

# ANNUAL REPORT/REFERENCE DOCUMENT

## 2002 FINANCIAL YEAR

### **Registration with the Commission des Opérations de Bourse**

In accordance with rule No. 95-01, the Commission des Opérations de Bourse (COB) registered this annual report on 24/04/03 under the number R-03-067. It may be used to support a financial operation only if it is accompanied by a memorandum approved by the Commission des Opérations de Bourse.

This annual report was drafted by the issuer and is legally binding for its signatories. This registration, which was carried out after examination of the relevance and consistency of the information given on the company's situation, does not necessarily authenticate the accounting and financial elements it contains.

### **Warning**

"The Commission des Opérations de Bourse would like to draw the public's attention to the following elements:

- the auditors have formulated a reservation on the pro forma consolidated financial statements with respect to the lack of control of 2001 accounts for the company CRONOS, which could neither be audited nor even subjected to a limited examination;
- approximately 60% of the company's pro forma turnover for 2002 is produced on a fixed price basis. Nevertheless, the company considers that it is managing the risk as described in paragraph 3.2.4".

# CONTENTS

<b>1. PERSON IN CHARGE OF THE ANNUAL REPORT AND STATEMENTS</b>	
1.1. Person in charge of the annual report	3
1.2. Statement by the Person in charge of the annual report	3
1.3. Individuals in charge of the statement of accounts	3
1.4. Statement by the auditors	4
1.5. Individuals in charge of financial information	5
<b>2. GENERAL INFORMATION ON THE COMPANY AND ITS CAPITAL</b>	
2.1. General information on the issuer	6
2.2. General information on capital stock	11
2.3. Dividends	18
2.4. The issuer's share market	18
<b>3. INFORMATION ON SWORD GROUP'S ACTIVITIES, RECENT DEVELOPMENTS AND OUTLOOK FOR THE FUTURE</b>	
3.1. Presentation of the company's activities	19
3.2. Analysis of the company's risks	43
3.3. Investment policy	47
3.4. Recent developments	49
3.5. Strategy and outlook for the future	49
3.6. Extraordinary events and litigation	56
3.7. Glossary	57
<b>4. NET WORTH – FINANCIAL SITUATION – RESULTS</b>	
4.1. Consolidated financial statements	58
4.2. Corporate financial statements	88
4.3. Consolidated pro forma financial statements for 2002-2001	103
4.4. Management report on the financial year ending 31 <sup>st</sup> December 2002	124
4.5. Report by the Board of Directors on stocks options	136
4.6. General reports and special reports by the auditors	138
4.7. Auditors' fees	144
<b>5. ADMINISTRATION - MANAGEMENT</b>	
5.1. Board of Directors	145
5.2. Management and Operations Committees	147
5.3. Management participation	148
5.4. Earnings of members of the administrative and directors' boards	149
5.5. Operations agreed with members of the administrative and directors' board	149
5.6. Loans and guarantees granted or set up for administrative boards	149
5.7. Employee participation	149
<b>Annexe</b>	
Timetable of publications and other SWORD Group financial events over 2003/2004	151

# Chapter 1

## 1. PERSON IN CHARGE OF THE REFERENCE DOCUMENT AND STATEMENTS

### 1.1. Person in charge of the annual report

**Name and position of the Person in charge:**

Mr. Jacques Mottard, chairman of SWORD Group Board of Directors.

### 1.2. Statement by the person in charge of the annual report

“To my knowledge, the information provided in this document is accurate; it contains all the information required for investors to form an opinion on the net worth, activities, results and outlook of SWORD Group. There are no omissions that would significantly alter its scope”.

The Chairman of the Board of Directors  
Jacques Mottard

### 1.3. Individuals in charge of the statement of accounts

#### (A) Incumbents

**(1) Deloitte Touche Tohmatsu SA,**

**Head Office: 185, avenue Charles de Gaulle, 92200 Neuilly-sur-Seine.**

Date appointed: 29<sup>th</sup> June 2001.

Date mandate expires: the mandate will expire after the Shareholders' General Meeting called to approve the statements of accounts for the financial year ending on 31<sup>st</sup> December 2005.

**(2) Cabinet Figerec,**

**Head Office: 28, rue Jean Broquin, 69006 Lyon.**

Date appointed: 29<sup>th</sup> October 2001.

Date mandate expires: the mandate will expire after the Shareholders' General Meeting called to approve the statements of accounts for the financial year ending on 31<sup>st</sup> December 2006.

#### (B) Assistants

**(1) Bureau d'études administratives sociales et comptables,**

**Head Office: 7/9, Villa Houssay, 92200 Neuilly-sur-Seine.**

Date appointed: 29<sup>th</sup> June 2001.

Date mandate expires: the mandate will expire after the Shareholders' General Meeting called to approve the statements of accounts for the financial year ending on 31<sup>st</sup> December 2005.

**(2) Mr. Paul Mollin,**

**Address: 14, rue Claude Fouilloux, 69450 Saint-Cyr-au-Mont-d'Or**

Date appointed: 29<sup>th</sup> October 2001.

Date mandate expires: the mandate will expire after the Shareholders' General Meeting called to approve the statements of accounts for the financial year ending on 31<sup>st</sup> December 2006.

## 1.4. Statement by the auditors

**OPINION OF THE AUDITORS  
ON THE ANNUAL REPORT  
FOR THE FINANCIAL YEAR 2002**

As auditors of SWORD GROUP and in accordance with COB rule 95-01, we have verified the information provided in this annual report relating to the company's financial situation and historic statements, in accordance with the auditing practices that apply in France.

This annual report was drawn up under the responsibility of Mr. Jacques MOTTARD, the chairman of the SWORD GROUP Board of Directors. Our task is to issue an opinion on the honesty of the information it contains regarding the company's financial situation and accounts.

In accordance with French auditing practice, our due diligence consisted in assessing the sincerity of the information relating to the company's financial situation and accounts, and in verifying their consistency with the statements that have been reported. It also consisted in reviewing the other information contained in the annual report, in order to identify any significant inconsistencies with the information relating to the company's financial situation and accounts, and in pointing out any manifestly incorrect information we may have found based on our general knowledge of the company, acquired within the scope of our task. Because this report consists of isolated projected data resulting from a structured calculation process, the examination took into account the assumptions made by the company's management and the figures they generated as a result of these assumptions.

We audited the annual statements and consolidated financial statements for the financial year ending 31<sup>st</sup> December 2001 (6 months) settled by the Board of Directors in accordance with French auditing practices, and approved them with no reservations or remarks.

We audited the pro forma consolidated financial statements for the financial years ending 31<sup>st</sup> December 2002 and 2001, which were drawn up under the responsibility of the Chairman of the Board of Directors and presented in the annual report, in accordance with French auditing practices. Our audit gave rise to a report, which is included with this annual report, in which we have expressed a reservation with regards to the lack of control of 2001 accounts for the company CRONOS, which could be neither audited nor even subjected to a limited examination.

On the basis of such due diligence, we have no remarks to make concerning the accuracy of the financial and accounting information presented in this annual report.

Lyon and Villeurbanne, 24<sup>th</sup> April 2003

The Auditors

**FIGEREC**

**DELOITTE TOUCHE TOHMATSU**

Georges BONNEPART

Jacques CONVERT

## 1.5. Individuals in charge of financial information

**Jacques MOTTARD**

Tel.: 04 72 85 37 42

Fax: 04 72 85 37 80

E-mail: [jmottard@sword-group.com](mailto:jmottard@sword-group.com)

**Stéphanie DESMARIS**

Tel: 04 72 85 37 45

Fax: 04 72 85 37 80

E-mail: [sdesmaris@sword-group.com](mailto:sdesmaris@sword-group.com)

## Chapter 2

### 2. GENERAL INFORMATION ON THE COMPANY AND ITS CAPITAL

#### 2.1. General information on the issuer

##### 2.1.1. Company name

SWORD Group.

##### 2.1.2. Head Office

9, avenue Charles de Gaulle - 69370 Saint-Didier-au-Mont-d'Or.

##### 2.1.3. Legal form and the legislation that applies

Public limited company with a board of directors constituted according to French law and subject to the Commercial Code and to French law no. 67-236 of 23<sup>rd</sup> March 1967 relating to commercial companies.

##### 2.1.4. Date of establishment and lifetime of the company

SWORD Group was established as a holding company on 22<sup>nd</sup> June 2001 in the form of a public limited company and for a duration of 99 years expiring on 21<sup>st</sup> June 2100. On 30<sup>th</sup> August 2001, 144 shareholders of the company SWORD SA, formed on 17<sup>th</sup> November 2000, contributed shares to SWORD Group.

##### 2.1.5. Business objective (article 2 of the by-laws)

The company's objectives are:

- the acquisition of stakes in all companies, firms or groups, be they French or foreign, that have been or are to be formed, through any means available, in particular through the contribution, subscription or purchase of shares or stakes, or through mergers or the purchase of assets, etc...
- any financial, real estate or movable property transactions relating directly or indirectly to the objective stated above or which may favour the accomplishment of the objective,
- the company may provide administrative services of a consultative nature or carry out any other research, development and supervisory activities, in addition to service provision, consultative and production activities in the field of information systems.

It may act directly or indirectly and carry out all these operations on its own behalf or on the behalf of third parties, with any other person or company, either by itself or in association with company groupings or associations, and it may do so in any form. It may also gain control of stakes and contributions in all companies or business deals, whatever their nature.

##### 2.1.6. Commercial and Corporate Register and APE code

438 305 054 RCS Lyon.

APE code: 741 J.

##### 2.1.7. Consultation of legal documents

At the company's head office.

##### 2.1.8. Company financial year (article 6 of the by-laws)

From the 1<sup>st</sup> January to 31<sup>st</sup> December each year.

## 2.1.9. Special statutory clauses

The description of the statutory clauses that appears below takes into account the modifications adopted by shareholders at their combined general meeting of 27<sup>th</sup> February 2002, under the suspensive condition for the trading of the company's shares on the Nouveau Marché d'Euronext Paris SA (New Euronext Market).

### 2.1.9.1. Form of the shares (extract from article 10 of the by-laws)

Shares can be either registered shares or bearer shares depending on the choice made by the holder. These are registered in an account subject to the terms and conditions stipulated by the legal and regulatory provisions in force.

### 2.1.9.2. Allocation of profit (extract from article 24 of the by-laws)

The following must be deducted from profits for the financial year that may have been diminished by subsequent losses:

- at least five percent to build up legal reserves, a deduction that will cease to be mandatory when said reserves will have reached a sum equal to one tenth of total capital, but which will resume if for any reason this amount is no longer attained,
- and any sums to be placed in reserves in accordance with the law.

The remaining balance, to which posted profits are added, constitutes the distributable profit that is at the disposal of the shareholder meeting. This may be distributed in full or partially to shareholders in the form of dividends, allocated to all reserve or capital depreciation accounts, or carried forward once again, depending on the advice of the board of directors.

### 2.1.9.3. Shareholders' meetings (extracts from article 19 of the by-laws)

#### Calling meetings

Each year, shareholders meet at the ordinary shareholder meeting, at the date, time and place indicated on the meeting notice, within six months of the end of the financial year, subject to the extension of this time limit by order of the chairman of the commercial tribunal ruling on the request.

Ordinary shareholder meetings may be called extraordinarily at any time of the year.

The form of the meeting and the required notice period are set by the law. The meeting notice must indicate the location of the meeting, which may be held at head office or at any other location, and its agenda.

#### Agenda

The agenda is set by the person calling the meeting. It may contain proposals by one or more shareholders or by the Board of Directors under the terms set by the law.

If it has not been possible for the meeting to deliberate regularly, through failure to attain the quorum, a second meeting is called in the same form as the first and the meeting notice will recall the date of the first meeting.

#### Admission to the meetings - Powers

1 – All shareholders have the right to participate in the shareholders' meetings and deliberations, personally or by proxy, regardless of the number of shares they hold, once they have proved their identity and from the moment their shares are fully paid up and registered to an account in their name at least five days prior to the date of the meeting.

2 – All shareholders may vote by proxy using a form that can be obtained by post under the terms stipulated in the meeting notice.

3 – A shareholder may also be represented under the terms set out by the regulations in force, on condition that their representative is a shareholder himself. He may also be represented by his spouse.

4 – The right to participate in the meetings, or to be represented at the meetings, is dependent either on the shareholder registering shares in an account with the company, or, in the case of bearer shares registered to their own account, on the shareholder handing over certificates issued by an authorised broker confirming that the shares will be unavailable up until the date of the meeting. These formalities must be completed at least five days prior to the meeting being held.

However, the board of directors may reduce or remove these time limits.

#### Terms and conditions that apply to the right to vote – majority quorum

1 – The quorum is calculated from the total number of shares that go to constitute the capital stock, not including any shares for which the right to vote has been withdrawn through the provisions of the law. In the case of proxy voting, only forms that have been duly completed and which carry an attestation confirming that the shares have been deposited in trust, and which are received by the company at least 3 days prior to the date of the meeting, will be taken into account in the calculation of the quorum.

2 – Deliberation by the ordinary shareholder meeting will only be valid at the first meeting if the shareholders who are present, represented or have submitted a proxy vote possess at least one quarter of all shares that grant the holder the right to vote. At the second meeting, no quorum is required. Deliberation by the extraordinary shareholder meeting will only be valid if the shareholders who are present, represented or have submitted a proxy vote possess at least one third, at the first meeting, and one quarter, at the second meeting, of all shares that allow the holders to vote. Should this last quorum not be attained, the second meeting may be adjourned to a later date, two months at most after the date the meeting had originally been called for. In the event that capital is increased through the incorporation of reserves, profits or share premiums, the meeting shall give a ruling under the terms and conditions for quorums at ordinary meetings.

3 – In shareholder meetings, each member at the meeting has as many votes as they possess or represent shares, without restriction other than those provided by the law. However, all registered shares that are entirely paid-up and which can be proven to have been registered under the name of the same shareholder for at least two years, will give the holder double the voting rights of other shares, in view of the proportion of capital they represent. In the event of an increase in capital through the incorporation of reserves or the exchange of shares as a result of stock grouping or splits, the double voting right is awarded to the new holders of registered shares, subject to them keeping these shares in registered form from the date they are allocated, with this double voting right being awarded after expiry of a period of two years from the date they are purchased as registered shares, the form in which they were originally allocated. Should the company be merged or split, this will have no effect on the double voting right, which will still apply within the beneficiary company if the double voting right has been added to its by-laws.

4 – Votes at the shareholder meeting are taken by a show of hands, by way of roll call, through a secret ballot or through the use of telecommunications facilities, in other words videoconferencing and any other audio-visual broadcasting methods that allow the members participating in the deliberative meeting to be identified, depending on the decision of the organisers of the meeting or the shareholders. The ordinary meeting adjudicates according to the majority of votes that the shareholders who are present or represented have at their disposal. The extraordinary meeting adjudicates according to the majority of two-thirds of the votes that the shareholders who are present or represented have at their disposal.

#### **2.1.9.4. Beneficial ownership (extract from article 10 of the by-laws)**

Any shareholder, acting alone or jointly, who comes into possession of or ceases to hold a number of shares representing more than a twentieth, a tenth, a fifth, a third, a half or two-thirds of all capital or voting rights or shares that would give access to the company's capital in the long-run, is legally obliged to declare the fact. When the number or distribution of voting rights does not agree with the number or distribution of shares, the aforementioned thresholds are calculated using voting rights.

The declaration must indicate the date the threshold was passed, the number of shares owned by the declaring party that give access to capital in the long-run and the voting rights that are linked to them. Should a shareholder fail to fulfil the obligation defined in this article, a legal penalty that removes their right to vote will be applied upon request by one or more shareholders, to be recorded in the shareholder meeting report, on condition that they hold at least 5% of the capital and/or voting rights. The right to vote is removed from all shares that exceeded the proportion that should have been declared, for all shareholder meetings held up until the expiry of a two-year period after the date the corrective declaration was made.

#### **2.1.9.5. Identification of shareholders (extract from article 10 of the by-laws)**

At any time, and under the terms defined in the legal and regulatory provisions in force, the company may ask the organisation placed in charge of clearing stocks for the name (or, in the case of a legal entity, the name of the entity), the nationality and the address of holders of stocks that grant the holder the right to vote at its shareholder meetings, immediately or in the long-run, as well as the quantity of stocks held by each of them and, if applicable, the restrictions that can be applied to these stocks.

#### **2.1.9.6. Right to vote (extract from article 19 of the by-laws)**

In shareholder meetings, each member at the meeting has as many votes as they possess or represent shares, without restriction other than those provided by the law. However, all registered shares that are entirely paid-up and which can be proven to have been registered in the name of the same shareholder for at least two years, will give the holder twice as many votes as are awarded for other shares, in view of the quota of capital they represent (double voting rights brought in by the combined shareholder meeting of 27th February 2002). In the event of an increase in capital through the incorporation of reserves or the exchange of shares as a result of stock grouping or splits, the double voting right is awarded to the new holders of registered shares, subject to them keeping these shares in registered form from the date they are allocated, with this double voting right being awarded after expiry of a period of two years from the date they are purchased as registered shares, the form in which they were originally allocated. Should the company be merged or split, this will have no effect on the double voting right, which will still apply within the beneficiary company if the double voting right has been added to its by-laws. No registered shares will be allocated gratuitously and no provisions exist in the by-laws in the event of a change of form, through conversion into bearer shares or as a result of a transfer.

### 2.1.9.7. Payment of dividends and interim dividends (extract from article 25 of the by-laws)

Dividends are paid in cash on the date and at the location set at the shareholder meeting or, failing this, by the board of directors nine months at the latest after the end of the financial year.

Before the statements for the financial year are approved, the board of directors can distribute one or more interim dividends, subject to the legal terms and conditions in force. The shareholder meeting ruling on the statements for the financial year will have the facility to grant each shareholder the option of receiving dividend payments either in cash or in shares, for all or part of the dividends distributed. Should it decide to do so, the shareholder meeting may use the reserves that are at its disposal to pay a dividend on shares. In this case, the items the corresponding withdrawals will be made from must be expressly indicated.

If shareholders wish to receive their dividend in the form of shares, they must make a request to this effect no more than three months after the date of the shareholder meeting. Any dividends that have not been collected within five years of payment being made will be forfeited in accordance with the law.

### 2.1.10. Acquisition by the company of its own shares

#### Legal framework

Under the terms of article L. 225-209 of the Commercial Code, companies whose shares are listed on a regulated market are authorised to purchase their own shares up to a limit of 10% of its capital stock, on condition that it obtains prior approval from the shareholders' general meeting.

In accordance with these provisions, and under the suspensive condition for listing the company's shares on a regulated market, the combined shareholder meeting of 27th February 2002 has authorised the administrative board to purchase a maximum of 72,406 shares at a face value of 5€ per share, for a maximum sum of €362,030, which corresponds to 8.55% of the company's capital after stock warrants have been executed by 21 Centrale Partners.

No new programme will be presented at the next shareholder meeting.

#### Objectives

In order of priority, the company intends to use this authorisation to:

- (i) stabilise the price of its shares by systematically counteracting trends in the market;
- (ii) intervene in the company's share market, by buying or selling depending on the market's situation;
- (iii) allocate shares to the employees and management of the company or its group under the terms and conditions provided by the law, in particular within the scope of the contribution to the fruits of the company's expansion, the stock options scheme or through a company savings plan;
- (iv) to give shares as payment or in exchange, in particular within the context of external growth operations.

The shares purchased by the company may be sold or transferred by any means available.

The programme will in no case lead to the cancellation of any shares held.

#### Repurchasing terms

In view of the free float, the company agrees to repurchase a maximum of 24,644 shares, which account for 2% of the company's capital stock after floatation (not including the over-allocation option).

If we assume that the purchase price is €42 per unit (floatation price), the theoretical maximum investment will be €1,035,048. In any case, the value of the shares that the company may hold as a result of repurchasing may not exceed the total amount of reserves posted on the balance sheet, not including legal reserves.

The company agrees to limit the proportion of the capital it controls directly or indirectly to 10% of total capital and to adhere to the rules of the Nouveau Marché d'Euronext Paris SA relating to the percentage of capital that must be held by the public.

Authorisation to repurchase does not restrict the proportion of the programme that may be executed through the acquisition of block shares.

#### Maximum and minimum sale price

The maximum purchase price per share is set at 500% of the floatation price (€42), or €210, and the minimum resale price for shares purchased is set at 50% of said price, or €21, excluding commission and fees in both cases. The total sum repurchased must not exceed €362,030.

#### Duration of the repurchasing programme

The programme may be implemented from the date the company's shares become listed on the Nouveau Marché d'Euronext Paris SA stock exchange until 27<sup>th</sup> August 2003.

**Terms of funding for the repurchasing programme**

The repurchasing programme will be financed by the company's available cash funds and, if necessary, by resorting to short and medium term borrowing should additional requirements exceed the company's cash funds.

**Financial impact of the programme**

The share repurchasing programme does not cater for the possibility of cancelling shares that have been purchased.

As a result, and in view of the funding terms being considered by the company, the implementation of the programme should not have a significant impact on the company's financial situation or on the net result per share.

**Tax regimes for purchasing****- For the transferee**

Should the company repurchase its own shares without these being subsequently cancelled, this will have an incidence on its taxable income should these shares then be sold or transferred for a price that is different from the repurchasing price.

**- For the transferor**

The tax regime for capital gains applies to share repurchasing transactions.

Profits achieved by a business are subject to the capital gains tax regime for businesses (article 39 L of the general tax code).

Profits achieved by an individual acting privately are subject to the regime provided in article 150-OA of the general tax code. According to this regime, capital gains are currently only taxable at a rate of 16% (26% with social contributions) if the total sum of the transfers carried out by the shareholder whose shares have been repurchased exceeds €7,650 per year.

**Intentions of the individuals who control the company**

To the company's knowledge, Mr. Jacques Mottard and the VCF (venture capital fund) 21 Développement reserves the right to sell shares within the framework of the repurchasing programme.

**Use of the repurchasing programme**

The following table shows the number of shares sold and bought by the company on its own behalf up until 31/12/2002, in application of the share repurchasing programme:

Number of shares held by the company on 13/3/2002	0
Number of shares acquired in 2002	13,681
Number of shares sold in 2002	1,318
Number of shares wholly owned by the company on 31/12/2002	12,363

**2.1.11 Liquidity agreement**

On 28<sup>th</sup> February 2002, the company signed a liquidity agreement with the stockbroker Gilbert Dupont.

