORMATION CONCERNING INVESTMENTS IN OTHER COMPANIES

ITESOFT holds the following investments in other companies:

- W4: In early 2005, ITESOFT acquired a 6% holding (€0.355M) in the capital of W4, a French company specialising in workflow software (more than 200 clients, turnover €3.8 M 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 31/12/2011: € 1715.412
- Total other reserves as of 31/12/2011: k€ 857
- Profit before exceptional items after tax for the last tax year (31/12/2011): k€ -56
- 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 31/12/2011 were closed by deliberation of the board of directors on 16 April 2012.

- IBISKUS: In July 2011 ITESOFT acquired a 6.9% holding (k€ 050) in the capital of IBISKUS, a French performance management software editor (reporting, budgeting, forecasting).

Information concerning IBISKUS:

- Head Office: 177B Avenue Louis Lumière – LUNEL (30, France). 492 846 910 RCS Montpellier
- Legal form: *Société par actions simplifiée*
- Capital as of 31/12/2011: € 54,300
- Total other reserves as of 31/12/2011: k€ 15
- before exceptional items after tax for the last tax year (31/12/2011): k€ -36

- 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

IBISKUS' financial statements for the period ending 31/12/2011 were closed 18 April 2012.

# CHAPITRE 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, ISIN code FR0004026151 and mnemonic ITE.

The liquidity provider is PORTZAMPARC.

## 26.2 2012 FINANCIAL CALENDAR AND FINANCIAL INFORMATION

General Meeting: 24 June 2011 at 14:00, at the Company's head office

Financial Press Releases:
- 19 January: Publication of annual turnover for the period ending 31/12/2010
- 28 March: Publication of the consolidated annual financial statements for 2011
- 19 April: Publication of quarterly turnover as of 31 March
- 19 July: Publication of half-year turnover as of 30 June
- 27 September: Publication of half-year financial statements as of 30 June
- 18 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 2012 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:
- 28 March: presentation of the 2010 consolidated annual financial statements
- 18 October: presentation of the half-yearly financial statements as of 30 June

This calendar is provisional and for information purposes only.

The Company's financial information is available at www.itesoft.com, in French and English.

## 26.3 FINANCIAL ANALYSES

At the date of the present shelf-registration document, the following financial analysis company regularly monitors and analyses the company:
- Portzamparc (www.portzamparc.fr),

## 26.4 ANVAR QUALIFICATION

Having first obtained this qualification in 1999, renewed in 2003, 2006 and most recently November 2009, ITESOFT has been awarded the label of *"Entreprise Innovante"* (Innovative Company) 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 by the obligatory part of its investment in unlisted companies.

## 26.5 ANNUAL INFORMATION DOCUMENTS

**FINANCIAL PRESS RELEASES**
- 28/03/2012 Shelf Registration Document 2011
- 13/04/2012 Financial Report 2011
- 28/03/2012 Annual results 2011
- 19/01/2012 Turnover for the 2011 tax year
- 11/01/2012 Financial communication calendar 2012
- 06/01/2012 Six-monthly review of liquidity contract
- 06/01/2012 Details of the share buyback programme
- 23/12/2011 Weekly declaration of own share transactions
- 16/12/2011 Weekly declaration of own share transactions
- 26/10/2011 Turnover Q3 2011
- 19/10/2011 Release of financial report on 1st half of 2011
- 06/10/2011 Results 1st half of 2011
- 21/07/2011 Turnover 1st half of 2011
- 05/07/2011 Six-monthly review of liquidity contract
- 28/06/2011 Minutes of General Meeting held 24 June 2011
- 27/06/2011 Shelf Registration Document 2010
- 06/05/2011 Release of financial report 2010
- 27/04/2011 Publication of quarterly turnover as of 31 March 2011
- 27/04/2011 Annual results 2010

**SHELF REGISTRATION DOCUMENT**
- 23/06/2011 Shelf Registration Document 2010

**DOCUMENTS FILED WITH THE COMMERCIAL TRIBUNAL REGISTRY**
**Company accounts**
- 22/07/2011 Company accounts 2010

**Consolidated accounts**
- 22/07/2011 Consolidated accounts 2010

**BALO PUBLICATIONS (STATUTORY LEGAL ANNOUNCEMENTS)**
- 18/04/2012 Convening of shareholders and unitholders
- 30/03/2012 Convening of shareholders and unitholders
- 20/07/2011 Annual financial statements
- 10/06/2011 Convening of shareholders and unitholders
- 11/05/2011 Convening of shareholders and unitholders