Over 2002 and within the scope of this market agreement, the stockbroker Gilbert Dupont purchased 17,418 shares (average price: €37.60) and sold off 11,265 shares (average price: €37.49). On 31/12/2002 the balance of SWORD GROUP shares falling within the scope of the contract stood at 6,153, with 61.15% of this amount being returned to the company.

## 2.2. General information on capital stock

### 2.2.1 Capital stock on 31st December 2002

The company's total fully paid-up capital adds up to €6,161,215, divided into 1,232,243 shares with a face value of €5.

#### 2.2.1.1 Capital to be paid-up

None.

### 2.2.2. Authorised capital not yet issued

Under the terms of the suspensive condition allowing SWORD Group shares to be listed on a regulated market, the combined shareholders' meeting of 27<sup>th</sup> February 2002 delegated the authority required to issue shares and all securities, with or without the waiving of pre-emptive subscription rights (PSR), in France or abroad and in one or more stages, to the Board of Directors. This provides immediate or long-term access to the company's shares, up to a maximum face value of €5,000,000, it being understood that the maximum value of securities representing sums receivable from the company cannot exceed €100,000,000.

This authorisation is valid for a period of 26 months, that is until 27<sup>th</sup> April 2004.

Nature of the delegation	Nature of the operation	Shares to issue	Authorised capital increase amount
Full delegation	Capital increase, PSR maintained	Capital shares or debt securities giving access to capital	€5,000,000 (*)
Full delegation	Capital increase, PSR waived	Capital shares or debt securities giving access to capital	€5,000,000 (*)
Full delegation	Capital increase solely for employees of the group who subscribe to a CSP (company savings plan)	Shares	€54,300

(\*) these amounts are not cumulative.

The issuance of the new shares made available to the public, as part of the process for listing the company's shares on the Nouveau Marché d'Euronext Paris SA, is posted to the sum of these authorisations.

The balance of these authorisations after the capital increase coinciding with listing on the stock market stands at €3,704,900.

### 2.2.3. Shares that are not representative of capital

None.

**2.2.4. Other shares giving access to capital****2.2.4.1. Stock options**

	<b>PLAN No.1</b>	<b>PLAN No.2</b>	
<i>Date of the meeting</i>	15/12/2000	15/12/2000	
Date of the Board Meeting	17/01/2001	07/06/2001	
Total number of stock options allocated	15,700		
Total number of stock options cancelled (employee resignations)	2,750		
Of which were allocated to the proxies	0	0	
Start date for exercising stock options	17/01/2003	7/06/2003	
Expiry date	17/01/2006	7/06/2006	
Price of stock options in euros	€5	€5	
Total number of stock options exercised on 31/12/2002	0	0	
Total number of options remaining	12,050		
Stock options allocated to the 10 non-proxy employees with the highest number of options	NUMBER	PRICE	PLAN No.
Yorick ASTIER	2,000	€5	2
Stephen HARVEY	750	€5	1
Marc MORGAN	750	€5	2
Michel RASSON	750	€5	2
Marc WOLFF	750	€5	2
(The other employees have 150 shares)			

### 2.2.4.1.1 Stock options granted to employees of SWORD SA or of one of the group's companies.

Within the scope of articles L 225-177 to L 225-185 of the commercial code and under the terms of article L225-180 of said code, SWORD SA's extraordinary shareholder meeting of 15<sup>th</sup> December 2000 authorised the Board of directors to grant options to employees of the company, or of a company in the group, in one or more stages, giving them the right to subscribe to the company's shares. The maximum number of options granted as a result of said authorisation may not exceed 33,500 shares of a face value of €5, in view of the fact that, at any time, the number of shares that can be subscribed to through the options programme in force and which are not yet exercised may not exceed 5% of capital stock.

This authorisation, which is granted for a period of 5 years beginning 15<sup>th</sup> December, implies that beneficiaries of these stock options expressly renounce their pre-emptive subscription rights for shares that may be issued whenever stock options are exercised.

The subscription price per share is determined as follows:

- for options granted up to the closing date for the first consolidated financial statements, that is on 31<sup>st</sup> December 2001, the subscription price will be set at a face value of €5 per share. Indeed, the company was registered on the Lyon Commercial and Corporate Register on 21<sup>st</sup> November 2000 and has not been subject to a capital increase or any sort of valuation in view of the fact that it was only recently set up –
- for any options granted by the Board of Directors after 31<sup>st</sup> December 2001, the subscription price is set according to the following formula:

The arithmetic mean of the following elements

- 20 times the operating profits with the deduction of employee equity interests minus net debt,
- 2 years worth of turnover minus debt.

For options granted by the Board less than three months prior to SWORD becoming listed on the stock market, the subscription price is set according to the rules above and may under no circumstance be lower than the floatation price minus 20%.

For options granted by the Board after SWORD was floated on the stock exchange, the subscription price set according to the rules above may not be less than 80% of the average price of all listed shares.

Options may only be exercised after a two-year freeze period starting on the date they are granted by the Board of Directors and within three years of the end of the period.

Using the authorisation handed to it at said meeting, the Board of Directors proceeded to grant stock options during the sessions it held on 17<sup>th</sup> January 2001 (plan number 1). A board meeting held on 7<sup>th</sup> June modified plan number 1 and granted new stock options (plan number 2).

These plans are described in the Board's stock options report (paragraph 44).

Based on the number of stock options in existence on 31/12/2002, exercising these would lead to 12,050 shares being issued. The maximum potential dilution resulting from this operation would be 0.08%.

### 2.2.4.1.2. Repurchasing by SWORD Group of shares issued as a result of stock options being exercised

In order to preserve the rights of allottees, it has been decided that the latter may sell their SWORD SA shares when the time comes.

Thus, SWORD Group has sent written agreement to each allottee stating that, if the shareholder makes such a request less than three months after the end of the period of unavailability provided in the Programme Rules, the Group will acquire any new SWORD SA shares issued as a result of the exercising of stock options, on the sole condition that SWORD Group has been floated on the stock exchange.

The price at which SWORD Group will acquire SWORD SA shares will be set to the unit value of SWORD Group shares, calculated as the mean of their unit price during the twenty days of stock market trading preceding the repurchasing operation.

**2.2.5 Table of changes to SWORD Group capital**

Date	Nature of the operations	Face value of shares (€)	Capital increase (€)	Paid-in capital or contribution (€)	Number of shares issued	Number of shares after operation	Total capital after operation (€)
22-06-2001	Company established	5	40,000	-	8,000	8,000	40,000
30-08-2001	Capital increase (1)	5	3,412,470	-	682,494	690,494	3,452,470
31-12-2001	Stock warrant programme (2)	5	167,840	746,888	33,568	724,062	3,620,310
27-02-2002	Stock warrant programme (2)	5	615,360	2,738,352	123,072	847,134	4,235,670
12-03-2002	Capital increase for the VCF 21 Développement	5	630,445	4,665,293	126,089	973,223	4,866,115
12-03-2002	Capital increase in cash	5	1,295,100	9,583,740	259,020	1 232,243	6,161,215

There have been no changes to capital since 12/03/2002.

*(1) This capital increase follows the contribution of shares by shareholders of SWORD SA to SWORD Group.*

*For the requirements of the contribution, the value of SWORD SA shares was assessed at face value, that is €5. The contribution of 682,494 SWORD SA shares has thus been valued at €3,412,470.*

*Based on his findings, the contribution auditor concluded in his report that a total estimated value of €3,412,470 for contributions is not an overvaluation. He is also of the opinion that the net assets contributed are at least equal to the total capital increase of the company benefiting from the contribution.*

*Indeed, the contribution auditor considered that, because the companies SWORD SA and SWORD Group had been recently established, their value should be calculated on the basis of the face value of the shares.*

*Consolidated results for SWORD Group for the financial year 2001, as well as the outlook appearing in paragraph 4.11.*

*“Development Plan” of the Stock Market flotation prospectus, provide an explanation for the gap observed between the value of €5 determined during the contribution operation mentioned above, and the price of €42 put forward to the market within the scope of flotation on the Stock Market.*

*(2) Through the extraordinary shareholder meeting of 15<sup>th</sup> December 2000, SWORD SA proceeded to issue stock warrants to two of its shareholders, Jacques Mottard and 21 Centrale Partners.*

*In consideration for this issuance, Jacques Mottard and 21 Centrale Partners respectively proceeded to carry out prepayment of a total sum of 4,268,440€ to a current account, which will be unavailable for a period of 5 years unless the stock warrants are exercised (cf. § 4).*

*On 2<sup>nd</sup> June 2001, the holding company SWORD Group was established in its operational configuration. The aim was to make the group's organisational structure clearer, with one or more subsidiaries per country. The Group was established through the contribution of SWORD SA shares to SWORD Group by all SWORD SA shareholders. Foreign subsidiaries of SWORD SA (DDS, SWORD Switzerland, SWORD Inc. and SWORD South Africa) were sold to SWORD Group for their acquisition price.*

*In order to reconstitute the environment for SWORD Group that was initially created around SWORD SA in its capacity as head of the group, it has been agreed that the operations adopted for this purpose and relating to the Stock Warrants would be transposed onto SWORD Group. In this way, bonds issued by SWORD SA in December 2000 were cancelled and reissued in identical form at SWORD Group on 29<sup>th</sup> October 2001, together with an agreement on the part of beneficiaries to keep possession of the shares.*

*In addition, amounts receivable by SWORD SA from Mr. Jacques Mottard and 21 Centrale Partners for the prepayment into the current account were transferred to SWORD Group in consideration for entry into SWORD Group's books of prepayment into the current account of an identical sum to that appearing in the accounts of SWORD SA.*

*Mr. Jacques Mottard exercised his Stock Warrant on 31<sup>st</sup> December 2001 by paying a sum of 914,728€ in settlement of the current account. The current account prepayment balance was brought down to zero.*

*21 Centrale Partners, acting on behalf of the VCF 21 Développement, exercised its Stock Warrant on 27<sup>th</sup> February 2002 by paying a sum of €3,353,712 in settlement of the current account. The current account prepayment balance was brought down to 34,990.40€.*

*Date of the meeting: 15<sup>th</sup> December 2000 – Total number of shares available for subscription: 156,640*

*Of which: number of shares available for subscription by members of the management committee: 33,568*

*Number of managers concerned: 1 – Exercising price: €5 - Start date for exercising stock warrants: 01-05-2001*

*Expiry date: 15-12-2005 - Number of shares subscribed to on 28<sup>th</sup> February 2002: 156,640*

*Number of stock warrants still to be subscribed to: 0*

2.2.6. Changes in the distribution of SWORD GROUP capital on 31<sup>st</sup> December 2002 (%) – part 1

Forename-Surname	Situation on 22/06/2001			Situation on 30/08/2001			Situation on 31/12/2001			Situation on 27/02/2002		
	Number of shares	% of capital	% of voting rights	Number of shares	% of capital	% of voting rights	Number of shares	% of capital	% of voting rights	Number of shares	% of capital	% of voting rights
<b>Jacques Mottard</b>	5,039	62.99	62.99	359,496	52.06	52.06	393,064	54.29	54.29	392,764	46.36	46.36
<b>21 Centrale Partners and the VCF 21 Développement</b>	1,840	23	23	154,290	22.34	22.34	154,290	21.30	21.30	277,362	32.74	32.74
<b>Françoise Fillot</b>	280	3.5	3.5	21,279	3.08	3.08	21,279	2.94	2.94	21,279	2.51	2.51
<b>Christian Tapia</b>	280	3.5	3.5	21,279	3.08	3.08	21,279	2.94	2.94	21,279	2.51	2.51
<b>Treasury stock</b>	-	-	-	-	-	-	-	-	-	-	-	-
<b>Employees and other shareholders</b>	561	7	7	134,150	19.43	19.43	134,150	18.53	18.53	134,450	15.87	15.87
<b>Treasury shares</b>	-	-	-	-	-	-	-	-	-	-	-	-
<b>Free Float</b>	-	-	-	-	-	-	-	-	-	-	-	-
<b>TOTAL</b>	<b>8,000</b>	<b>100</b>	<b>100</b>	<b>690,494</b>	<b>100</b>	<b>100</b>	<b>724,062</b>	<b>100</b>	<b>100</b>	<b>847,134</b>	<b>100</b>	<b>100</b>

2.2.6. Changes in the distribution of SWORD GROUP capital on 31<sup>st</sup> December 2002 (%) – part 2

Forename-Surname	Situation on 11/03/2002			Situation on 12/03/2002			Situation on 31/12/2002		
	Number of shares	% of capital	% of voting rights	Number of shares	% of capital	% of voting rights	Number of shares	% of capital	% of voting rights
Jacques Mottard	392,764	40.36	40.36	392,764	31.87	31.87	392,764	31.87	31.87
21 Centrale Partners and the VCF 21 Développement	403,451	41.46	41.46	403,451	32.74	32.74	403,451	32.74	32.74
Françoise Fillot	21,279	2.19	2.19	21,279	1.73	1.73	21,279	1.73	1.73
Christian Tapia	21,279	2.19	2.19	21,279	1.73	1.73	21,279	1.73	1.73
Treasury stock	-	-	-	11,775	0.96	0.96	12,363	1	1
Employees and other shareholders	134,450	13.81	13.81	104,810	8.51	8.51	104,810	8.51	8.51
Treasury shares	-	-	-	-	-	-	-	-	-
Free Float				276,885	22.47	22.47	276,297	22.42	22.42
<b>TOTAL</b>	<b>973,223</b>	<b>100</b>	<b>100</b>	<b>1,232,243</b>	<b>100</b>	<b>100</b>	<b>1,232,243</b>	<b>100</b>	<b>100</b>

To the company's knowledge, no other shareholders have direct, indirect or joint control over 5% or more of capital or voting rights.

Jacques MOTTARD holds 31.87% of capital stock and voting rights.

21 CP Centrale Partners holds 32.74% of capital stock and voting rights.

## 2.2.7. Shareholder agreements

None.

## 2.2.8. Agreement by management-shareholders to keep shares

In accordance with market rules for the Paris stock market and the Nouveau Marché:

- Messrs. Jacques Mottard et Nicolas Mottard have agreed to keep all the shares owned by them until 22<sup>nd</sup> June 2003, that is two years after the date on which SWORD Group was established.

- 21 Centrale Partners, directors of SWORD Group, acting on behalf of the VCF 21 Développement, agreed to keep all the shares owned by them until 22<sup>nd</sup> June 2003, that is two years after the date on which SWORD Group was established.

In application of directive no. 96-01 of the COB:

- Mr. Jacques Mottard agreed to keep all 33,568 new shares acquired prior to floating on the stock exchange, following the exercise of the stock warrants mentioned in paragraph 2.2, for a period of six months after the floatation, 2/3 of the shares for nine months after floatation and 1/3 for one year after floatation.

- 21 Centrale Partners agreed to keep all 123,072 new shares acquired prior to floating on the stock exchange, following the exercise of the stock warrants mentioned in 22.2.5, and the 126,089 new shares that it will acquire within the framework of the capital increase and that will be reserved for them prior to floating on the stock exchange, for a period of six months after floatation, two-thirds of the shares for twelve months after floatation and one third for eighteen months after floatation.

Consequently, the VCF 21 Développement is authorised to sell the following between 22<sup>nd</sup> June 2003 and 12<sup>th</sup> September 2003:

(i) all SWORD Group shares acquired prior to the reserved capital increase and prior to stock warrants being exercised before the floatation, and

(ii) two-thirds of the shares resulting from the reserved capital increase and from the stock warrants exercised before the floatation. After 12<sup>th</sup> September 2003, the VCF 21 Développement will no longer have any obligations to fulfil with regards to keeping shares.

• In addition, Mr. Christian Tapia and Mrs. Françoise Fillot, management shareholders of SWORD Group have agreed with Euronext Paris SA that they will keep 80% of the shares they own, for a period of 12 months from the date SWORD Group shares were first listed on the Nouveau Marché d'Euronext Paris SA.

Agreement to keep shares								
	Number of shares	Euronext Duration	End-date of agreement	Number of shares	COB			End-date of agreement
					6 months	12 months	18 months	
Jacques Mottard	392,764	24 months from the date the SWORD Group was established	22-06-03	Resulting from exercising the stock warrant	33,568	22,378	11,189	12-09-03
21 Centrale Partners	403,450	24 months from the date the SWORD Group was established		Resulting from - exercising the stock warrant - the reserved capital increase	123,072 126,089	82,048 84,059	41,204 42,029	12-09-03
				<b>Total</b>	<b>249,161</b>	<b>166,107</b>	<b>83,233</b>	
C. Tapia	21,279	12 months from floatation on stock exchange	12-03-03	-				
F. Fillot	21,279	12 months from floatation on stock exchange	12-03-03	-				

### 2.2.9. Securities pledged for the company's shares

No securities are pledged for SWORD Group shares.

Securities have been pledged for the three businesses initially acquired from Decan (IDL, IDP and SWP), to Credit Agricole, to the Banque Rhône-Alpes and to the Lyonnaise de Banque banks within the scope of the 60 million F (€9,146,941) loan obtained from these establishments. This loan will expire on 1<sup>st</sup> December 2007.

### 2.3 Dividend distribution policy

The company will pursue a dividend distribution policy linked both to profits for the year in question and to the expected development of the group and its profitability.

For the financial year 2002, a dividend of €0.75 per share will be distributed, subject to agreement by the shareholder meeting of 30<sup>th</sup> April 2003.

The dividends and interim dividends that have been paid but not collected will be forfeited in favour of the State 5 years after the date of payment. (art. 2277 of the civil code).

### 2.4 The issuer's share market

SWORD Group has been listed on the Nouveau Marché d'EuroNext Paris since 13<sup>th</sup> March 2002.

The company became a member of the Next Economy segment on 12<sup>th</sup> March 2002.

On 22<sup>nd</sup> November 2002, SWORD Group entered the SBF 250.

SWORD Group shares are not listed on any other market.

On 20/03/2003, the company's capital adds up to €36,474,393.

#### Changes in the average monthly price and the average monthly volume since the company was floated on the Nouveau Marché

In €

MONTH	Average	Highest price	Lowest price	Average volume
MARCH 2002	47.25	49.50	44.00	69,143
APRIL 2002	45.82	48.00	43.20	908
MAY 2002	42.31	45.00	41.00	492
JUNE 2002	40.39	44.00	38.00	696
JULY 2002	37.87	39.00	34.00	502
AUGUST 2002	36.08	39.00	34.51	254
SEPTEMBER 2002	32.52	37.50	28.50	609
OCTOBER 2002	27.81	35.00	22.00	832
NOVEMBER 2002	34.81	37.44	32.50	468
DECEMBER 2002	30.84	35.30	25.00	879

### 3. INFORMATION ON SWORD GROUP'S ACTIVITIES, RECENT DEVELOPMENTS AND OUTLOOK FOR THE FUTURE

#### 3.1 Presentation of the company's activities

In thousands of euros	31/12/2002 (consolidated)
<b>Income statement</b>	
Consolidated net turnover	33,441
Operating profit	5,486
Financial result	- 793
Income from ordinary operations (before tax)	4,693
Overall consolidated net earnings	3,778
Group's share of net earnings	3,662
<b>Balance sheet</b>	
Fixed assets (net)	32,986
Accounts receivable	16,536
Cash flow	5,645
Permanent capital	28,302
Provisions for risks and expenses	1,358
Financial debt	8,037
Accounts payable	17,472
<b>Debt/equity capital ratio</b>	30.10%

Activity	No. of employees/activity
Change management	41
Data	07
EDM	118
GIS	33
STP	14
Card payment systems and logistics consulting	33
Holding	09
<b>TOTAL</b>	<b>225</b>

NB: The company does not communicate data for value creation.

### 3.1.1 PROFILE

#### 3.1.1.1 Positioning

SWORD Group is an IT services company specialising in four technological niches and operating **internationally** (74% of the pro forma turnover for 2002 was generated abroad). It forms solid partnerships with several large groups (see chapter 3.1.5 Solid Partnerships).

SWORD Group's service offer is built around:

- **three niches in which it is the world leader**, in terms of technology and/or market share:
  - a) Change management,
  - b) E-Content Management, in the following areas: document management, geographical information systems (GIS), data management and business intelligence,
  - c) Straight Through Processing (STP),
- **a consulting activity specialising in card payment systems, logistics and CRM**
- **complementary technological activities**, for which SWORD Group has positioned itself according to market opportunities and which complete the four technological niches mentioned above: technical architecture, customer relationship management (CRM), web content management and networked systems.

Its in-depth knowledge of the four "leader" technological niches described in chapter "4.3.2. Leader in four technological niches" allows SWORD Group to bring significant added value to its other technological activities.

SWORD Group has the capacity to work in all lines of business, from consulting to systems integration, in addition to providing application management (AM). These strengths allow it to obtain the loyalty of **key accounts** customers (see chapter "3.1.7.1. Customers"). Its **industrial approach to tailor-made solutions** allows it to exploit its technological expertise through software components (see chapter 3.1.6. SWORD Group: an industrial approach to custom-made solutions).

#### 3.1.1.2. Origins

The history of SWORD Group is rooted in that of the Decan group.

Indeed, it was Mr. Jacques Mottard, founder and current Chairman and CEO of SWORD Group, who founded the IT services company Decan in 1990. Thanks to him, the company became an international group listed on the Second Marché.

After Decan was bought out by Metamor Worldwide, and following the buy-out of Metamor Worldwide by Psinet in March 2000, Jacques Mottard decided to withdraw as Chairman of Decan in October 2000.

With the success of Decan under his belt, Mr. Jacques Mottard founded Sword SA on 17<sup>th</sup> November 2000.

Its activities began on 1<sup>st</sup> December 2000, relying on the takeover of certain Decan subsidiaries and businesses chosen for their technical specificities.

Thus, the Decan Group and its subsidiaries sold assets representing approximately 14% of its turnover (income statement on 30<sup>th</sup> June 2000) to SWORD SA, which was controlled by the former head of Decan, Mr. Jacques Mottard:

- The Decan Group sold SWORD SA its 81.33% stake in FircoSoft (and its American subsidiary, Fircosoft Inc.), which specialises in secure payment and payment automation via the Swift network; Decan CS sold SWORD SA its stake in the following companies:
  - SWORD Création Informatique (100%), a South African company specialising in intellectual property, often known as SWORD South Africa,
  - Decan Inc. (100%), an American company that provides electronic document management (EDM) for the United Nations (UN), later renamed SWORD Inc.;
- Decan CS sold SWORD SA 3 commercial segments: IDL and IDP, organisations specialising in electronic document management (EDM) and geographical information systems (GIS) and SWP (trademark and patent management).

The acquisition of subsidiaries and businesses from Decan was financed by a 60 million FF bank loan obtained from Crédit Agricole, Banque Rhône-Alpes and Lyonnaise de Banque, with the remaining sum being contributed personally by Jacques Mottard and the VCF 21 Développement.

On 1<sup>st</sup> April 2001, SWORD SA acquired two companies that enabled it to widen its area of activity and its geographical deployment:

- DDS, renamed SWORD DDS, based in London and specialising in change management consulting services,
- Profiler, renamed SWORD CONSULTING, specialising in card payment systems and logistics consulting.

On 13 March 2002, SWORD GROUP was floated on the Nouveau Marché at the Paris Stock Exchange, in the Next Economy section.

On 1<sup>st</sup> April 2002, SWORD acquired the company TEXT SOLUTIONS, which is based in London and owns TEXT SYSTEM. The company TEXT SYSTEM A 2T2, renamed SWORD ECM, specialises in change management. Because it originally managed equity interests, TEXT SOLUTIONS does not generate any turnover.

On 1<sup>st</sup> December 2002, SWORD acquired the company CRONOS TECHNOLOGIES, renamed SWORD TECHNOLOGIES, which is based in Luxembourg and Brussels and specialises in data management.

**Key figures for acquisitions**

	CRONOS TECHNOLOGIES (K€) 31/12/2001 (12 months)	CRONOS TECHNOLOGIES (K€) 31/12/2002 (12 months)	ECM (K€) 31/12/01 (12 months)	ECM (K€) 31/12/02 (12 months)	ACRAMAN 31/12/01 (K€) <sup>(1)</sup>	TEXT SOLUTION 31/12/01 (K€)	TEXT SOLUTION 31/12/02 (K€)
2001							
Turnover	8,054	14,614	2,888	2,345	0	0	0
Operating profit	475	1,017	161	4	0	-21	- 6
Gross operating surplus	608	1,279	193	50	0	- 21	- 6
Net Income	703	325	126	- 9	- 2	- 81	1,702
Workforce	42	77	39	29	0	0	0

<sup>(1)</sup> company set up on 1/04/2002.

The purpose of acquiring Acraman Text Solution (changed to ECM) is:

- a/ To reinforce our position in Great Britain
- b/ To position ourselves in Electronic Document Management in London

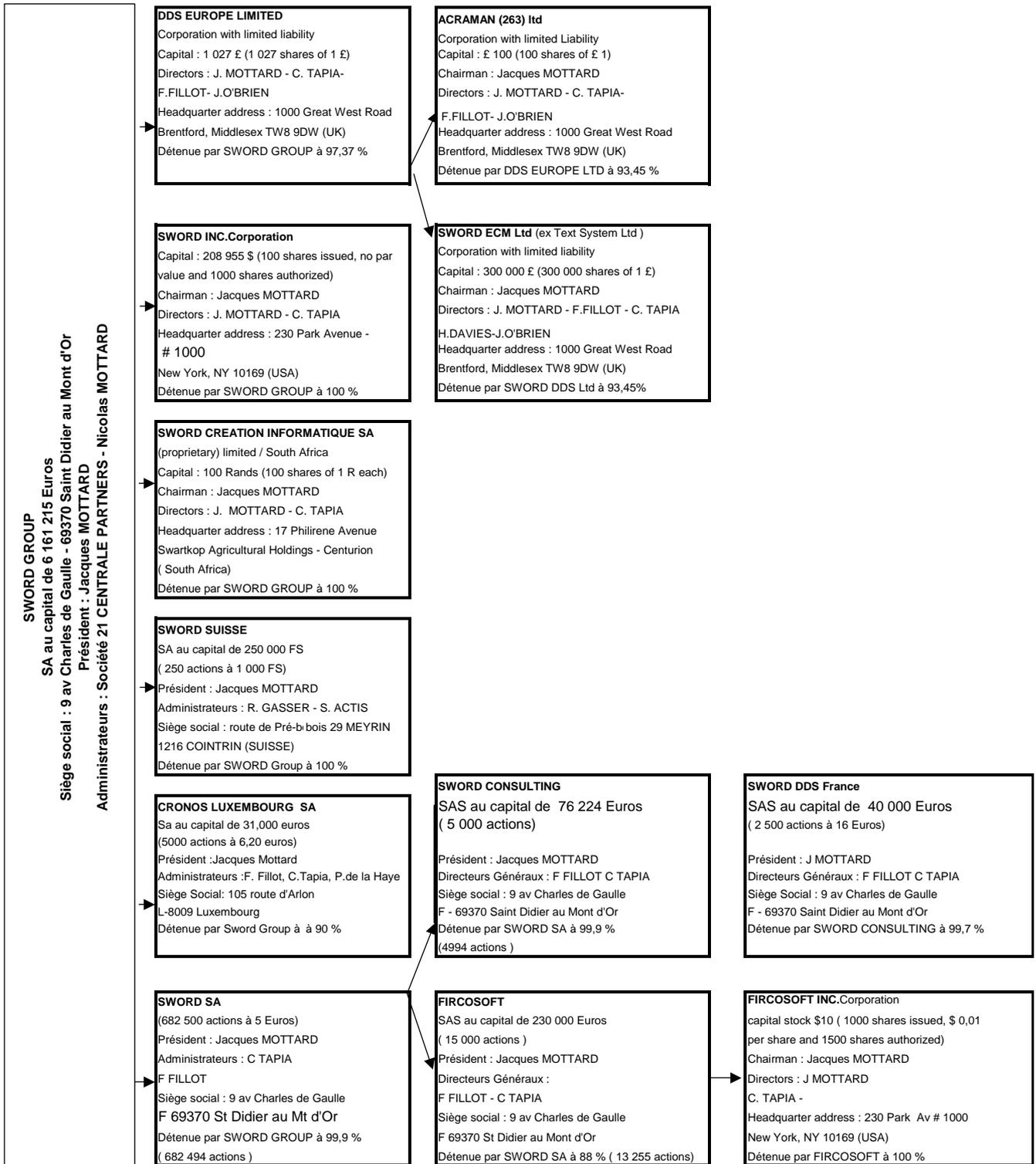
This outfit, which specialises in Electronic Document Management and the DOCUMENTUM tool, fulfils all of these objectives.

The purpose of acquiring CRONOS:

- a/ To set up operations in Benelux
- b/ To reinforce our position with regards to International Organisations
- c/ It commence activities in the 3<sup>rd</sup> aspect of ECM (Enterprise Content Management), in other words, data management.

Cronos is present in Luxemburg and Belgium and specialises in data management. It therefore fulfils all the criteria listed above.

3.1.2. SWORD GROUP ORGANISATIONAL CHART ON 31/12/2002



The table below shows the date of entry into the group of each SWORD Group subsidiary mentioned in the organisational chart, the nature of its business, as well as its turnover and net income in 2002.

<b>Subsidiary</b>	<b>Date of entry</b>	<b>Business</b>	<b>2002 Turnover</b>	<b>2002 Net income</b>
SWORD Inc	01-12-2000	Electronic document management for the UN	K€1,347	- 347 K€
SWORD Création Informatique	01-12-2000	Intellectual property	187K€	30K€
SWORD SA	01-12-2000	Electronic document management and geographical information systems	15,573 K€	743 K€
FircoSoft	01-12-2000	Payment message rebuilding and filtering	1,326K€	351K€
FircoSoft Inc	01-12-2000	Payment message rebuilding and filtering	K€700	-68 K€
SWORD DDS UK	01-04-2001	Change management	K€7,901	1,456 K€
SWORD Consulting	01-04-2001	Consulting	3,738K€	703K€
SWORD DDS France (ex-Espace Crécy)	01-07-2001	Change management	563K€	- 99K€
SWORD SWITZERLAND	01/04/01	Document management and geographical information systems	443 K€	- 62 K€
SWORD ECM	01-04-2002	Document management	K€3,750	156 K€
SWORD TECHNOLOGIES (ex CRONOS TECHNOLOGIES)	01-12-2002	Data management	K€14,614 (12 months)	K€703 (12 months)

Details of minority interests in FircoSoft, a subsidiary that is not wholly or almost wholly owned by SWORD SA or SWORD Group:

#### **Distribution of FIRCOSOFT's capital**

	<b>Number of shares</b>	<b>Percentage</b>
SWORD SA	13,255	88.37%
C. Tapia	173	1.15%
J. Mottard	5	0.03%
J. Losco	95	0.63%
SWORD Group	1,467	9.78%
P. Franchet	0	0%
F. Fillot	5	0.03%
F. Casadei	0	0%
<b>TOTAL</b>	<b>15,000</b>	<b>100.00%</b>

Agreements between SWORD GROUP and its subsidiaries:

- SWORD GROUP assists the subsidiary with its sales policy
- SWORD GROUP carries out a number of actions intended to promote the subsidiary and to jointly analyse the impact of its image.
- SWORD GROUP is able to contribute to the setting out of its subsidiary's overall strategy.
- SWORD GROUP possesses a management control and organisation service for its subsidiaries.

The annual amount billed by SWORD Group to its subsidiaries within the scope of the assistance agreement is €903,642.

NB: regarding the agreements relating to SWORD Group and its subsidiaries, no new agreement has been drawn up since 31/12/2002.

<b>POSITION</b>	<b>DURATION OF MANDATE</b>	<b>COMPANY</b>	<b>EXPIRY DATE (Shareholder Meeting approves the statements for the last exercise)</b>
<b>JACQUES MOTTARD</b>			
Chairman and CEO	3 years	SWORD GROUP	31/12/2003
Chairman and CEO	3 years	SWORD SA	31/12/2002
Chairman Chairman Chairman	unlimited unlimited	DDS EUROPE LIMITED SWORD INC SWORD CREATION INFORMATIQUE SA	Unlimited period Unlimited period
Chairman Chairman	1 year 6 years	SWORD SUISSE CRONOS LUXEMBOURG SA	31/12/2003 10/12/2008

### 3.1.3. THE SERVICES OFFERED BY SWORD

To define SWORD Group in terms of activities, services, clientele and geographical positioning, we will begin by providing figures for 2002 pro forma turnover according to these different criteria.

We will then describe the three technological niches in which the group enjoys a position as market leader, as well as its card payment, logistics and CRM consulting activity.

#### 3.1.3.1. Distribution of 2002 pro forma turnover

##### 3.1.3.1.1. By type of service

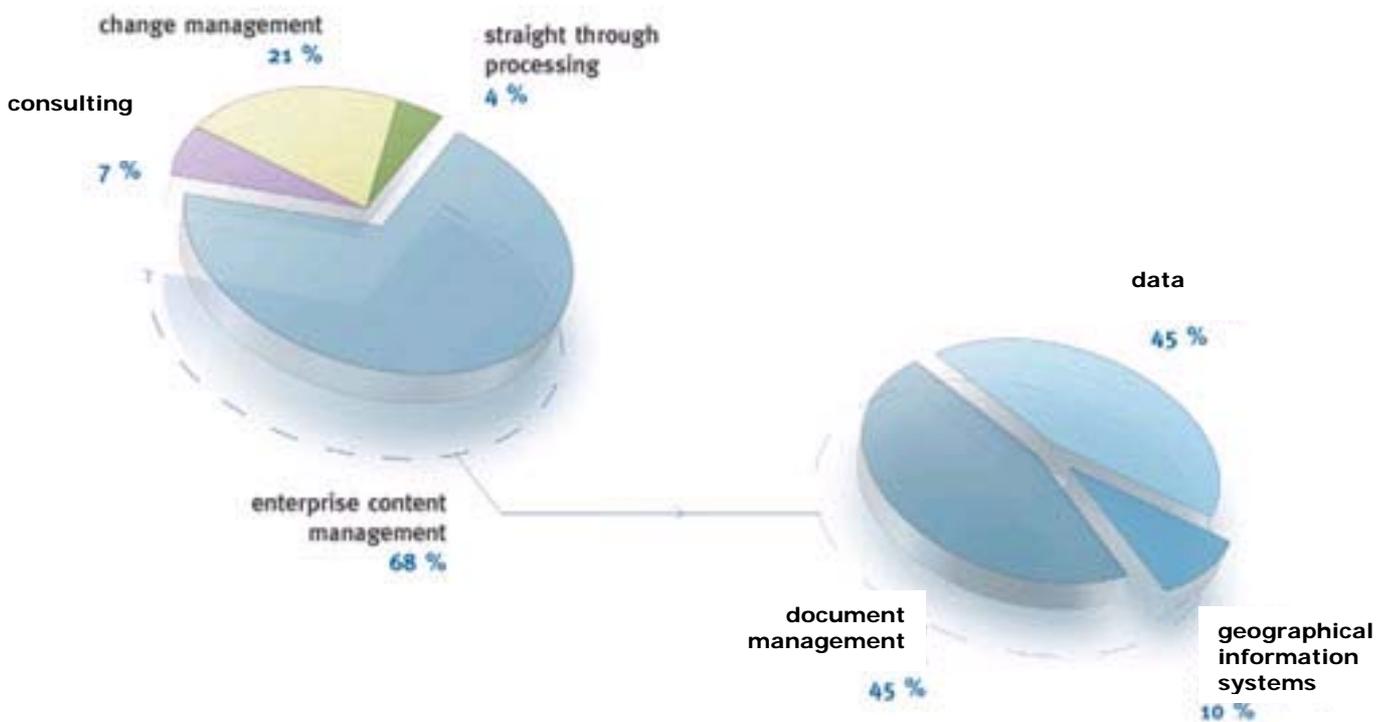
**40% > Systems and component integration**

**27% > Development of turnkey applications**

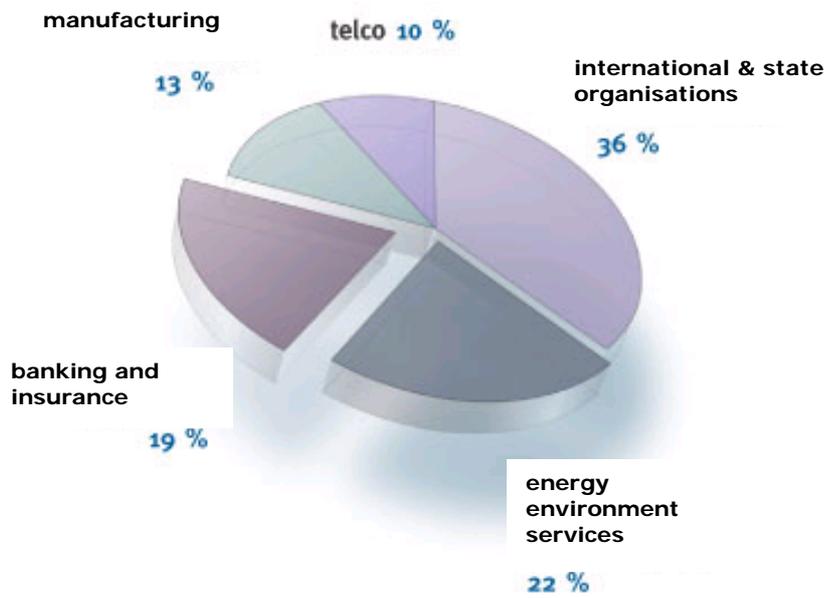
**25% > Consulting, including Change Management**

**8% > Application management**

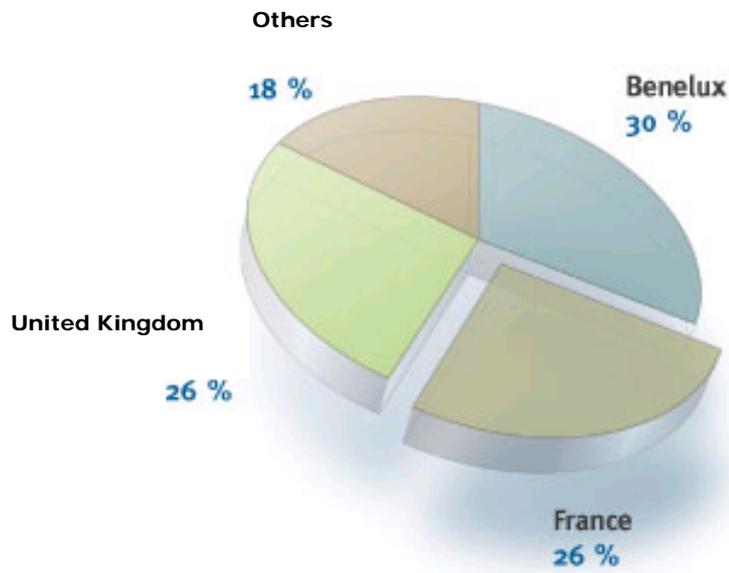
##### 3.1.3.1.2. By activity



3.1.3.1.3. By type of customer



3.1.3.1.4. By geographical location



### 3.1.3.2. The leader in three technological niches

SWORD Group has positioned itself in three technological niches, in which it is among the world leaders:

- **change management (CM)**: in this area, SWORD is a technological leader; this is illustrated by the fact that companies such as Exxon Mobil and Cable & Wireless want SWORD to accompany them in all the countries they are based in (USA, Central America, Europe, Asia, Oceania);

- **enterprise content management (ECM)** :

.**Document Management**

.**Geographical Information Systems**

.**Data management or business intelligence**, with essential references from the European Communities regarding data management systems, which are the basis for multi-tier architectures.

- **“straight through processing”** and the application of government embargo lists: the list of banks equipped by SWORD Group (see “3.1.1. Customers of SWORD Group: key accounts”) make it the leader in terms of market share.

**A consulting activity** completes these three technological niches.

#### 3.1.3.2.1. Change management (CM)

The integration of an ERP-type software package into a company's information system means that it must adapt its internal processes to this new environment. For the ERP to improve the company's efficiency, new procedures need to be defined upstream in the procedure, and downstream, employees must be provided with training in order for them to understand and master these new management processes.

For the last 14 years, DDS, a subsidiary of SWORD Group, has offered change management consulting and sets up training solutions in large multinational corporations.

Its **change management consulting** services present many facets:

- training on planning and the management of educational programmes,
- change management programmes,
- analysis of training requirements,
- development of training content, translations and targeting,
- logistics training and administration of education,
- training in the delivery of education,
- support for users who are in the start-up phase.

In terms of **training solutions**, SWORD DDS offers simple, effective, targeted and reusable programmes that contribute to ensuring that the information supplied to employees is consistent, whatever the area of management, market or language. This usually consists of e-learning.

SWORD Group also offers integration of On-Demand software, a sophisticated application designed to immediately improve the performance of ERP users by providing step-by-step guidance during the execution of their tasks.

SWORD Group has at its disposal a team composed of translators, linguists and multilingual consultants, to translate the teaching materials into the mother tongue of users and to shape training content according to the different teaching models used in each culture (GlobalMedia service).

In addition to its in-depth knowledge of SAP, the added value of SWORD Group resides in the international nature of its activities: this allows it to offer multinationals the possibility of deploying a training solution for its users that is both uniform and suited to the work habits of each country.

One example of the service provided by SWORD DDS is the work it carried out on a large British operator's change management strategy, as part of SAP integration. This mission involved defining management processes in partnership with general management at the English head office, and carrying out operations at a global level such as deployment, setting up on-line help services and drafting multilingual reference documentation, with services provided in 7 countries (UK, Belgium, Germany, Japan, USA, Panama and Russia).

### 3.1.3.2.2. Enterprise content management (ECM)

#### Electronic document management

This activity provides an **answer to the problem of “knowledge capital” management**, in other words, the ability to store, circulate, use and access the company’s ever-changing documentation in real-time (if necessary, using natural language).

Today, SWORD Group makes it possible to set up various types of document repositories from various sources: industrial (technical instructions, quality manuals), legal, financial, administrative, sales, marketing and editorial (encyclopaedias, dictionaries, catalogues).

Within the scope of this activity, SWORD Group benefits from preferential partnerships with software publishers such as Documentum and Filenet, which it incorporates into its global solutions.

Although EDM is an activity in its own right, it also creates real added value in other areas of IT. Take CRM (customer relationship management), for instance. Here EDM techniques add an additional dimension by making it possible to store digital copies of contracts and correspondence, etc.

An example of this type of work is the electronic document management solution SWORD Group created for Cetelem. This solution allows customer files to be archived securely and consulted via a specific intranet network.

This system allows it to archive its customers’ bank statements with a high level of security and its customer service staff to consult customer bank statements via a specific Intranet system. In the long run the system should also be able to handle different elements, such as letters and cheques.

SWORD Group makes use of **proven software components**:

- **Ptolemy**, a comprehensive system for the management of intellectual property office procedures. This software allows the life cycle of intellectual property rights to be managed: analysis, claims, registration, royalties, maintenance and sale of rights, as well as the generation of correspondence with customers.

Its functions include the facility to follow up the tasks to be carried out and the expiry dates that need to be monitored throughout the lifecycle of trademarks, patents, drawings and models. In addition, it allows the office’s journal, as well as statistics and reports, to be generated automatically. The system’s components are developed using Internet/Intranet technology, which facilitate the placing on-line of web-based services.

- **Accepto®**, developed by SWORD Group in order to carry out verbal or figurative intellectual property searches with a single command. It allows an exhaustive verbal search to be carried out: Accepto® manages all the parameters relating to verbal similarity (anagrams, prefixes, suffixes, word structures, etc.). Comparisons can be carried out in fifteen languages and can be fully programmed by the customer. The system makes use of different databases (national trademarks, international registrations, community trademarks, common international denominations, etc.). This component can be integrated into the Office’s management system or a Ptolemy solution.

- **Internice**, a multilingual tool for compiling lists of products and services (Nice classification).

For instance, SWORD Group carried out the full computerisation of the OHIM (Office for the Harmonisation of the Internal Market) in Alicante, Spain. The system manages the national office in a conventional manner and includes an EDM section, as well as a search and translation system that functions in 11 languages.

## Data management

SWORD TECHNOLOGIES specialises in structured data management in open environments. By using standard components supplied by software publishers such as Oracle, BEA and Microsoft, SWORD TECHNOLOGIES builds a made-to-measure information system that is able to meet the most exacting criteria. Using standard and open components and technologies enables it to reduce system development and maintenance costs while ensuring that the technologies are independent, thus endowing it with a great capacity to adapt to customer requirements. SWORD TECHNOLOGIES is able to design projects in their entirety: from needs analysis and approval of the architecture, to the actual set-up of the system and end user training. In the current market, which is characterised by increased competitiveness and a constant need for information, companies must equip themselves with high-quality decision-making information systems, from the gathering of data to its ultimate usage.

The range of Business Intelligence services includes consulting, technical assistance, engineering, change management, training and application maintenance.

These services divide up into the following categories:

- Management of the entire Business Intelligence project,
- Solutions expertise,
- Set-up of Data Warehouses (ETL, Storage, etc.),
- Statistical analysis,
- Company Performance Management,
- Analytical CRM.

The SWORD group has a team of highly motivated and competent experts at its disposal, with over 10 years of expertise behind them. They provide you with a high-added value service and a rapid return on your investment. In addition to its in-depth knowledge of Business Intelligence, the SWORD group's added value resides in its great expertise in contractual project management; which allows it to lead the field in framework contracts for large institutions.

With respect to the private sector, we not only provide technical skills, but also functional expertise acquired during the course of the various projects we have completed.

## Geographical information systems

This activity consists **of adding a mapping dimension to information systems.**

Indeed, geographical information is playing an increasingly important role in the information systems of private sector companies and public organisations. Geolocalisation services offered by mobile telephone operators, satellite navigation systems and vehicle fleet tracking, as well as land, property and technical asset management systems and geomarketing systems serve to illustrate these advances.

Within the scope of this activity, SWORD Group offers various strategic and operational consulting services, solution engineering, systems integration and application management (AM).

SWORD Group is acknowledged as a major player in this field. Its expertise rests upon over ten years of experience, equipping it with an in-depth knowledge of the sectors that use GIS: local government, regional development, urban planning and land rights, transport, telecommunications, logistics, land engineering and geomarketing.

Its complementary skills in new information and communication technologies (NICT) enable its teams to offer high-added value services: strategic and operational consulting, solutions and systems integration, change management and application management.

As part of its industrial approach, SWORD Group has developed a coherent range of software components that covers all requirements with regards to the design, administration and circulation of geographical information:

- Cosig Administration, systems administration tool, enables maps and system users (and their rights) to be defined,
- Cosig Certification is an automated system that enables the integrity and quality of existing data assets to be preserved when new data is integrated,
- Cosig Modelling is a modelling tool for geographical information systems,
- Cosig Editing allows users to manage and consult all types of data contained in the system (geographical and attribute data, maps, documents, photos, videos, etc.),
- Cosig E-net is an Internet/Intranet application that allows users to consult information held in geographical databases,
- Cosig Assets offers asset management functions that employ two types of technology: traditional client/server and Intranet. These applications are real asset information management tools coupled to cartographic and multimedia technologies,
- Cosig Supervision offers real-time map functions. This application enables users to fulfil requirements in terms of the supervision and location of all types of information: vehicles in a fleet, trains, etc.

The system put into place by SWORD Group for MICHELIN – Editions du Voyage is a perfect illustration of the use of GIS, used in parallel with EDM. Michelin sells road maps, tourist guidebooks, and hotel-restaurant guides. The documentation department needs to update this information constantly, by gathering information from the appropriate networks. The ultimate aim was to computerise the gathering and updating process.

### 3.1.3.2.3. “Straight through processing” and the application of government embargo lists

#### “Straight through processing”

“Straight through processing” (STP) consists of repairing/rebuilding messages (Swift or other formats) automatically.

Indeed, in electronic messaging systems for payments and securities, if the quality of the information to be sent is poor (approximate coding, accounts, banking information and names that are missing or whose format is unstructured, missing path information, etc.), the automatic processing of information becomes difficult, making it necessary to carry out repetitive and costly manual error processing.

Thanks to STP, these messaging systems no longer need to worry about badly structured or incomplete data and are able to function as though these messages were flawless. These automatic message repair functions replace manual error correction processes, and thus significantly reduce processing costs.

STP has therefore become a major objective for banking and finance, because it brings savings and improves the service to the customer.

To cater for these needs, SWORD Group offers a basic software application, “STP-Engine”, and specialised modules that can be easily integrated into existing messaging systems. These programmes are the fruit of in-depth and fundamental research in the field of artificial intelligence, in particular on natural language and neuronal networks.

#### *The module: STP-Engine*

STP-Engine is a piece of software into which a complete message can be entered. In a fraction of a second, it is translated into a message that is suitable for automatic processing (STP). The programme can either transform a message according to grammatical rules, or enhance and repair the message while adhering to “business” rules and using reference dictionaries.

#### *Specialised Firco modules*

This family of modules has been designed to repair fields in payment and securities messages, thus improving the rate of automatic processing (Swift, Fedwire or Edifact messages or other structured messages).

To obtain the best possible performance, each Firco module makes use of a specific dictionary, which links names to codes. An additional utility allows these changes to be managed while maintaining optimal performance.

#### **The application of government embargo lists (Ofac, SDN, etc.)**

The American Office of Foreign Assets Control (OFAC) publishes a list of thousands of blacklisted entities (individuals, legal entities or ships) that the US government forbids banks or subsidiaries located in the United States to deal with. Payment orders to the accounts of these blacklisted entities must be frozen under pain of considerable sanctions (financial penalties and seizure of funds). The task becomes more difficult as the volume of messages to control grows and the frequency with which the list changes increases.

Other countries also publish (or are about to publish) similar lists to that of the OFAC.

SWORD Group designed a **software application, Ofac-agent, which automatically intercepts the messages of blacklisted entities**. This product accepts all types of messages (payment, securities, credit letters, telexes, etc.) and, in a fraction of a second, determines the names, companies, addresses or bank codes of messages that appear in the list.

This is compared with an enhanced list of synonyms for names, towns and countries. For example:

Great Britain and United Kingdom describe the same country. In addition, specific names can be added, and wild cards can be used to designate entire regions or entire countries.

This type of tool has direct applications in the fight against money laundering. In addition, and especially considering the current global climate, it can act as a springboard for numerous developments relating to security, in particular in the airline industry.

### 3.1.3.2.4 Business oriented consulting (card payment systems, logistics and CRM)

The approach taken by SWORD Consulting is business oriented and aims first and foremost to offer housekeeping solutions according to the organisational and human context. In order to do so, it possesses highly specialised skills organised into different business divisions:

- bank, interbank and industrial **card payment systems** (evolution of interbank systems, small and medium-sized businesses, EMV, secure credit card payment over the Internet, credit card payment via GSM, etc.),
- **banking** (new automated processing systems: exchange of cheque images, other forms of payment, international cash management, etc.),
- **finance**, in particular consumer credit and
- **industry and logistics**: production management, supply chain management, distribution and transport, marketing (CRM, Data Mining), sales (supervision of distribution networks), after-sales, etc.

One mission, carried out for Renault, illustrates the expertise of the Consultancy division of SWORD Group. Within the scope of a global programme to optimise work posts and its supply process, Renault asked SWORD Group to set up processes and tools for the management of physical flows relating to the shipment of parts required to assemble vehicles on the work posts.

As far as the division that provides card payment consulting is concerned, we could mention GIE Cartes Bancaires, whom SWORD Group assisted with the EMV project (New international standards, adopted by French banks).

SWORD Group was responsible for coordinating the migration over to EMV and relationships with international networks and with the organisations providing certifications, for the entire card payment chain: cards, payment terminals, automated cash dispensers, telephone banking, bank servers.

#### Customer Relationship Management (CRM)

The aim of CRM is to respond efficiently to all customer requests, while gathering the information generated during this contact, in whatever form it takes place (telephone, Internet, direct contact or by post). SWORD Group's Customer Relationship Management (CRM) activity revolves around consulting and integrating (implementing the solutions that are best suited to customer requirements using the tools available on the market, while maintaining consistency with the rest of the information system). It is often brought in to work in collaboration with documentary projects.

### 3.1.4. SWORD GROUP WORKS WITH CUSTOMERS ON SEVERAL LEVELS

#### 3.1.4.1. Consulting

Consulting is a high-added value service and is provided by two of the group's subsidiaries:

- **SWORD Consulting**, the consulting subsidiary of the group, specialising in card payment and logistics consulting,
- **SWORD DDS**, which specialises in change management.

As a general trend, SWORD Group assists the key accounts of banks, industry and services in the definition and implementation of strategies that will allow them to adapt to an economic climate that is experiencing constant change and which is more competitive and complex than ever.

Its range of services can be divided into two main categories:

- consulting for management (a service that revolves around organisational issues),
- consulting for project management teams (which revolves around information systems).

Its main consulting services are:

- services concerning organisational issues: strategic studies, master plans, organisation audits, redefinition of company processes (change management);
- services concerning information systems:
  - organisational studies,
  - needs and feasibility studies,
  - project steering (planning, monitoring, etc.),
  - drafting of functional specifications,
  - revenue plans, deployment,
  - change control (redefinition of job profiles, training-action, etc.),
  - integration of ERP-type software packages that are available on the market.

Here are a few examples that illustrate this description:

- a financial company belonging to a large automotive group entrusted SWORD Group with the operational management of a process automation project to address the expiry of vehicle fleet hire contracts, in accordance with the commercial terms and conditions negotiated;
- vehicle distribution models are changing: the concentration of networks, the probable opening of the vehicle market to new firms, multibrand strategies, etc.). In order to distinguish themselves, manufacturers must improve the productivity of their sales structures and expand their range of services beyond the sale of vehicles. It is with this in mind that SWORD Group steps in to steer projects in the fields of marketing, customer relations, sales force management, financing and distribution logistics.

- a large oil group entrusted SWORD Group with the creation and implementation of the human resource and technical organisation required to train all its SAP users;
- the community of French banks entrusted SWORD Group with the general organisation of the component deployment plan for the new French card payment system, within the scope of the project to implement a new international smart card.

#### 3.1.4.2. Application Management (AM)

Application management (or AM) involves **taking over responsibility for an entire area of a company's information system**. This activity caters for the requirements expressed by many international groups in terms of outsourcing part of their information technology, in the aim of reducing maintenance costs and improving the service.

This outsourcing process can include several tasks:

- the design and creation of new computer applications,
- the development of existing applications,
- the maintenance of existing applications.

Customer contracts are more often than not multi-annual and allow genuine partnerships to be formed between SWORD and its customers that go well beyond traditional customer/supplier relationships.

This type of service then leads to integration services for large projects. As an example, one SWORD Group team provides corrective, adaptive and progressive maintenance for the different documentary applications developed for the United Nations (UN).

This strategy comes into effect downstream from large projects and does not require a separate sales approach.

#### 3.1.4.3. Development of turnkey IT applications

This service involves designing and developing information system architectures. This is an implicit component of all IT service providers, whether it concerns infrastructure elements or the setting up of new technologies.

Thanks to their technological and methodological know-how, SWORD Group's consultants participate in this development at all levels of the company's business processes: from standard company management functions such as sales, marketing, purchasing, finance, accounting, human resources, communication and production, to the technical purposes of the information system. Within the scope of these services, SWORD Group uses a quality repository (Isopro), which enables it to **cater for the requirements of IT contractors in terms of flexibility, time-to-market and economic competitiveness**, while maintaining a certain level of **quality and obeying time constraints**.

All business processes are covered: from standard company management functions such as sales, marketing, purchasing, finance, accounting, human resources, communication and production, to the technical purposes of the information system.

In the telecommunications field, SWORD Group is assisting CEGETEL with the development of its "Customer communication" IS: a customer file on the website that delegates the administration of management functions to end customers, including electronic invoices and the issuance of different commercial documents.

#### 3.1.4.4. Systems and component integration

Companies must adapt their strategy according to the constant changes in the economic climate and must at the same time rapidly transform their information system.

The complexity of these systems slows down their capacity to adapt, especially as the systems and applications from which they are constituted are increasingly heterogeneous: proprietary applications, integrated management software packages, customer relationship management (CRM) software packages and specialist software packages (EDM for example).

Within this context, the services offered by SWORD Group involve installing application software on top of customers' existing computer architectures. This software is built around software packages that are available on the market, around SWORD components or around software that is developed from start to finish.

SWORD Group provides these services using an **industrial approach** that is based mainly on the reuse of **software components**; it has positioned itself as a high-added value provider in its different technological niches in order to accompany its customers on this evolutionary step.

As an example, a national industrial property office that wishes to overhaul its information system will be calling upon SWORD Group to partially or completely redesign its information system depending on its organisational choices, the international protocols in force and the state of its current information system. In this case, SWORD Group's solution will involve taking charge of a multiphase global project supported by its quality assurance and project management methodology, Isopro.

### 3.1.5. SOLID PARTNERSHIPS

SWORD Group works with several partners, in several functional configurations:

- **“certified partner”**: these are partners who decide to work with SWORD Group when they share common interests in a project or customer. There is a certain level of commitment in terms of loyalty and making information available: each partner is a co-contractor in the project, and each one is responsible for their own part. Thus, IBM and Microsoft can be said to be partners of this type: they sell their equipment and software, and subcontract certain tasks to SWORD Group;
- **“integrator”**: SWORD Group integrates the partner’s product, for example the Documentum and Filenet software applications, which are used in the EDM activity; the customer receives a joint commercial proposal; the sale of the licence is invoiced by SWORD Group (For filenet for example) or by the product supplier, depending on the case in hand; the impact of this invoicing on SWORD Group’s turnover is around 5%;
- **“commercial agreement”**: the partner agrees to supply SWORD Group with information on the modifications made to its products and on its new products, in order for SWORD Group to adapt any of its software components that make use of the partner’s technology (for example: Swift);
- **“integration of SWORD Group components”**: these partners are IT service companies who play a role in certain key accounts; these companies sell on SWORD services and integrate its components into their global projects; this is the case for Steria Suisse and MPCT Solutions who offer global solutions within the scope of Swift projects and make use of SWORD Group’s STP components.

The table below lists SWORD Group’s main partners and the type of partnership that binds them:

Microsoft	certified partner
IBM-Lotus	certified partner
Documentum	integrator
Filenet	integrator
Parker Williborg	commercial agreement
Swift	commercial agreement
Steria Suisse	integration of SWORD Group components
MPCT Solutions	integration of SWORD Group components
APIC	integrator
Claritas	integrator
ESRI	integrator
Selligent	integrator
Global knowledge	commercial agreement
Itesoft	integrator

There is no dependence on these partners, as SWORD Group software does not rely upon the versions of software packages hired from its partners.

### 3.1.6. SWORD GROUP: AN INDUSTRIAL APPROACH TO TAILOR-MADE SERVICES

#### 3.1.6.1. SWORD Group’s software components

SWORD Group is an IT services company that retains the know-how gained from each new project, by developing software components that can be reused in future projects (Cosig range for GIS, Acsepto, Ptolemy and Internice for intellectual property, Firco, Ofac-agent and STP engine for STP, etc.).

However, this does not make SWORD Group a software publisher, because these components are not sold as software packages or as licences. Components are integrated into the overall service.

This **“software component”** approach allows markets to be won because it demonstrates SWORD Group’s expertise.

These software components represent development costs of 28 man-years.

### 3.1.6.2. Technologies mastered by SWORD Group

SWORD Group works with all the traditional technologies from IT engineering companies:

- standard programming languages: C, C++, Java, Cobol, L4G, etc.
- standard operating systems: Unix, Windows, AS400, Mainframe, etc.
- standard office tools,
- The different platforms available on the market in the fields of development (J2EE architecture), integration (EAI, XML) and services (.net).

Within the scope of its change management activity, SWORD Group is fully proficient in integrated software, SAP in particular, but also in other ERP's (Peoplesoft, Siebel, etc.).

For its document management activity, SWORD Group works with the Lotus Notes, Documentum and Filenet applications, which it integrates into its solutions.

More generally speaking, SWORD Group's engineers are multi-disciplined. They are able on one hand to quickly adapt to a particular technical environment and, on the other, to switch between niches.

### 3.1.7. ANALYSIS OF THE COMMERCIAL ENVIRONMENT

#### 3.1.7.1. Customers

##### 3.1.7.1.1. SWORD Group's Customers: key accounts

As demonstrated by the list of references within the three technological niches, SWORD Group's clientele is composed exclusively of key accounts:

#### **Change Management**

Becton Dickinson (with operations in more than 8 countries including Japan, Korea and China)

Exxon Mobil (in more than 20 countries (Asia, Europe, America, Africa)

Kraft (in Italy, Switzerland, Scandinavia, Great Britain)

#### **Content management**

Cegetel (invoice management)

BNP Paribas (customer contract and claims management for the Dutch subsidiary)

Swedish Office (development of the trademarks and patents office's information system)

Communauté Urbaine de Lyon (redesign of the urban reference system for 55 districts within Greater Lyon)

Paris CCI - Chamber of Commerce and Industry (territorial information system for the CCIP and its 4 offices)

COURLY – the Urban Community of Lyon (graphical land parcel registration declaration for farmers within the scope of the allocation of CAP subsidies)

#### **“Straight Through Processing” (STP)**

Union Planters Bank / US (filtering of interbank flows (antiterrorist measures)

ABN AMRO (filtering of interbank flows)

ZKB / Suisse (filtering of interbank flows)

#### **Consulting**

Natexis Banques Populaires (organisation of the new formats-compensation programme)

Renault (logistics expertise for general management)

Gaz de France (creation of a customer tracking application for the transport network)

Autonomous port of Marseille (set-up of a sales force tracking application)

### 3.1.7.1.2. SWORD Group's ten largest customers

The five largest customers of SWORD Group represented 28.5% of pro forma turnover in 2002 and 24% on a like-for-like basis.

The turnover of the largest customer is considered to be confidential information.

SWORD Group's ten largest customers represented 53% of pro forma turnover in 2002, 42% on a like-for-like basis.

The 25 largest customers represented 89% of pro forma turnover in 2002, 78% on a like-for-like basis. It must be noted, however, that the European Communities are classed as a single customer but are in fact a group of several independent customers.

Customer	Type of project
Becton Dickinson	Change management
BNP Paribas	Consulting
Cable & Wireless	Change management
Cegetel	Document management
European communities	Data engineering or business intelligence
Exxon Mobil	Change management
Kraft change	Change Management
OISUD	Document management / intellectual property
Royal Sun Alliance	Document management
SWEDI	Document management / intellectual property

### 3.1.7.1.3. Customer characteristics

The customer invoicing method can be broken down into fixed price (60%) and governed (40%). Governance is essentially used for change management and consulting projects. The risk attached to fixed price invoicing is limited, as explained in paragraph 3.2.4.

The customer loyalty rate is 100%: this is the number of customers who renew contracts in year y, compared with the number of customers in year Y-1. This has been calculated since 1999 for the DDS companies (renamed SWORD DDS), and the Profiler companies (renamed SWORD CONSULTING) and since 1992 for other activities.

Over the years 2000 to 2002, the rate of non-payment was nil, as our clientele consisted entirely of key accounts.

The payment time stipulated in the company's terms and conditions of sale is 60 days end of month. In practice, this is closer to 75 days.

The order book is full: at the end of December 2002, it represented 9.1 months worth of pro forma turnover for 2002 and 7.8 months worth of budget turnover in 2003.

The proportion of recurring turnover is more than 30% and varies depending on the activity. The activities that generate the most recurring turnover are data management (59%), EDM/GIS (45%) and consulting (60%).

### 3.1.7.2. The market and competition

#### 3.1.7.2.1. The market

##### 3.1.7.2.1. The market

In 2001, there were 30,000 Software and services companies in France (including manufacturer services, training and IT temporary work), generating total turnover of €30 billion and employing 310,000 people.

According to the Syntec, the IT services and software publishers sector represented €21.3 billion in 2001. The drop in turnover between 2001 and 2002 is estimated at between 2 and 5%.

In the opinion of the consultant Pierre Audoin, the French IT services and software market could grow by some 3% in 2003.

The table below, which was produced by SYNTEC INFORMATIQUE (sector information published on 3<sup>rd</sup> April 2003) shows the change forecast for each type of Software and Services activity:

Activity	HY1 03/HY1 02	HY2 03/HY2 02	Weighting in%
Management and information systems consulting	↘	→	6.5%
Engineering			
Project and integration	↘	→	15.5%
Development – Technical assistance	↘	↘	13.5%
Technology consulting	↘	→	12.5%
Infomanagement			5.0%
AM	↗	↗	20.0%
Infomanagement (not including AM)	↗	↗	
Software and software packages			
Software tools	→	↗	7.0%
Application software	↘	→	13.0%
Miscellaneous and training	↘	↘	7.0%
TOTAL	↘	→	100.0%

SYNTEC INFORMATIQUE does not foresee any great changes in the sector.

According to SWORD Group, these figures are more representative of the market formed by companies that provide more general IT services, and we maintain our reservations over this assessment. Indeed, the greater the degree of specialisation, the higher the growth of the market.

### 3.1.7.2.2. Competition

Our competitors are large consulting firms and large IT services companies such as Cap Gemini, Atos and Accenture, as well as general IT services companies such as Unilog, Sopra and small specialised services companies:

<b>Activity</b>	<b>Country</b>	<b>Competitors</b>
Change management	UK	DACG, PWC, ATOS /Origin
	US	KPMG, Andersen
Electronic document management	France, US, UK	CGEY, Atos, Steria, IBM
Geographical information systems	France, Switzerland	Esri, Matra, Thales, Sema
Intellectual property	Worldwide	SWORD Group works (or has worked) in over 25 countries and has always competed with local IT services companies
Straight through processing	Worldwide	VIVEO, Ace Software Solution
Filtering in the fight against money laundering and terrorism	Worldwide	Prime Associates, Logica, Thomson Financial Publishing
Card payment consulting	France	CGEY, Atos, Steria, GFI
Logistics consulting	France	Atos, Sema, Steria, Alcatel

In the various activities, the structure of competition remains very stable from one year to the next.

The 50% success rate can be observed for contracts obtained through calls to tender. However, for the geographical information systems activity the figure is over 80%.

Indeed, for highly specific technological sectors such as intellectual property, STP and change management, SWORD Group has an undeniable competitive advantage, due to the technological barriers to entry.

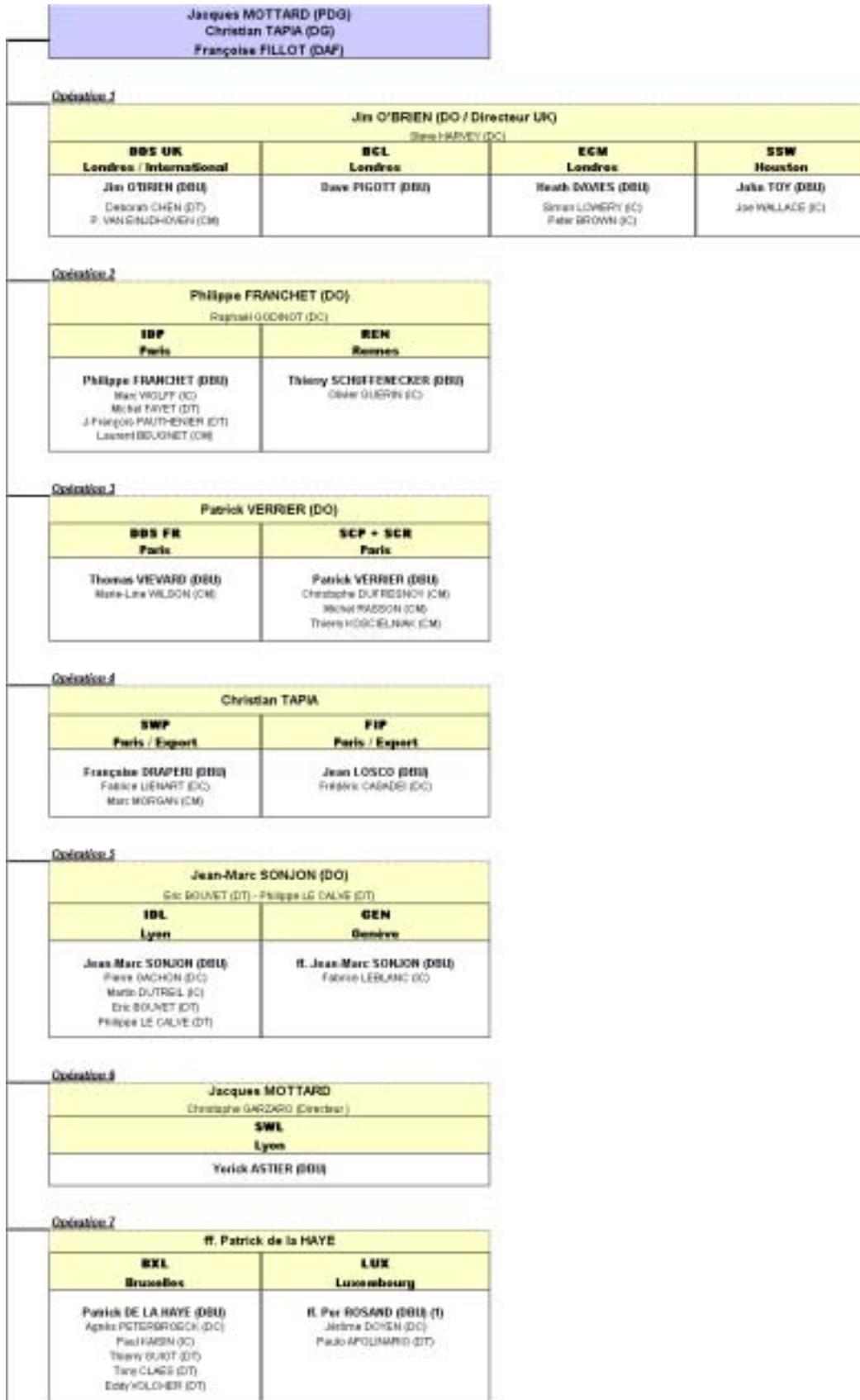
In addition, SWORD Group possesses skills that are just as advanced as those of general IT service companies and of the large groups, while being more competitive and reactive.

At an international level, no one niche represents a significant share of the market. In any case, calculating a percentage would not allow a precise measure to be obtained. In addition, no reliable research has been carried out on the niches being exploited.

### 3.1.8. RESOURCES

#### 3.1.8.1. Management

##### 3.1.8.1.1. Functional organisational chart on 31/12/2002



### 3.1.8.1.2. The Directors

#### **Jacques Mottard, 50, chairman**

Between 1989 and 1999, Jacques Mottard founded and developed Decan, until the friendly takeover by the Metamor group in February 1999. He occupied the position of chairman of the Metamor Group in Europe until October 2000. He then founded SWORD.

Previously, he had occupied the position of sales engineer at Bull, as well as regional manager for the Rhône-Alpes and then managing director at Comelog (IT services).

Jacques Mottard possesses diplomas in both science and management (Montpellier ESTP (*Grande école* for public works engineering) and IAE (company administration institute)).

#### **Christian Tapia, 43, managing director**

Christian Tapia joined SWORD in January 2001.

Christian Tapia occupied a position as project chief engineer in artificial intelligence at Cognitech before co-founding Ingénia in 1989. When Ingénia was bought out by Decan in 1997, he became a member of the Decan Group's executive committee and managing director in charge of International Business Units. He is trilingual (French, Spanish and English), holds an MSc in computer science from the University of Illinois, USA, and has carried out numerous studies on artificial intelligence.

#### **Françoise Fillot, 43, administrative and financial director**

Before joining SWORD, Françoise Fillot occupied the same position for 9 years in the Decan Group.

She has a degree in management/accounting.

#### **James Peter O'Brien, 39, director of "change management" operations worldwide**

James Peter O'Brien has occupied this position at DDS since 1995. Previously, he occupied the position of director of purchasing at Tulip International; he participated in the set-up of SAP modules, which equipped him with an in-depth knowledge of the software.

He is British and holds a degree from Liverpool John Moores University.

#### **Philippe Franchet, 39, director of "EDM North" operations**

Until 1997 Philippe Franchet was the director of Decan's "IDP" Business Unit, which specialised in EDM. The unit then became part of the SWORD group. Previously, he occupied positions as sales manager, business engineer and project manager at Jacobs Serete.

He holds an engineering degree from the CPE (*Grande école* for physics, chemistry and electronics) in Lyon and a Masters from the Essec (*Grande école* for business and economics).

#### **Patrick Verrier, 43, director of "consulting" operations**

Patrick VERRIER was a consultant and then a business engineer at Sigma Conseil SA (organisational consulting firm) for 8 years. He took over the management of this unit when it was acquired by Decan in 1998 and then by SWORD in 2000.

Since February 2001, he has launched and organised SWORD's consulting activity.

He holds a Masters in management from the Université de Paris Dauphine and a DESS (postgraduate diploma) in systems information from the Paris IAE.

#### **Patrick de la Haye, 41, director of "data management" operations**

Patrick de la Haye had been Business Development manager at Cronos Luxembourg since June 2002. He took over the management of this unit when it was acquired by Sword in December 2002. Previously, Patrick worked at Oracle Belgium for 8 years as Sales Manager in charge of International Institutions. He holds a diploma in Political Science and International Relations.

#### **Jean-Marc Sonjon, 43, director of "Geographical Information Systems and Documentary Engineering South"**

Jean Marc SONJON had been the director of DECAN's "IDL" Business Unit since 1998. The unit specialised in GIS and EDM.

Over the course of his career in IT services, he occupied positions as project manager, project director and business engineer in different IT services companies: Syseca, Focal and Comelog.

He has a university degree in computer science, and holds a DEST (post graduate diploma in technology).

## 3.1.8.1.3. Number of employees

## Number of employees on 31st December 2002 by activity

Activity	Billable employees	Non-billable employees	Total number of employees	Subcontracted staff
Change management	35	11	46	14
Data	80	9	89	65
EDM	109	15	124	17
GIS	36	4	40	1
STP	11	4	15	6
Card payment and logistics consulting	31	2	33	1
Others	25	2	27	3
Holding	0	9	9	1
<b>TOTAL</b>	<b>327</b>	<b>56</b>	<b>383</b>	<b>108</b>

Based on the pro forma financial statements for 2002, turnover from subcontracting represented 10% of total turnover. The corresponding cost is 8.7% of turnover. Subcontracting must remain marginal (less than 20%), but is necessary for flexibility purposes.

Subcontracting is employed in two cases:

- firstly, when a team moves abroad and the country's language is difficult, local subcontractors are used ; in this case, a local search is carried out, with an initial testing system and monthly manager reports;
- secondly, to cater for ad hoc requirements, SWORD Group maintains permanent contact with companies that specialise in IT subcontracting: controls are carried out in the same way as in the first case.

In 2002, **the workforce** grew from 245 to 491.

This figure includes permanent subcontractors (freelancers – this type of activity is common in English speaking countries).

In 2002, the average daily rate stood at €601:

In 2002, the activity rate (including holidays: between 7 and 14% depending on the country) reached 81%.

Non-billable employees, including subcontractors, make up 11.4% of the total workforce.

### 3.1.8.2. Organisation

#### 3.1.8.2.1. The main sites

Town	Address	Telephone no.	Owner of the premises	Surface area of the premises
Lyon	9, avenue Charles-de-Gaulle 69370 Saint-Didier-au Mont-d'Or	+ 33 (0)4.72.85.37.40	Groupe Sade m2 20, bd Eugène-Deruelle 69003 Lyon	1,920 m <sup>2</sup>
Paris	37, rue de Lyon75012 Paris	+ 33 (0)1.44.67.24.00	Cogifrance47, rue du Faubourg-Saint-Honoré 75008 Paris	1,575 m <sup>2</sup>
London	1000 Great West Road Brentford Middlesex TW8 9DW 22	+ 44.208.758.94.99	Jones Lang Lasalle Hanover Square LondonW1A 2BN	930 m <sup>2</sup>
Rennes	8, Rue Jouanet 35 700 RENNES	+ 33 (0)2 99 84 50 50	Bouygues Immobilier 5, Rue A. Aubry 35000 Rennes	482 m <sup>2</sup>
Grenoble	95, rue du Général Mangin 38000 Grenoble	+ 33 (0)4.76.23.46.00	SCI Grenoble Actimart17, route de Limonest 69450 St-Cyr-au-Mt-d'or	241 m <sup>2</sup>
Geneva	Geneva Business Center 12, Avenue de Morgines 1213 Petit Lancy	+ 41 (0) 22 816 06 10	Crédit Suisse AMF CP 8110 ZURICH	240 m <sup>2</sup>
Houston	11500 Northwest Freeway, Suite 275 HOUSTON TX 77092	+ 1 713 956 8880	11500 Northwest LP, HOUSTON TX 77092	190 m <sup>2</sup>
New York	230, Park Avenue – Suite 1000 New York, NY 10169	+ 1.212.808.72.05	HQ Global Workplaces 15305 Dallas parkway, suite 1400 Addison, TX 75001	16 m <sup>2</sup>
Luxembourg	105 route d'Arlon – L 8009 Strassen	+ 353 26 11 26 11	GEO Bildinx 71 rue des Prés, L-7333 Steinsel	1,000 m <sup>2</sup>
Brussels	Rue Joseph II, 9 à 13 – B 1000 Bruxelles	+ 32 2 235 29 60	DK Invest Delften 23 B-2390 Malle	600 m <sup>2</sup>

There are no business links between the owners of the premises and the directors and employees of SWORD Group.

### 3.1.8.2.2. Trademarks

SWORD Group owns all the trademarks that it needs to use. Indeed, it owns the following trademarks:

- Firco trademark (European Union): owner: FircoSoft SA,
- STP Factory trademark (European Union): owner: FircoSoft SA,
- French trademark **SWORD**, initially registered under number 520509 on 22<sup>nd</sup> June 1979 in classes 9, 35 and 42, renewed on 14<sup>th</sup> June 1989 under number 1536363, and renewed most recently on 27<sup>th</sup> May 1999,
- French trademark **Ptolemy**,
- French trademark **Accepto**,
- Foreign trademark **SWORD** registered in Germany under number 1111856 on 10<sup>th</sup> December 1985 in classes 7, 9, 16, 35 and 42,
- Foreign trademark **SWORD** registered in South Africa under number 88/5249 on 29<sup>th</sup> June 1988 in class 9,
- Foreign trademark **SWORD** registered in South Africa under number 88/5250 on 29<sup>th</sup> June 1988 in class 35,
- Foreign trademark **SWORD** registered in South Africa under number 88/5251 on 29<sup>th</sup> June 1988 in class 42,
- Foreign trademark **SWORD** registered in Benelux under number 378628 on 4<sup>th</sup> September 1981 in classes 7, 9 and 16,
- Foreign trademark **SWORD** registered in the UK under number 1255025 on 22<sup>nd</sup> November 1985 in class 9,
- Foreign trademark **SWORD** registered in the UK under number 1255026 on 22<sup>nd</sup> November 1985 in class 16,
- Foreign trademark **SWORD** registered in the UK under number 1278695 in 1<sup>st</sup> October 1986 in class 42,
- Foreign trademark **SWORD** registered in Switzerland under number 318013 in classes 9 and 16.

### 3.1.8.2.3. The quality system: Isopro

SWORD Group has set up an internal group quality scheme, in compliance with ISO 9001 standard.

#### Principles of the quality assurance system:

At all levels, **SWORD Group's quality structure** is organised as follows:

- It is led by a Quality Assurance Manager (QAM) who reports to general management and coordinates all of SWORD Group's Quality Assurance activities.
- **Quality Assurance contacts** are set up at all SWORD Group sites.
- The **Project Quality Manager (PQM)** is responsible for monitoring the quality of a project. Depending on the project, he drafts or assists the project manager in drafting the Quality Assurance Plan. The PQM is responsible for monitoring the quality of the project, and his involvement is generally on an ad hoc basis. He carries out or steers quality control activities (reviews). Depending on the business/technical skills required, he may delegate a certain proportion of these controls. Because he observes the project's day-to-day progress as an outsider, he is able to remain sufficiently detached and objective. His precise role with regards to the project, as well as the extent of his involvement, is detailed in the Quality Assurance Plan (in particular his relationship with the project manager).
- The **project manager** is the person responsible for steering the project and all day-to-day quality assurance issues. Continuous action on his part has an impact on the quality of the project through:
  - his commitment to a certain volume of work and deadlines,
  - the strict application of procedures and standards,
  - the traceability of key events, actions and decisions, and the visibility achieved with regards to the project's progress, through the creation of a project file,
  - communication, by supervising the project team, providing an interface with the customer and supplying feedback to SWORD Group.
- The **Project Team** carries out the project on a day-to-day basis. Sharing information, increasing awareness and self-evaluation activities are therefore crucial in terms of quality.

#### The Isopro approach

The Isopro approach relies on:

- a set of organisational procedures,
- a set of operational procedures and work instructions,
- a set of template documents,
- guidance literature,
- tools,

in order for it to be correctly applied.

## 3.2. Analysis of the company's risks

### 3.2.1. Customer risks

There are no customer risks in terms of regulations: no SWORD Group customer has ever been in a situation of suspension of payments or failed to settle a payment.

In addition, historically speaking, the loyalty rate is 100%. This rate represents the number of customers who renew contracts in year Y, compared with the number of customers in year Y-1.

### 3.2.2. Reduction in working hours

The reduction in working hours was inherited from negotiations held at Decan by the very same directors, which generated a 10-day reduction in working time, and only concerns the turnover generated in France. This is fully taken into account in the analytical accounting activity, which, to allow for this constraint, considers French labour costs to be 1.73 times the gross salary.

### 3.2.3. Risks relating to the departure of employees and key individuals

Unlike other companies, who rely on individuals to gain results from their know-how, SWORD Group is built firmly upon software components that are improved from one project to the next, and which enable this know-how to not be lost should a particular employee leave.

As far as top management is concerned, this is a team that consists of a Chairman/CEO, a managing director, and three directors of operations, introduced in 3.1.8.3.

However, the eleven BU managers and the three directors of operations, who are also Business Unit managers, form the actual substance of the company's management. They can truly be considered to be directors of a small/medium sized business, and are in charge of administration, recruitment and management.

Lastly, the policy that has been implemented to encourage staff loyalty, through the allocation of both capital and stock options, contributes to the stability of our teams.

### 3.2.4. Commercial risk due to fixed price services

Fixed price services dampen the commercial risk of finding ourselves in an intercontract situation from one day to the next. The intercontract ratio is 8%, including management staff (1% unbilled personnel and 7% management staff). By intercontract, we mean the number of days that are not billed and considered as non-useful (not including training and holidays) divided by the number of potential days (250 days a year).

On the other hand, they increase project completion risks and raise the question of occupying the team between projects. This illustrates the importance of having an order book. Particular attention has been paid to this increased risk.

On 31<sup>st</sup> December 2002, it amounted to 9.1 months worth of pro forma turnover for 2002.

Each project is monitored on a monthly basis. To date, the difference between days gained and days lost compared with initial estimates for the cost of projects is close to 0, thanks to the systematic application of the Isopro method.

Nevertheless, in the event that a project develops the potential to deviate from the plan, 100% of this deviation will be funded regardless of any corrective action that may be necessary in the future. This is a cautious method that generally leads to part of the provisions being recovered at the end of the project.

Lastly, billing for components is a major element of safety in SWORD Group's quoting policy, given that the resulting turnover does not generate direct costs and may alleviate the consequences of overspending on projects.

Pro forma turnover from fixed price contracts in 2002 stands at €28.78 million. Historically, and if we consider the state of progress of contracts on 31/12/2002, no current fixed price projects present risks that are not provided for.

### 3.2.5. Technological risk

As far as hardware and local networks are concerned, a 2-person team is dedicated to maintaining our infrastructures and, in particular, the daily safeguarding of data, which is placed in fireproof cabinets.

In addition, a civil liability insurance policy allows us to cover all risks relating to damage caused by our employees at customer sites.

Lastly, exploiting our know-how through our software components allows us to confidently grasp the technological advances of our partners and suppliers.

### 3.2.6. Competition risk

The competition risk is very low thanks to:

- SWORD Group's technological advantage,
- its functional knowledge of its customers' areas of work,
- the dispersion of its competitors, all of whom display marked differences,
- the nature of its customers (example: the UN), which makes a considerable investment necessary from the outset.

This wide spectrum of competition is actually a very positive point, especially when the customer requires a wide range of skills for its integration projects, for instance.

**3.2.7. Liquidity risk**

Characteristics of securities issued or loans contracted	Fixed or variable rate	Total sum of credit lines	Validity period	Loan secured?
2 loans	Variable rate (euribor 3 months + 1.5)	6,098 K€	2003 to 2007	No

**3.2.8. Interest rate risks**

	Up to 1 year	1 to 5 years	Beyond
<b>Financial liabilities</b>	1,220 K€	4,878 K€	-
<b>Financial assets</b>	-	-	-
<b>Net position prior to management</b>	1,220 K€	4,878 K€	-
<b>Off-balance sheet</b>	-	-	-
<b>Net position after Management</b>	1,220 K€	4,878 K€	-

Sensitivity to interest rate changes is equal to  $1,220 \times 1\% \times 9 / 12$ , or 9.15 K€.

Interest rate risks are not currently considered to constitute a significant risk. Nevertheless, this risk is monitored and managed by the administrative and financial department within the scope of the company's general management. There is no specific cover for this risk.

**3.2.9. Currency risk**

The currency risk is not currently considered to be a significant risk, and it is therefore not necessary to set up a ponderous risk monitoring and management structure.

There are no significant investments or debts that give rise to a currency risk. Indeed, debts are essentially a result of the corporate activity. Thus, no tools exist other than those that enable the following currency risk policy to be implemented:

In countries where costs are paid for locally (local personnel), no currency cover is taken.

In countries where certain costs result from transactions in different currencies (e.g.: USA with a few European employees), we take out annual currency cover based on the budgeted turnover for the year.

In countries with extremely volatile currencies (e.g.: the Rand in South Africa), we have a systematic policy on insurance, given that very few costs are charged in the local currency.

The currency risk is controlled by the holding company. Budgets are set out with great prudence, and the theoretical exchange rate is always between 4 and 8% lower than the real exchange rate for the period, depending on the currency.

	K€	K\$	K Swiss Francs	K Rand
<b>Assets</b>	12,189	2,525	864	2,979
<b>Liabilities</b>	7,897	2,167	602	1,793
<b>Net position prior to management</b>	1,292	358	262	1,186
<b>Off-balance sheet position</b>	-	-	-	-
<b>Net position after management</b>	4,292	358	262	1,186

### 3.2.10 Action risks

	Portfolio of third party or OPCVM (public mutual fund) shares	Portfolio of own shares
Assets position	31 K€	471 K€
Off-balance sheet		
Overall net position	31 K€	471 K€

#### Assessment of the portfolio

Two objectives have influenced the way the portfolio is composed:

- The acquisition of the company's own shares within the scope of a share repurchasing programme and a liquidity agreement.
- Investing cash reserves in risk-free marketable securities.

If we discount own shares, the portfolio is very limited. Given the size of the investments, as yet no internal restrictions (market, counterpart, economic sector) or cover for risks or any other form of internal control have been formulated.

Investments must remain conventional by nature and risk-free by definition.

#### Marketable securities

Marketable securities are valued according to their purchase cost. If their probable negotiable value at financial year-end (based on the last quoted price or the liquidation value) dips below the purchase price, a provision is set up.

#### Own shares

SWORD Group holds its own shares within the scope of:

- a share repurchasing programme
- a liquidity agreement

Own shares held within the scope of the share repurchasing programme are entered on the annual financial statements as fixed securities (fixed financial assets) as long as the various objectives of share repurchasing (supporting the stock market price, intervention on the share market, allocation to employees and payment within the scope of external growth operations) were not quantified from the outset. In accordance with accounting principles, in consolidated financial statements, these fixed securities are deducted from consolidated reserves.

Own shares held within the scope of the liquidity agreement are entered as marketable securities. They give rise to a provision for depreciation when the market price for the last month of the year dips below the historical share price.

#### Risk monitoring and management:

The only potential risks regarding shares relate to cash investments in marketable securities. Investments are selected from those that present no real risk.

### 3.2.11 Activity risks

Analysing the projects in progress involves determining the following points for each of them:

- The state of progress of the work,
- The difficulties met and the adherence to the provisional completion schedule,
- The exhaustive entry of costs that have gone into the project,
- The adherence to the various contractual clauses and, most notably, those relating to billing,
- Underwriting fees.

These monitoring procedures are carried out monthly (1<sup>st</sup> working day of each month) for all current projects. They not only enable the identification of potential problems that may be inherent to certain projects, but also allow monthly results to be determined. These measures are sufficient to justify the absence of specific cover.

### 3.2.12 Miscellaneous

The company's general policy on insurance cover revolves around three main areas:

- The cover of "civil liability" risks for each of the group's companies,
- The cover of "civil liability" risks for the directors Mr. Jacques MOTTARD and Mr. François BARBIER.
- The cover of material risks (water damage, fires, vehicle fleet, etc.).
- Its general policy aims to cover risks that constitute a significant financial impact and for which the group is unable to insure itself in a financial sense.

The levels of coverage for the three areas mentioned above are:

SWORD Group civil liability:

- Operations: bodily, material and immaterial damage: €7,500,000
- Professional: bodily, material and immaterial damage, regardless of the cause: €4,500,000

Directors' civil liability: €5,000,000

Cover of material risks: multi-risk cover:

- For buildings
- For the vehicle fleet
- For IT equipment

To avoid supplying large quantities of relatively insignificant figures, the sums covered by each of the basic or optional policies are not indicated.

**Provisions for risks and expenses:** obligations regarding third parties, legal, regulatory, contractual or implicit, give rise to a provision for risks and expenses if these exist on the closing date and if it has been established that they will lead to an outflow of resources, without an equivalent counter-flow from the parties concerned.

### 3.3 Investment policy

#### 3.3.1. Research and development

Research and development costs are limited to 50% of the gross margin generated by software component turnover and represent 4% of turnover.

In terms of accounting, these research and development costs are entered directly as expenses and are therefore not tied up.

There are no specific research and development personnel, and each major project ends with certain team members being allocated to research and development tasks. Today, the company estimates that 40% of its employees have participated in research and development activities.

Research and development covers various activities:

- **“Large volume” documentary management**

Research and development resolves the technical problems that occur when the quantity of information to be processed increases.

- **Geographical information systems**

In this area, it revolves around the exploration of the new technologies, standards, architectures and IT tools that enter the market.

Keeping watch of technological advances allows SWORD Group to be at the cutting edge of the field, to put proposals forward to its customers and to advise them of possible modifications to their system.

Such research work can result in study reports, illustrative prototypes or presentation material.

- **International payment management**

This activity is comprised of development: in particular for the range of banking services. The range of filtering services that has been around since 1994 is completed by components that are specifically designed to help combat money laundering.

Lastly, a significant part of this development concentrates on the progressive maintenance of existing components.

- **National and International intellectual property office management systems**

Here, research is carried out on:

- software components for the management of intellectual property ownership in an Intranet/Internet environment,
- intellectual property search tools (verbal and figurative search algorithms),
- classification tools (trademarked products and services, figurative trademarks).

#### 3.3.2. Training

The investment policy regarding training is put into practice through project management, which provides for systematic training when work is initialised.

This cost amounts to 2.5% of the wage bill.

#### 3.3.3. Equipment

The investment policy regarding equipment mainly concerns the engineers' microcomputers and local area networks. The computer population is new, therefore no significant investments have been planned. Within the scope of application management, computer equipment remains the property of SWORD Group's customer.

### 3.3.4 Value of investments

By type of investment

<b>GROSS FIXED ASSETS</b>	<b>31/12/2002</b>	<b>31/12/2003</b>	<b>31/12/2004</b>
<b>in K€</b>			
Buildings	180	196	220
Transport equipment	72	79	88
Installations, fixtures	410	447	501
Office and IT equipment	1,320	1,439	1,615
Office furniture	272	297	333
<b>Total</b>	<b>2,254</b>	<b>2,458</b>	<b>2,757</b>

By activity

DOCUMENT MANAGEMENT	741	808	906
PLATFORM FOR GROWTH	92	100	112
CHANGE MANAGEMENT	499	544	610
STP	49	54	60
CONSULTING	25	27	31
GIS	126	137	154
DATA ENGINEERING	620	676	758
HOLDINGS	103	112	126
<b>Total</b>	<b>2,254</b>	<b>2,458</b>	<b>2,757</b>

By geographical zone

France	806	879	986
UK	772	842	944
United States	54	59	66
Benelux	620	676	758
Others	2	2	2
<b>Total</b>	<b>2,254</b>	<b>2,458</b>	<b>2,757</b>

### 3.3.5. Software components

These investments are made within the scope of agreements for new projects, or to exploit the know-how acquired once certain projects are completed: at a functional level (example: trademarks and patents) for the follow up of new international agreements, in order to create specially adapted software components. Software components are incorporated into the overall service provided for customers. With the exception of components used in the STP activity, customers become the owners of the software, including its components, although they are not authorised to sell it on. In this case, they can carry out their own maintenance, or this can be provided by SWORD Group within the scope of a contract. However, STP components remain the property of FircoSoft, which simply sells a licence. Source programmes are never delivered, which ensures that products remain protected. FircoSoft always carries out the maintenance on these products.

### 3.3.6. Acquisitions

#### Acquisitions completed

in K€	Date	Purchase price	Market share (purchase of assets)	Goodwill (share purchasing)
IDL	01-11-00	-	1,707	-
IDP	01-11-00	-	3,153	-
SWP	01-11-00	-	3,657	-
<b>SWORD sub-total</b>		-	<b>8,517</b>	-
Firco	01-11-00	5,238	4,428	
SWORD DDS France	01-07-01	242	-	-
SWORD Création Informatique	01-11-00	107	-	-
SWORD Inc.	01-11-00	2,561	1,797	-
SWORD Switzerland	01-04-01	284	36	-
SWORD DDS UK	01-04-01	3,418	1,378	202
SWORD Consulting	01-04-01	419	484	-
SWORD ECM	01-04-02	4,104	4,880	-
SWORD TECHNOLOGIES	01-12-02	9,430	9,794	-
<b>TOTAL</b>		<b>25,803</b>	<b>31,314</b>	<b>202</b>

These acquisitions were made in cash, thanks to a €9.14 million bank loan and equity capital of up to €23.7 million. CRONOS was paid for in cash, with a transfer of €7.075 million from the BRA banking group.

The evaluation of market shares was carried out by an independent expert.

### 3.4. Recent developments

Recent developments since the end of the financial year are presented in the management report, chapter 4, paragraph 4.b.

### 3.5. Strategy and outlook for the future

#### 3.5.1. Strategy

SWORD Group has decided to pursue the strategy it set itself when it was founded:

- **international**: the removal of borders is crucial to the group's activities (for example, in the case of change management, the setting up of an ERP in a large group involves all the subsidiaries of this group, whatever the country. That is why SWORD Group works in places such as Japan, Panama or the USA;
- **profitable**: that is why SWORD Group's objective for total operating profit obtained from all its activities is greater than 16%;
- **specialised**: SWORD Group must become dominant in technologies and functionalities that enable it to demonstrate its know-how as a leader of certain niches, and which are able to complement each other;
- **shared**: a system must be put into place in which the objectives of employees and investors converge. That is why SWORD Group has set up a shareholding and stock options system.

Furthermore, SWORD Group will always cater for a key accounts customer base, carrying out work on their information systems using the tailor-made industrial approach described in chapter 4.6.

With regards to the **acquisition** of companies, SWORD Group's criteria are highly specific:

- the company must be located in an area with high-added value and social flexibility,
- it would be preferable for the company to be located in an English speaking area,
- the acquisition cost must be between 50% and 100% of its turnover, depending on its profitability,
- the company must work within SWORD Group's current technological niches or other technological niches.

In addition, expansion in 2003 will only take place in the current niches.

From 2004, we will attempt to determine whether the time is right to alter the configuration of our niches, that is:

- either to amalgamate departments,
- or to develop a new activity.

It must be noted that because a technological generation lasts no more than three years, it is not possible to develop a strategy beyond 2004 with regards to defining technological niches.

On the other hand, constant aspects of the group (organisation, profitability, etc.) will not be re-examined.

### 3.5.2 Forecasts established for 2002

Year 2002 – pro forma in K€	2002 Forecast (1)	2002 Actual (2)	Gap
<b>Turnover</b>	43,000	47,815	+ 4,815
<b>Operating profit</b>	6,700	6,159	- 541
<b>Consolidated net profit</b>	3,580	3,911	+ 331
<b>Net profit before goodwill depreciation</b>	3,580	3,946	+ 366
<b>Net profit after goodwill depreciation</b>	3,580	3,911	+ 331

(1) Including acquisition

(2) pro forma

Year 2002 – pro forma in K€	2001 perimeter		
	2002 Forecast (1)	2002 Actual (2)	Gap
<b>Turnover</b>	36,200	29,551	- 6,649
<b>Operating profit</b>	5,875	4,891	- 984
<b>Consolidated net profit</b>	3,030	3,052	+ 22
<b>Net profit before goodwill depreciation</b>	3,030	3,087	+ 57
<b>Net profit after goodwill depreciation</b>	3,030	3,052	+ 22

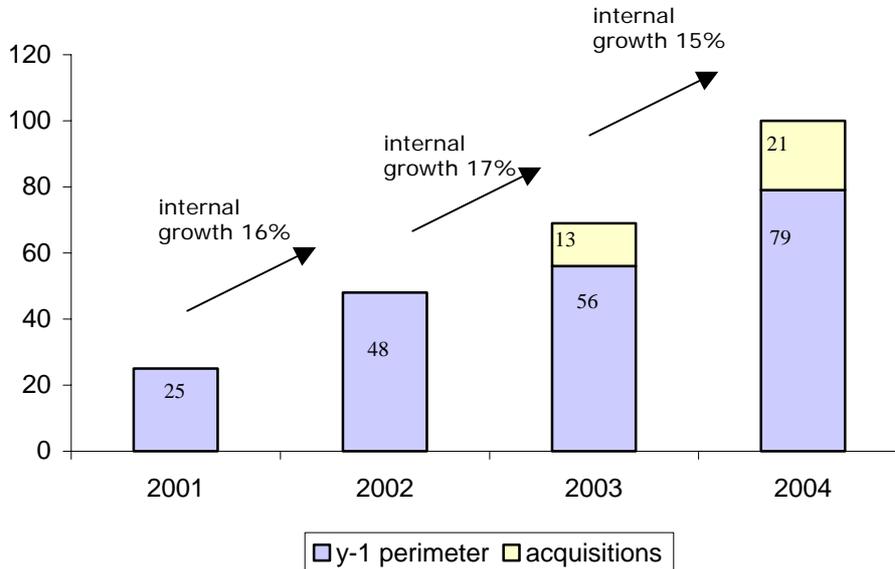
(1) Not including the acquisition of SWORD ECM (ex Test System) and SWORD Technologies (ex CRONOS Technologies).

### 3.5.3. Business plan hypotheses

Given the budget established for 2002 and the niche strategy being pursued by SWORD Group, with the exception of a few adjustments, the company is keeping to the business plan presented when it was floated on the stock exchange.

#### 3.5.3.1. Growth in turnover

Forecasted turnover in million €:



As indicated in the chart above:

- **organic expansion between 2002 and 2003** will be the same as that observed between 2001 and 2002, that is + 17%, bearing in mind that we voluntarily limited this organic growth during 2002 in order to focus on profitability.

The order book for 2003 remains full. We are confident that the financial year 2003 will be a successful one in terms of organic growth.

- With regards to **external growth**, it is planned that this will represent €13 million worth of turnover. However we remain cautious and we will not hesitate to postpone an acquisition for a few months if we judge that it can be carried out at a lower cost at a later date.

#### Pro forma turnover

(K€)	2003	2002	Variation
<b>Change Management (CM)</b>	<b>11,663</b>	<b>10,148</b>	<b>+ 14.9%</b>
<b>Enterprise Content Management (ECM)</b>			
Electronic Document Management	16,061	14,829	+ 8.3%
Data management	17,009	14,514	+ 17.2%
Geographical Information Systems	4,609	3,109	+ 48.2%
Sub-total	<b>37,679</b>	<b>32,452</b>	<b>+ 16.1%</b>
<b>Straight Through Processing</b>	<b>2,350</b>	<b>1,979</b>	<b>+ 18.7%</b>
<b>Consulting</b>	<b>4,205</b>	<b>3,236</b>	<b>+ 29.9%</b>
<b>TOTAL</b>	<b>55,897</b>	<b>47,815</b>	<b>+ 16.9%</b>

#### Turnover from acquisitions on 31/12/2002

The impact of 2002 acquisitions on consolidated turnover is as follows:

- for TEXT SOLUTIONS (acquired on 01/04/2002)  
consolidated turnover over 9 months: 2,602 K€
- for CRONOS TECHNOLOGIES (acquired on 01/12/2002)  
consolidated turnover over 1 month: 1,288 K€

Additional turnover from these acquisitions posted on the pro forma financial statement for 2003 is as follows:

- for TEXT SOLUTIONS  
Pro forma turnover over 3 months: 1,148 K€
- for CRONOS TECHNOLOGIES  
Pro forma turnover over 11 months: 13,226 K€

Turnover resulting from the organic growth of the perimeter at the end of 2001:

Turnover: 29,551 K€

Equivalent to organic growth of 16.3%

#### Sensitivity of turnover to a variation in the assumptions used

In view of its current size, its geographical positioning and the nature of its markets (technological niches), in terms of consolidated turnover, the SWORD group is relatively insensitive to the fluctuations of cyclical factors (sector growth, general economic climate of the country, competitors' situation, etc.).

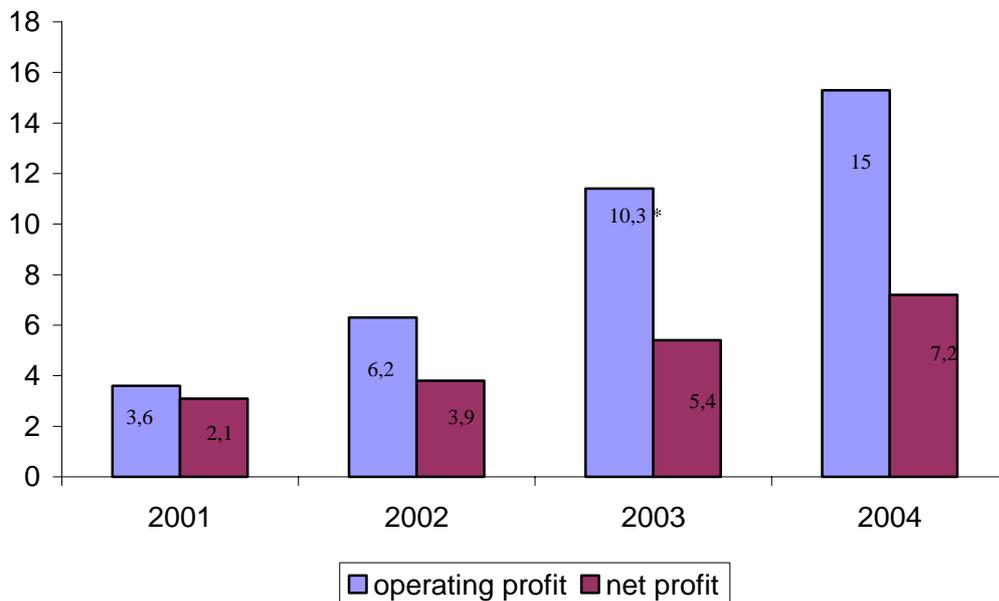
#### 3.5.3.2. Variations in the operating margin between 2001 and 2004

	2001	2002	2003 (p)	2004 (p)
<b>Not including acquisitions for the year</b>	17.1%	16.6%	16%	16%
<b>Acquisitions</b>		6.9%	10.2%	11.3%
<b>Pro forma</b>	<b>14.3%</b>	<b>12.9%</b>	<b>14.9%</b>	<b>15.0%</b>

#### 3.5.4. Results forecasts

These results take into account the acquisitions made during each year

##### 3.5.4.1. Forecast earnings



\* can be broken down as follows: 9 in organic growth – 1.3 in acquisitions

### **Operating profit**

The estimated operating profit is a direct result of the budget process that exists within SWORD Group. The main rules for establishing these figures, to be exercised by the Business Unit, are as follows:

- Expected turnover is translated as a number of directly billable employees (DBE). In each BU, secretaries, managers and sales engineers are not billable. However technical managers are billable.
- The activity of "DBEs" is divided up into potentially billable days, which are the working days of each month of the year: to calculate turnover, each "DBE" employee is valued at a daily rate that is specific to their position.
- The level of contribution of each BU relies on the permanent adherence to three fundamental ratios:
  - a minimum "daily billing rate for each DBE in the BU / daily cost of the DBE" ratio, which defines the acceptable limit when a new customer order is taken;
  - a minimum activity rate expected from each DBE: this is equal to the number of days billed for with respect to the potential number of days, where the potential days are the working days of each month of the year, not counting legal or conventional non-working days (paid holidays, public holidays, leave due to the reduction in working times, training days, etc.);
  - a "non-directly billable employees (non-DBE)/DBE" ratio, which must fall within a maximum fixed cost per BU.

Head office expenses: structural costs (not including BUs), which correspond to the technical, quality and functional support provided by head office departments; these are estimated at 4% of total consolidated turnover according to the management system in force.

### **Financial result**

Each year, financial costs relating to net debt are assessed according to the average discounted cash flow and acquisition related requirements.

In addition, the financial result takes up a prudent position with regards to the currency risks of invoicing in non-euro zone currencies (dollar, pound sterling), which allows for the potential costs of insuring against this risk.

### **Corporation tax and equity interest**

Equity interest was calculated by applying legal weightings to net profit for the year from 2003 onwards. Corporation tax: for all companies that posted profits as of 2002 without deferred losses or ARD (known deferred depreciation), the corporation tax rate applied is the common tax rate applied to profits before tax.

## 3.5.4.2. Detailed forecasted income statement

Operating Items	Year 2002				Year 2003				Year 2004							
	consolidated		pro-forma		Total A		External growth		Y-1 perimeter		Total A		External growth		Y-1 perimeter	
	%	actual (1)	%	budget	%	%	%	%	%	%	%	%	%	%	%	%
<b>Total Turnover (exc.tax)</b>	<b>33,441</b>	<b>47,815</b>		<b>43,000</b>		<b>69,000</b>		<b>13,000</b>		<b>56,000</b>		<b>100,000</b>		<b>20,600</b>		<b>79,400</b>
+ fixed production assets																
+ closing stock																
+ other operating income	1,815	2,005			1,300	1,300		1,300		1,300		1,600				1,600
<b>A. Total operating income</b>	<b>35,256</b>	<b>49,820</b>		<b>43,900</b>		<b>70,300</b>		<b>13,000</b>		<b>57,300</b>		<b>101,600</b>		<b>20,600</b>		<b>81,000</b>
Other purchases and external costs	10,986	19,510		17,400		28,900		5,200		23,700		45,800		9,200		36,600
<b>B. Total cost of materials from third parties</b>	<b>10,986</b>	<b>19,510</b>		<b>18,300</b>		<b>28,900</b>		<b>5,200</b>		<b>23,700</b>		<b>45,800</b>		<b>9,200</b>		<b>36,600</b>
<b>C. Added value (A - B)</b>	<b>24,270</b>	<b>30,310</b>	<b>63.39</b>	<b>25,600</b>	<b>59.53</b>	<b>41,400</b>	<b>60.00</b>	<b>7,800</b>	<b>60.00</b>	<b>33,600</b>	<b>60.00</b>	<b>55,800</b>	<b>55.34</b>	<b>11,400</b>	<b>55.34</b>	<b>44,400</b>
+ operating subsidy																
- taxes and duty	151	151		440		530		150		380		1,100		163		937
- personnel costs	17,432	22,553		17,800		28,870		6,130		23,740		38,230		8,600		29,630
- employee equity interests	16	16		300		200		200		200		375				375
<b>D. Gross operating surplus</b>	<b>6,671</b>	<b>7,590</b>	<b>15.87</b>	<b>7,060</b>	<b>16.42</b>	<b>10,800</b>	<b>15.70</b>	<b>1,520</b>	<b>11.69</b>	<b>9,280</b>	<b>16.57</b>	<b>16,095</b>	<b>16.10</b>	<b>2,637</b>	<b>12.80</b>	<b>13,458</b>
- Depreciation	383	546		360												
- Reserve allocations	797	878														
Other operating costs	5	7				520		200		320		1,050		300		750
+ other operating income																
<b>E. Operating profit</b>	<b>5,486</b>	<b>6,159</b>	<b>12.88</b>	<b>6,700</b>	<b>15.58</b>	<b>10,280</b>	<b>14.90</b>	<b>1,320</b>	<b>10.15</b>	<b>8,960</b>	<b>16.00</b>	<b>15,045</b>	<b>15.05</b>	<b>2,337</b>	<b>11.34</b>	<b>12,708</b>
<b>Eb. Operating profit (exc. Equity interests)</b>	<b>5,502</b>	<b>6,175</b>	<b>12.91</b>	<b>7,000</b>	<b>16.28</b>	<b>10,480</b>	<b>15.20</b>	<b>1,320</b>	<b>10.15</b>	<b>9,160</b>	<b>16.36</b>	<b>15,420</b>	<b>15.42</b>	<b>2,337</b>	<b>11.34</b>	<b>13,083</b>
+ investment income	466	469		800		1,860		450		1,410		2,000				2,000
- investment costs	1,259	1,297														
<b>F. Ordinary income before tax</b>	<b>4,693</b>	<b>5,331</b>	<b>11.15</b>	<b>5,900</b>	<b>13.72</b>	<b>8,420</b>	<b>12.20</b>	<b>870</b>	<b>6.69</b>	<b>7,550</b>	<b>13.48</b>	<b>13,045</b>	<b>13.05</b>	<b>2,337</b>	<b>11.34</b>	<b>10,708</b>
+ extraordinary income	138	114														
- extraordinary costs				320		67				67		545				545
- income tax	1,018	1,499		2,000		2,922		290		2,632		5,300		780		4,520
- goodwill amortisation	35	35														
<b>G. Results for the financial year</b>	<b>3,778</b>	<b>3,911</b>	<b>8.18</b>	<b>3,580</b>	<b>8.33</b>	<b>5,431</b>	<b>7.90</b>	<b>580</b>	<b>4.46</b>	<b>4,851</b>	<b>8.66</b>	<b>7,200</b>	<b>7.20</b>	<b>1,557</b>	<b>7.56</b>	<b>5,643</b>
workforce at start of year exc. acquisitions	245			305						491						730
workforce at end of year inc. acquisitions	491	491				730						920				
Average	291	435		350		630						880				
Added value per person	83	70		73		66						63				
Operating cash flow																
G+ depreciation + or - extraordinary results)	3,791	4,025	8.42	3,940	9.20	5,500	8.00	600	4.62	4,900	8.75	8,250	8.10	1,857	9.00	6,393

(1) actual 2002 pro forma figures correspond to the 31/12/2002 perimeter

(2) of which Goodwill amortisation equals

### 3.5.4.3. Forecasted financing plan

#### 3.5.4.3.1 Assumptions

##### Jobs

##### Investments

Tangible investments are essentially the structure that is necessary for employees to carry out their activities (office furniture, office equipment and IT): this has been determined mainly based on changes in the number of employees over the period.

**Financial investments correspond to the acquisition price of turnover gained in the period 2003 to 2004, for which a value equivalent to 6 months worth of turnover has been taken into consideration.**

##### Operating capital requirements

Operating capital is determined based on the following assumptions:

- \* customer payment ratio divided into geographical zones (France, international), that is:
  - France: theoretical 60-day payment deadline;
  - International (development relates essentially to English speaking countries): 45 days;
- \* supplier ratios that are identical to customer ratios.

##### Dividends distributed

For the financial year 2002, a 0.75 EUR dividend per share will be distributed subject to approval being obtained at the shareholder meeting of 30th April 2003.

##### Resources

##### Cash flow

Cash flow is directly linked to the profitability defined in the business plan, and calculated costs (depreciation, provisions) are fairly small in SWORD's sector of activity.

##### Increase in capital

For 2002, the financing plan takes into account the increase in equity capital recorded when SWORD was floated on the stock exchange. Stock market floatation costs will be posted with net of taxes subtracted from paid-in capital for shares, in accordance with the accounting rules in force.

##### Net debt

This field represents total debt (short-term – long-term) minus the cash reserves available at the start and end of the accounting year.

## 3.5.3.2. Forecasted financing plan

Years	2002	2002	2003	2004
<b>JOBS</b>	<b>Actual</b>	<b>Budget</b>		
Acquisition of fixed assets				
- intangible	270	79	124	181
- tangible	442	130	204	299
- financial	7,264	6,912	6,500	10,000
Increase in operating capital requirements	5,055	1,062	1,137	909
Abatement of the frozen associate current account	3,354			
Distribution of dividends			924	
<b>TOTAL FOR JOBS</b>	<b>16,385</b>	<b>8,183</b>	<b>8,889</b>	<b>11,389</b>
<b>RESOURCES</b>				
Cash flow	3,791	3,940	5,500	8,250
Sale or reduction of fixed assets	72			
Increase in capital and subsidies	17,950	15,000		
<b>TOTAL FOR RESOURCES</b>	<b>21,813</b>	<b>18,940</b>	<b>5,500</b>	<b>8,250</b>
Annual variation in total net debt	5,428	10,757	-3,389	-3,139
	52			
Net debt (short-term – long-term) at the start of the year	-7,769	-7,755	-2,393	-5,782
Net debt (short-term – long-term) at year-end	-2,393	3,002	-5,782	-8,921

## 3.6. Extraordinary events and litigation

To the company's knowledge, no extraordinary events or litigation that have not been provided for in the accounts could have or have had an incidence on the results, the financial situation or the assets of SWORD Group or any of its subsidiaries.

The sum of provisions for risks and expenses can be explained by a prudent attitude, that is, the provision of the entirety of the sums requested or for all the risks presented by the Business Unit managers.

From a management point of view, this level demonstrates great rigour because, overall, the sum of the provisions recovered by SWORD Group is equal to the amount it allocates to reserves each year.

Provisions are allocated for 100% of risks and expenses.

The total sum of provisions for risks and expenses stands at 1,344 K€.

### 3.7. Glossary

Term	Abbreviation	Meaning
Customer Relationship Management	CRM	Strategy, organisation and technologies employed to strengthen relationships with the company's customers.
Data-mining		Data-mining tools make it possible to select a certain quantity of data for the user.
e-learning	e-learning	Computer-aided training system that makes use of the Internet.
e-procurement		Procurement through electronic channels (Internet).
Enterprise Resource Planning	ERP	Integrated management software package that manages one or more of a company's various functions (accounting, production, procurement, etc.)
Electronic Document Management	EDM	Storing, managing, updating, using and circulating all types of digitised document within the company.
Internet		Global network based on a set of interconnected networks and which uses a type of technology that allows users to communicate and exchange data, multimedia information and files.
Intranet		Internal company network that uses Internet technology
Market place		Virtual area where customers and suppliers can meet.
Portal		Website that contains links to other sites organised into themes, as well as various services (weather reports, news, directories, etc.).
Geographical Information System	GIS	System that allows a cartographic dimension to be incorporated into information systems.
Straight-Through Processing	STP	Automatic repair/rebuilding of messages (SWIFT or other formats)
Supply Chain Management		Automation of the company's supply chain through the use of specialist software and the Internet.
Swift	SWIFT	Global interbank payment network
Application management	AM	When a company hands over responsibility for an entire functional area of its information system.
World Wide Web	Web	Multimedia part of the Internet, composed of a number of sites that are interconnected via hyperlinks.
Web to Host		A technique that allows an architecture to be set up that allows users to access central sites thanks to a browser (browser: an application that enables users to browse from one page to another on the Web).
Workflow		Computerisation of business processes that takes into account the various different flows

## Chapter 4

### 4. FINANCIAL SITUATION AND RESULTS

#### 4.1 Consolidated financial statements for SWORD GROUP CONSOLIDATED

<b>INCOME STATEMENT on 31/12/02</b> (In thousands of euros)					
	<b>31/12/02</b>	<b>31/12/01</b>	<b>31/12/02</b>	<b>31/12/01</b>	<b>31/12/02</b>
	<b>(12 months)</b>	<b>(6 months)</b>	<b>PROFORMA</b>	<b>PROFORMA</b>	<b>PROFORMA</b>
	<b>CONSOLIDATED</b>		<b>31/12/01</b>	<b>31/12/01</b>	<b>31/12/02</b>
			<b>perimeter</b>	<b>perimeter</b>	<b>perimeter</b>
<b>Turnover</b>	<b>33,441</b>	<b>12,592</b>	<b>29,551</b>	<b>25,418</b>	<b>47,815</b>
Fixed production assets					
Other revenue	1,817	142	1,796	448	2,005
<b>Revenue from operations</b>	<b>35,258</b>	<b>12,733</b>	<b>31,347</b>	<b>25,866</b>	<b>49,820</b>
Purchase of materials	487		487		488
Other external purchases and expenses	10,499	4,366	8,900	9,470	19,022
Taxes and duty	151	141	151	237	151
Wages and social contributions	17,448	6,141	15,823	12,286	22,569
Net depreciation expenses and reserve allocations	1,181	82	1,093	229	1,424
Other operating costs	5	5	2	6	7
<b>OPERATING COSTS</b>	<b>29,772</b>	<b>10,736</b>	<b>26,456</b>	<b>22,228</b>	<b>43,661</b>
<b>OPERATING PROFIT</b>	<b>5,486</b>	<b>1,997</b>	<b>4,891</b>	<b>3,638</b>	<b>6,159</b>
<b>FINANCIAL RESULT</b>	<b>-793</b>	<b>-558</b>	<b>-733</b>	<b>-801</b>	<b>-828</b>
<b>INCOME FROM ORDINARY OPERATIONS (BEFORE TAX)</b>	<b>4,693</b>	<b>1,439</b>	<b>4,158</b>	<b>2,837</b>	<b>5,331</b>
<b>EXTRAORDINARY PROFIT</b>	<b>138</b>	<b>-42</b>	<b>138</b>	<b>-240</b>	<b>114</b>
			0		
Corporation tax	1,018	160	1,209	397	1,499
Goodwill amortisation	35		35	100	35
<b>OVERALL CONSOLIDATED NET EARNINGS</b>	<b>3,778</b>	<b>1,238</b>	<b>3,052</b>	<b>2,100</b>	<b>3,911</b>
Share of minority interests	116	35	46	25	131
<b>GROUP'S SHARE OF NET EARNINGS</b>	<b>3,662</b>	<b>1,203</b>	<b>3,006</b>	<b>2,075</b>	<b>3,780</b>
Profit per share	2.97	1.74	2.44	3.02	3.07
Diluted profit per share	2.95	1.57	2.42	2.72	3.04

## SWORD Group consolidated – Consolidated balance sheet on 31/12/2002 - ASSETS

	31/12/2002			31/12/2001			31/12/2002			31/12/2001			31/12/2002			31/12/2001						
	Gross	Deprec. Provisions	Net	Net	Net	Net	Gross	Deprec. Provisions	Net	Gross	Deprec. Provisions	Net	PROFORMA 31/12/01 perimeter	Gross	Deprec. Provisions	Net	PROFORMA 31/12/01 perimeter	Gross	Deprec. Provisions	Net		
<b>FIXED ASSETS</b>																						
Goodwill	202	35	167				202	35	167				804	202	35	167		804	202	35	167	
Intangible fixed assets	31,532	138	31,394	16,657			16,740	67	16,673				16,657	31,532	138	31,394		16,657	31,532	138	31,394	
Tangible fixed assets	2,254	998	1,257	683			1,328	503	825				683	2,254	998	1,257		683	2,254	998	1,257	
Financial fixed assets	169		169	185			167	0	167				185	169	0	169		185	169	0	169	
<b>TOTAL FIXED ASSETS</b>	<b>34,157</b>	<b>1,171</b>	<b>32,986</b>	<b>17,526</b>			<b>18,436</b>	<b>605</b>	<b>17,831</b>				<b>18,330</b>	<b>34,157</b>	<b>1,171</b>	<b>32,986</b>		<b>18,330</b>	<b>34,157</b>	<b>1,171</b>	<b>32,986</b>	
<b>CURRENT ASSETS</b>																						
Customer accounts receivable	13,812	91	13,721	8,203			8,765	10	8,755				8,220	13,812	91	13,721		8,220	13,812	91	13,721	
Other receivables and accruals	2,846	31	2,815	1,479			4,404	31	4,373				1,298	2,846	31	2,815		1,298	2,846	31	2,815	
Own shares	193	99	94				193	99	94					193	99	94			193	99	94	
Marketable securities	31		31				31	0	31					31	0	31			31	0	31	
Cash reserves	5,520		5,520	2,077			17,359	0	17,359				2,619	5,520	0	5,520		2,619	5,520	0	5,520	
<b>TOTAL CURRENT ASSETS</b>	<b>22,403</b>	<b>221</b>	<b>22,182</b>	<b>11,758</b>			<b>30,754</b>	<b>140</b>	<b>30,613</b>				<b>12,137</b>	<b>22,536</b>	<b>221</b>	<b>22,315</b>		<b>12,137</b>	<b>22,536</b>	<b>221</b>	<b>22,315</b>	
<b>OVERALL TOTAL</b>	<b>56,560</b>	<b>1,392</b>	<b>55,168</b>	<b>29,284</b>			<b>49,190</b>	<b>745</b>	<b>48,445</b>				<b>30,466</b>	<b>56,693</b>	<b>1,392</b>	<b>55,301</b>		<b>30,466</b>	<b>56,693</b>	<b>1,392</b>	<b>55,301</b>	

**SWORD Group consolidated – Consolidated balance sheet on 31/12/2002 - LIABILITIES**

(in thousands of euros)	31/12/2002 (12 months)	31/12/2001 (6 months)	31/12/2002 PROFORMA 31/12/01 perimeter	31/12/2001 PROFORMA 31/12/01 perimeter	31/12/2002 PROFORMA 31/12/02 perimeter
<b>PERMANENT CAPITAL</b>					
Capital	6,161	3,620	6,161	3,620	6,161
Paid-in capital	16,596	747	16,596	747	16,596
Reserves – Group share	293	-17	371	307	293
Net profit- Group share	3,662	1,203	3,006	2,075	3,780
<b>EQUITY CAPITAL</b>	<b>26,712</b>	<b>5,553</b>	<b>26,135</b>	<b>6,750</b>	<b>26,830</b>
Minority interests	1,589	517	193	487	1,604
Other equity capital	0	3,354	0	3,354	0
<b>TOTAL PERMANENT CAPITAL</b>	<b>28,302</b>	<b>9,424</b>	<b>26,328</b>	<b>10,590</b>	<b>28,434</b>
Provisions for risks and expenses	1,358	1,318	1,358	1,318	1,358
Financial debt	8,037	9,846	10,251	9,832	8,037
<b>CURRENT LIABILITIES</b>					
Supplier accounts payable	6,297	3,053	2,517	3,060	6,297
Other debts and accruals	11,175	5,642	7,990	5,666	11,175
<b>TOTAL CURRENT LIABILITIES</b>	<b>17,471</b>	<b>8,696</b>	<b>10,507</b>	<b>8,726</b>	<b>17,471</b>
<b>OVERALL TOTAL</b>	<b>55,168</b>	<b>29,284</b>	<b>48,445</b>	<b>30,466</b>	<b>55,301</b>

**SWORD GROUP – TABLE OF CONSOLIDATED CASH FLOW ON 31<sup>ST</sup> DECEMBER 2002****FINANCIAL YEAR FROM 1<sup>ST</sup> JANUARY TO 31<sup>ST</sup> DECEMBER 2002**

(in k€)	31/12/2002 (12 months)	31/12/2001 (6 months)	31/12/2002 PROFORMA 31/12/2001 perimeter	31/12/2001 PROFORMA 31/12/2001 Perimeter
<b>Operational activities</b>				
Net profit from consolidated companies	3,778	1,238	3,052	2,100
0				
Depreciation	419	82	331	240
Allocation / carryover of reserves	-401	-350	-246	57
Deferred taxes	-11	-35	-11	-348
Sale of tangible/intangible assets	-6	311	-6	413
<b>CASH FLOW</b>	<b>3,791</b>	<b>624</b>	<b>3,132</b>	<b>1,636</b>
Change in operating capital requirements.	-5,381	187	-1,480	-921
<b>TOTAL OPERATING CASH FLOW</b>	<b>-1,590</b>	<b>811</b>	<b>1,652</b>	<b>715</b>
<b>Investment operations</b>				
Acquisitions of tangible and intangible fixed assets	-712	-621	-711	-711
0				
<b>Impact of perimeter changes</b>				
<i>Financial investments</i>	-12,115	-3,457	-391	-28
<i>Net cash reserves of the companies acquired</i>	2,420	1,162		
Own share repurchasing programme	-527		-527	
Sale of securities	0			
Sale of other financial assets	18		18	
Cash receipts from loans and long-term deposits	0			-
Sale of tangible and intangible fixed assets	54	477	855	347
<b>TOTAL INVESTMENT FLOW</b>	<b>-10,861</b>	<b>-2,439</b>	<b>-756</b>	<b>-392</b>
<b>Financing operations</b>				
Parent company increase in capital	2,541	3,580	2,541	168
Increase in paid-in cash	16,048	747	15,849	747
Frozen associate current accounts	-3,354	-914	-3,354	-914
Foreign currency reserves	-293,	-17	-1,432	131
Dividends paid out by the parent company	0			
Change in minority interests	0			
Increase in long-term debts	1,129	269	417	1,317
Repayment of long-term debts	0			
<b>TOTAL FINANCIAL FLOWS</b>	<b>16,072</b>	<b>3,665</b>	<b>14,021</b>	<b>1,449</b>
<b>TOTAL CASH FLOW</b>	<b>3,621</b>	<b>2,037</b>	<b>14,917</b>	<b>1,772</b>
Net cash at year-end (A)	5,646	2,077	17,484	2,619
Cash at start of the year (B)	2,077	40	2,619	847
Impact of the variation in currency prices	52		52	
<b>Cash difference (B)-(A)</b>	<b>3,621</b>	<b>2,037</b>	<b>14,917</b>	<b>1,772</b>
<b>Gap</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

## ANNEXE TO THE CONSOLIDATED FINANCIAL STATEMENTS on 31st December 2002

### NOTE 1: ACCOUNTING PRINCIPLES AND CONSOLIDATION RULES

SWORD Group's consolidated financial statements are established in compliance with French accounting principles, in particular with the provisions of rule no. 99-02 of the Accounting Rules Committee. They cover the period between 1<sup>st</sup> January and 31<sup>st</sup> December 2002.

The rules and methods detailed below have been applied in the same way as for the previous financial year. The application of CRC rule 2000-06 relating to liabilities and provisions for risks and expenses, which took effect on 1<sup>st</sup> January 2002, has had no effect on the 2002 financial statements.

#### 1.1. Consolidation perimeter and methods

The company SWORD GROUP was founded in June 2001 with the aim of become the holding company for the SWORD group. In order to do so, it was suggested to the shareholders that they contribute their SWORD SA shares to the company SWORD GROUP, a move approved by the extraordinary general meeting of 30<sup>th</sup> August 2001. However, in view of the pact signed between SWORD SA's main shareholders, control of the SWORD group was obtained with effect from 1<sup>st</sup> July 2001.

The historical background contributed by SWORD SA to SWORD GROUP in 2001 is as follows:

- On 15<sup>th</sup> December 2000 SWORD SA acquired the following businesses, with backdated effect from 1<sup>st</sup> December 2000:
  - (1) IDP, sold by DECAN for a sum of 2,973 K€, specialising in documentary engineering in the Paris region.
  - (2) IDL, sold by DECAN for a sum of 1,610 K€, specialising in documentary engineering in the Lyon region.
  - (3) SWP, sold by DECAN for a sum of 3,445 K€, specialising in trademark and patent engineering, based in Paris. It works side by side with all trademark and patent organisations whatever their location.
  
- On 15<sup>th</sup> December 2000 SWORD SA also acquired:
  - (4) 81.33% of the capital of FIRCOFT, which specialises in Swift message rebuilding, for a sum of 4,482 K€; during the 1st half-year of 2001, this acquisition was completed by the purchase of an additional 7% of its capital for a sum of 315 K€.
  - (5) The shares of SWORD CREATION INFORMATIQUE for 1,631 K€. This Pretoria-based company provides services for SWP's segment.
  - (6) The shares of SWORD Inc for 2,561 K€. The company specialises in document management and its main customer is the United Nations in New York.
  
- SWORD SA acquired the following equity interest on 1st April 2001:
  - (7) SWORD Consulting (ex Profiler SCII), acquired in whole for a sum of 419 K€. This company has three main components:
    1. Interfacing between customers and freelancers
    2. IT engineering in Lyon
    3. Consulting in Paris.
  - (8) DDS Europe limited, acquired in whole for a sum of 3,418 K€. This company is based in London and Manchester. Its main activity is change management.
  - (9) SWORD Switzerland based in Sion, acquired in whole for a sum of 284 K€.

- On 14<sup>th</sup> September 2001, SWORD CONSULTING acquired the capital of ESPACE CRECY in its entirety (the company was renamed SWORD DDS on 18th January 2002), with the intention of developing its change management activity.

Over the course of the 2<sup>nd</sup> half-year of 2001, SWORD GROUP repurchased the shares of the following companies: SWORD DDS UK, SWORD Switzerland, SWORD Inc and SWORD South Africa, subsidiaries of SWORD SA.

The English company ACRAMAN was founded on 1<sup>st</sup> April 2002 with a capital of £2, 100% of which was held by SWORD DDS UK, in order to initiate the acquisition of the English company TEXT SOLUTIONS LTD (100%) for a total sum of 2,259 K£. The holding company TEXT SOLUTIONS LTD held 100% of the company ECM, which specialises in change management.

In June 2002, in order to simplify the organisational chart for the group's English companies, ECM's shares were reclassified through their sale by TEXT SOLUTIONS to SWORD DDS UK for 2,524KE, a sum equal to their initial purchase price. ACRAMAN and TEXT SOLUTIONS have now ceased activities.

In December 2002, SWORD GROUP acquired 90% of the company CRONOS, which is located in Luxembourg.

The companies within the consolidation perimeter are listed in note 14. All the companies in the consolidation perimeter are controlled in whole by SWORD GROUP and are therefore consolidated using the full consolidation method.

### 1.1.2. Conventions for establishing pro forma financial statements

In order to give an economic overview of the group as it stands on 31<sup>st</sup> December 2002 and to ensure that financial data for 2002 can be compared to that of the previous financial year, while taking into account:

- Significant changes to the perimeter that occurred in 2002
- The 6-month accounting period presented in y-1.

It has been decided that the following will be presented in separate columns of the consolidated financial statements:

- Pro forma financial statements on 31<sup>st</sup> December 2002 (12 months) and on 31<sup>st</sup> December 2001 (12 months), established with the group's consolidation perimeter as it stood on 31<sup>st</sup> December 2001, and for which all the companies within this perimeter were taken into account for a period of 12 months.
- Pro forma financial statements on 31<sup>st</sup> December 2002, established with the perimeter as it stands on 31<sup>st</sup> December 2002 and taking into account companies acquired in 2002 for a 12-month period (CRONOS and ECM).

The main conventions employed in establishing the pro forma consolidated financial statements are the following:

- For ACRAMAN, TEXT SOLUTION, ECM and CRONOS, the statements considered in the pro forma consolidation are either annual statements for these entities, or their intermediate situation on the date the pro forma statement was established. This would be the case if the date on which these companies' financial years ended did not coincide with the date the pro forma financial statements were established.
  - Pro forma consolidated balance sheets on 31<sup>st</sup> December 2001 and 31<sup>st</sup> December 2002 are the balance sheets consolidated on the same date, although the following must be pointed out:
    - The pro forma consolidated financial statements on 31<sup>st</sup> December 2001 (31/12/2001 perimeter) are those published in SWORD GROUP's stock market floatation prospectus, published at the close of the 2001 financial year.
- (10) To establish the pro forma consolidated financial statements on 31<sup>st</sup> December 2002 (31/12/2002 perimeter), pro forma results occurring prior to the effective acquisition date have been posted to the "cash" item.

## 1.2. Closing date and accounting year for consolidation

SWORD GROUP closes its annual individual accounts on 31st December.

For the purposes of consolidation, all consolidated companies whose financial year does not close on 31<sup>st</sup> December have established an intermediate financial statement on 31<sup>st</sup> December 2002.

## 1.3. Internal operations

All reciprocal balances and flows between incorporated companies have been completely cancelled.

## 1.4. Conversion of financial statements for foreign companies

The conversion of financial statements for foreign subsidiaries outside the Euro zone is carried out using the closing price method.

According to this method, the conversion of financial statements is carried out in the following way:

- All assets and liabilities, be they monetary or non-monetary, are converted using the exchange rates in force on the date the financial year closes
- Revenue and costs (including depreciation and provisions) are converted using the average rate for the period
- Observed foreign currency conversion differences, both on opening balance sheets and on income statements, are posted in equity capital under "foreign currency reserves".

## 1.5. Conversion of transactions made in foreign currency

Transactions made in foreign currency are converted at the exchange rate in force at the time of the transaction. At the end of the year, any accounts receivable and debts in foreign currency are converted at the closing exchange rate. Conversion differences are posted onto the income statement.

## 1.6. Goodwill

The difference observed between the cost of acquiring the shares of a consolidated company (which includes all costs resulting directly from the acquisition) and the share of equity capital acquired, restated according to the group's principles on the date of entry into the consolidation perimeter, is posted to the valuation of identifiable elements. Most notably, this includes any intangible assets that have not been posted in the individual financial statements of each consolidated entity, such as market share (see below).

The final unallocated balance, which constitutes the goodwill, is amortised according to the straight-line method over a period set according to economic activities and which cannot exceed 10 years.

## 1.7. Intangible fixed assets

### *Market shares*

The existence of market shares is acknowledged when the target satisfies three criteria:

- The existence of an international, national or regional market share
- An acknowledged position
- Recurring customers.

The market shares acquired directly by the companies in the perimeter and which appear under the "business capital" item of the individual financial statements of said companies are reclassified in the consolidation under the "market share" accounts item, from the moment they themselves satisfy the criteria listed above.

The value of all market shares posted on the asset side of the consolidated balance sheet is systematically assessed by an independent expert at a date that is close to the acquisition date.

Because market shares posted on the balance sheet are representative of an identifiable intangible asset that does not depreciate with time, and for which an evaluation can be made according to objective criteria (in this case, according to the future cash flow method) that can be monitored over time, these are not subject to depreciation.

Each year, an independent expert carries out a depreciation test (impairment) that aims to check that the true value of the market shares posted on the balance sheet is equal to or greater than their book value. If this is not the case, a provision for depreciation is posted in the accounts in order to bring their book value down to their true value.

### 1.8. Tangible fixed assets

For tangible fixed assets, the figure that appears on the balance sheet is the acquisition cost. The depreciation of tangible fixed assets is calculated according to the straight-line method over the predicted lifetime.

The main lifetimes used for calculations are:

- Transport equipment      5 years
- Office equipment          3 to 5 years
- IT equipment                3 years
- Office furnishings        10 years

The company does not possess any movable or immovable assets financed under the lease system, with the exception of the recently acquired company CRONOS. Because of the very short time that has elapsed since the acquisition, the lease contracts for CRONOS have not been restated in the consolidated financial statements of 31<sup>st</sup> December 2001. On this date, they represent financial debts of around 800K€.

### 1.9. Financial fixed assets

Financial fixed assets consist mainly of paid and recoverable guarantee deposits.

### 1.10. Accounts receivable

These are assessed at face value. A provision for depreciation is set up according to the risk of receivables being non-recoverable and to the length of time they have been in existence.

Customer risks are handled individually and any provisions that may be specifically set up are justified through an evaluation carried out by the group using the information at its disposal: quality of the debtor, length of time the receivables have been in existence, nature of the commercial dispute.

### 1.11. Fixed price contracts not completed at year-end

Results for fixed price contracts are assessed according to the technical progression status method. The services relating to these contracts are assessed on the basis of a detailed inventory established using analytical accounting methods and on the elements used to establish forecasts.

The company posts its employees' output in terms of turnover. To assess the turnover, employees are valued at a daily rate that is specific to their position. Only output for which customers are liable to be invoiced is taken into account when evaluating turnover. Thus, during the course of a project, production times can be entered in loss by taking into account the delays or overspending that are accepted, with respect to the expected progress defined at the start of the contract.

Excess production that appears as turnover on the invoices issued at year-end are entered in the "revenues to be received" section of the assets side of the balance sheet, under the item "customer accounts receivable".

Conversely, when the invoices issued exceed output produced and warranted, the excess is entered under the item "revenues entered in advance" on the liabilities side of the balance sheet.

In the same way, when output that is produced and acknowledged in the form of turnover, added to the work that remains to complete the contract, exceeds the total turnover from the contract, a provision for losses upon completion is set up to cover the difference. This provision is entered under the provisions for risks and expenses.

In addition, when the contract contains such a clause, the company enters a guarantee provision in the form of revenues entered in advance.

**1.12. Own shares**

SWORD GROUP holds its own shares within the scope of:

- a share repurchasing programme
- a liquidity agreement

Own shares held within the scope of the share repurchasing programme are posted in the annual financial statements under fixed securities (fixed financial assets) insofar as the various objectives (supporting the stock price, intervention on the share market, allocation to employees and payment within the scope of external growth operations) of share repurchasing were not quantified from the outset. In accordance with accounting principles, in consolidated financial statements, these fixed securities are deducted from consolidated reserves.

Own shares held within the scope of the liquidity agreement are entered as marketable securities. They give rise to a provision for depreciation when the average stock market price in the last month of the year dips below the historical share price.

**1.13. Marketable securities**

Marketable securities are valued according to their acquisition cost. If their probable negotiable value at financial year-end (based on the last quoted price or the liquidation value) dips below the purchase price, a provision is set up.

**1.14. Interests outside the group**

The proportion of the group's equity capital and profits that results from third parties appears in an appropriate item under "liabilities" in the consolidated balance sheet.

**1.15. Provisions for risks and expenses**

Obligations with regards to third parties, be they legal, regulatory, contractual or implicit, give rise to a provision for risks and expenses if these exist on the closing date and if it has been established that they will lead to an outflow of resources, without an equivalent counter-flow from the parties concerned. A regular review of the elements that go to constitute these provisions (commercial disputes, industrial disputes, losses on completion [see 1.11.], restructuring...) is carried out to make any readjustments that are considered necessary. In view of the age of the company and the average age of its personnel, pension requirements are small and therefore no provision for pension commitments is entered.

Any SWORD SA shares that are liable to be issued (capital increase) within the scope of the SWORD SA subsidiary's stock-options plan are covered by a repurchasing agreement on the part of SWORD GROUP at the unit value of SWORD GROUP shares, calculated as the average quoted price of the shares over the twenty stock market days preceding repurchasing. On 31<sup>st</sup> December 2002, the difference between the book value (5€ per share) of SWORD SA shares that can be subscribed by employees and the average stock market price of SWORD GROUP shares over the month of December (that is 31€ per share) stands at around 290 K€, if we take into account the number of options in circulation and the impact of staff turnover up until the date the stock options are exercised. This difference has given rise to a provision in the consolidated financial statements on 31<sup>st</sup> December 2002.

**1.16. Start-up costs**

Start-up costs are entered directly into the costs for the financial year during which they were borne.

**1.17. Research and development costs**

Research and development costs are entered directly into the costs for the financial year during which they were borne. Internal expenditure devoted to research and development is included in the "wages and social contributions" item.

**1.18. Income tax**

Certain restatements posted in the annual financial statements of consolidated companies in order for them to be harmonised with the accounting principles for consolidated financial statements, in addition to certain deferred taxes that appear in the annual financial statements, create temporal differences between taxable income and the restated profit before tax.

Deferred taxes result from the differences between the book and fiscal values of assets and liabilities. These differences give rise to deferred taxes being calculated according to the variable deferment method, which takes into account the terms and conditions for taxation that exist at the end of the financial year.

In the same way, when market shares are acknowledged on the asset side of the balance sheet for the 1<sup>st</sup> consolidation (see note 1.7.), no deferred tax liabilities are taken into account in the difference between the book value and the fiscal value of said market shares. This is due to the fact that these are evaluation discrepancies relating to intangible assets for which the probability of a transfer that is separate from the company that holds them is judged to be small.

Taxes calculated for the fiscally consolidated group highlight an overall deficit that has generated deferred tax assets of 13K€.

**1.19. Extraordinary profit**

Extraordinary profit takes into account non-operating costs and revenue, as well as any adjustments for management operations that are non-recurring and significant, and therefore justify their status as extraordinary profit.

**NOTE 2: HIGHLIGHTS**

The main highlight of the elapsed period was the incorporation of the companies ACRAMAN, TEXT SOLUTIONS and ECM on 1<sup>st</sup> April 2002, and of the company CRONOS on 1<sup>st</sup> December 2002. (see 1.1).

## NOTE 3: INCOME STATEMENT

## 3.1. Sector information

	<b>12/02 (12 months)</b>	<b>12/01 (6 months)</b>	<b>12/02 Pro forma (31/12/01 perimeter)</b>	<b>12/01 Pro forma (31/12/01 perimeter)</b>	<b>12/02 Pro forma (31/12/02 perimeter)</b>
<b>Turnover</b>	<b>33,441</b>	<b>12,592</b>	<b>29,551</b>	<b>25,418</b>	<b>47,815</b>
<i>By sector of activity (according to BU)</i>					
▪ Document management	13,681	5,258	11,079	10,613	14,829
▪ GIS	3,109	1,077	3,109	2,174	3,109
▪ Data engineering	1,288				14,514
▪ Change management	10,148	3,746	10,148	7,562	10,148
▪ Consulting	3,236	563	3,236	2,037	3,236
▪ Platform for growth		923		1,864	
▪ STP	1,979	1,025	1,979	1,168	1,979
<i>By geographical zone</i>					
▪ France	12,248	5,118	12,248	10,332	12,248
▪ UK	11,336	4,352	8,734	8,784	12,484
▪ United States	1,925	1,264	1,925	2,552	1,925
▪ Benelux	1,288				14,514
▪ Others	6,644	1,858	6,644	3,750	6,644
<b>Operating profit</b>	<b>5,486</b>	<b>1,999</b>	<b>4,891</b>	<b>3,638</b>	<b>6,159</b>
<i>By sector of activity</i>					
▪ Document management	1,676	923	1,307	1,677	1,535
▪ GIS	345	75	345	137	345
▪ Data engineering	226				1,040
▪ Change management	2,098	589	2,098	1,073	2,098
▪ Consulting	718	83	718	151	718
▪ Platform for growth		99		181	
▪ STP	622	230	622	419	622
▪ Holdings	-199		-199		-199
<i>By geographical zone</i>					
▪ France	1,956	769	1,956	1,398	1,956
▪ UK	2,228	736	1,859	1,340	2,087
▪ United States	105	189	105	345	105
▪ Benelux	226				1,040
▪ Others	971	305	971	555	971

	<b>12/02 (12 months)</b>	<b>12/01 (6 months)</b>	<b>12/02 Pro forma (31/12/01 perimeter)</b>	<b>12/01 Pro forma (31/12/01 perimeter)</b>	<b>12/02 Pro forma (31/12/02 perimeter)</b>
<b>Average workforce of companies incorporated through full consolidation</b>	<b>255</b>	<b>210</b>	<b>226</b>	<b>204</b>	<b>335</b>
<i>By sector of activity</i>					
▪ Document management	118	96	96	95	128
▪ GIS	33	30	33	30	33
▪ Data engineering	7				77
▪ Change management	41	40	41	35	41
▪ Consulting	33	13	33	11	33
▪ Platform for growth		24		20	
▪ STP	14	4	14	7	14
▪ Holdings	9	3	9	5	9
<i>By geographical zone</i>					
▪ France	141	132	141	115	141
▪ UK	49	34	27	40	59
▪ United States	7	8	7	11	7
▪ Benelux	7				77
▪ Others	51	36	51	38	51
<b>Gross fixed assets (K€)</b>	<b>34,156</b>	<b>17,836</b>	<b>18,436</b>	<b>18,841</b>	<b>34,156</b>
<i>By sector of activity</i>					
▪ Document management	14,371	9,435	9,184	9,435	14,371
▪ GIS	1,912		1,912		1,912
▪ Data engineering	10,533				10,533
▪ Change management	2,090	3,540	2,090	3,540	2,090
▪ Consulting	509	374	509	374	509
▪ Platform for growth	124	281	124	281	124
▪ STP	4,493	4,180	4,493	5,185	4,493
▪ Holdings	124	26	124	26	124
<i>By geographical zone</i>					
▪ France	14,369	14,118	14,369	15,123	14,369
▪ UK	7,233	1,715	2,046	1,715	7,233
▪ United States	1,983	1,967	1,983	1,967	1,983
▪ Benelux	10,533				10,533
▪ Others	38	36	38	36	38

### 3.2. Personnel costs

Personnel costs are analysed in terms of:

(en K€)	12/02 (12 months)	12/01 (6 months)	12/02 Pro forma (31/12/01 perimeter)	12/01 Pro forma (31/12/01 perimeter)	12/02 Pro forma (31/12/02 perimeter)
Gross wages	13,063	4,325	11,622	8,652	17,609
Social contributions	4,369	1,816	4,185	3,634	4,944
Stakes and interests	16	0	16		16
<b>Total</b>	<b>17,448</b>	<b>6,141</b>	<b>15,823</b>	<b>12,286</b>	<b>22,569</b>

Average consolidated employee numbers:

	12/02 (12 months)	12/01 (6 months)	12/02 Pro forma (31/12/01 perimeter)	12/01 Pro forma (31/12/01 perimeter)	12/02 Pro forma (31/12/02 perimeter)
Executive	183	194	170	186	207
Non-executive	72	16	56	17	128
<b>Total</b>	<b>255</b>	<b>210</b>	<b>226</b>	<b>203</b>	<b>335</b>

### 3.3. Net depreciation and operating provisions

(in K€)	12/02 (12 months)	12/01 (6 months)	12/02 Pro forma (31/12/01 perimeter)	12/01 Pro forma (31/12/01 perimeter)	12/02 Pro forma (31/12/02 perimeter)
Net reserve allocation for tangible and intangible fixed assets	384	82	296	140	546
Reserve allocation for accounts receivable	(180)	120	(180)	89	(99)
Reserve allocation for legal risks		(746)		(904)	
Reserve allocation for other provisions for risks and expenses	(777)	626	(777)	904	(777)
<b>Total</b>	<b>(573)</b>	<b>82</b>	<b>(661)</b>	<b>229</b>	<b>(330)</b>

**3.4. Financial result**

<b>(in K€)</b>	<b>12/02 (12 months)</b>	<b>12/01 (6 months)</b>	<b>12/02 Pro forma (31/12/01 perimeter)</b>	<b>12/01 Pro forma (31/12/02 perimeter)</b>	<b>12/02 Pro forma (31/12/01 perimeter)</b>
Reserve allocations	475		475		475
Net expenses for marketable securities					
Financial expenses for loans	471	516	408	874	509
Negative exchange differences	313	131	312	156	313
<b>Total net financial expenses</b>	<b>1 259</b>	<b>647</b>	<b>1 195</b>	<b>1 030</b>	<b>1 297</b>
Revenue from marketable securities	167	1	167		167
Other revenues	63	46	59	189	66
Positive exchange rate differences	236	42	236	40	236
<b>Total financial revenue</b>	<b>466</b>	<b>89</b>	<b>462</b>	<b>229</b>	<b>469</b>
<b>Financial result</b>	<b>(793)</b>	<b>(558)</b>	<b>(733)</b>	<b>(801)</b>	<b>(828)</b>

**3.5. Extraordinary profit**

Extraordinary profit can be broken down as follows:

<b>(in K€)</b>	<b>12/02 (12 months)</b>	<b>12/01 (6 months)</b>	<b>12/02 Pro forma (31/12/01 perimeter)</b>	<b>12/01 Pro forma (31/12/01 perimeter)</b>	<b>12/02 Pro forma (31/12/02 perimeter)</b>
Capital gains on the disposal of tangible/intangible fixed assets	(6)	311	(6)	413	(6)
Net reversal of reserves for legal risks		43		(56)	
Net reversal of other provisions for risks and expenses	26	187	26		26
Other extraordinary costs and revenues	118	(583)	118	(596)	94
<b>Extraordinary profit</b>	<b>138</b>	<b>(42)</b>	<b>138</b>	<b>(239)</b>	<b>114</b>

### 3.6. Analysis of income tax expenses

#### 3.6.1. Structure of the corporation tax bill

(en K€)	12/02 (12 months)	12/01 (6 months)	12/02 Pro forma (31/12/01 perimeter)	12/01 Pro forma (31/12/01 perimeter)	12/02 Pro forma (31/12/02 perimeter)
Income tax on ordinary operations	1,029	195	1,220	745	1,510
Deferred taxes (1)	(11)	(35)	(11)	(348)	(11)
<b>Total</b>	<b>1,018</b>	<b>160</b>	<b>1,209</b>	<b>397</b>	<b>1,499</b>

(1) See note 1.17.

#### 3.6.2. Effective tax rate

(in K€)	12/02 (12 months)	12/01 (6 months)	12/02 Pro forma (31/12/01 perimeter)	12/01 Pro forma (31/12/01 perimeter)	12/02 Pro forma (31/12/02 perimeter)
<b>Profit from incorporated companies before tax</b>	<b>4,796</b>	<b>1,399</b>	<b>4,261</b>	<b>2,497</b>	<b>5,410</b>
<b>Average tax rate in force in France</b>	<b>34.33%</b>	<b>35.33%</b>	<b>34.33%</b>	<b>35.33%</b>	<b>34.33%</b>
<i>Expected tax</i>	1,646	494	1,463	882	1,857
Impact					
▪ Final difference between profit before tax and taxable profit	(525)	7	(525)	14	(525)
▪ Permanent differences on consolidation entries	(58)	106	63	170	(58)
▪ Exchange rate difference for foreign subsidiaries	(7)	(43)	247	(76)	206
▪ Non-activation of corporation tax on tax deficits (prudence principle)	166	-	166	(240)	223
▪ Use of tax deficits not taken into account at the start of the year	(204)	(105)	(204)	(200)	(204)
▪ Miscellaneous		(299)		(153)	
<i>Effective assessed tax</i>	1,018	160	1,209	397	1,499
<b>Effective tax rate</b>	<b>21.23%</b>	<b>11.44%</b>	<b>28.37%</b>	<b>15.9%</b>	<b>27.71%</b>

### 3.7. Profit per share

Undiluted net profit per share is calculated from the average weighted number of shares in circulation during the financial year in question, from which the average weighted number of shares held by consolidated companies is deducted.

Net diluted profits per share take into account share equivalents, after the deduction of share equivalents held by consolidated companies, which have a dilution effect, and do not take into account share equivalents that do not have a dilution effect. Share equivalents taken into account on 31st December 2002 are composed of:

SWORD SA stock options issued for the potential number of SWORD SA shares to be created, and which SWORD GROUP agrees to repurchase at a ratio of 1 for 1 (see note 12).

Share equivalents are taken into account on 31<sup>st</sup> December 2002 according to the share repurchasing method (the repurchasing price taken into account on 31<sup>st</sup> December 2002 being the stock market price). The average number of dilution shares for this period is the figure that is used.

In euros	12/02 (12 months)	12/01 (6 months)	12/02 Pro forma (31/12/01 perimeter)	12/01 Pro forma (31/12/01 perimeter)	12/02 Pro forma (31/12/02 perimeter)
<i>Undiluted net profit per share</i>					
▪ Total average number of shares	1,232,243	690,494	1,232,243	687,375	1,232,243
▪ Total net profit	3,661,585	1,202,945	3,005,333	2,075,276	3,779,225
▪ <b>Undiluted net profit per share</b>	<b>2.97</b>	<b>1.74</b>	<b>2.44</b>	<b>3.02</b>	<b>3.07</b>
<i>Diluted net profit per share</i>					
▪ Total average number of shares	1,232,243	690,494	1,232,243	687,375	1,232,243
▪ Average number of stock warrants in circulation(see note 8)	0	61,786	0	61,786	0
▪ Number of SWORD SA stock options guaranteed in the form of SWORD GROUP shares (1 SWORD GROUP share for 1 SWORD SA share)	10,106 (share equivalent)	13,956	10,106 (share equivalent)	13,956	10,106 (share equivalent)
▪ <b>Total number of securities</b>	<b>1,242,349</b>	<b>766,236</b>	<b>1,242,349</b>	<b>763,117</b>	<b>1,242,439</b>
▪ Total net profit	3,661,585	1,202,945	3,005,333	2,075,276	3,779,225
▪ <b>Net diluted profit per share</b>	<b>2.95</b>	<b>1.57</b>	<b>2.42</b>	<b>2.72</b>	<b>3.04</b>

**3.8. Cash flow**

<b>(in K€)</b>	<b>12/02 (12 months)</b>	<b>12/01 (6 months)</b>	<b>12/02 Pro forma (31/12/01 perimeter)</b>	<b>12/01 Pro forma (31/12/01 perimeter)</b>	<b>12/02 Pro forma (31/12/02 perimeter)</b>
Profit from consolidated companies	3,778	1,238	3,052	2,100	3,911
Depreciation	419	82	331	240	546
Provisions	(401)	( 350)	(246)	57	(427)
Deferred taxes	-11	(35)	-11	(348)	-11
<b>Gross cash flow</b>	<b>3,785</b>	<b>935</b>	<b>3,126</b>	<b>2,049</b>	<b>4,019</b>
Profit from the sale of assets	(6)	311	(6)	413	(6)
<b>Overall cash flow</b>	<b>3,791</b>	<b>624</b>	<b>3,132</b>	<b>1,636</b>	<b>4,025</b>

**NOTE 4: INTANGIBLE FIXED ASSETS****4.1. Item breakdown**

<b>(in K€)</b>	<b>31/12/2001</b>		
	<b>Gross value</b>	<b>Depreciation</b>	<b>Net value</b>
Software	40	(23)	17
Market shares	16,640		16,640
Goodwill	-	-	-
<b>Total</b>	<b>16,680</b>	<b>(23)</b>	<b>16,657</b>

On 31<sup>st</sup> December 2001, market shares include:

- SWORD Inc, "documentary management in the USA" segment	1,797 K€
- FIRCOSOFT Sa, "rebuilding of Swift messages in France" segment	4,307 K€
- FIRCOSOFT Inc, "rebuilding of Swift messages in the USA" segment	121 K€
- SWORD, IDP segment, "documentary engineering in the Paris region"	3,153 K€
- SWORD, IDL segment, " documentary engineering in the Lyon region"	1,707 K€
- SWORD, SWP segment, "trademark and patent engineering"	3,657 K€
- DDS Europe Ltd, "change management" segment	1,378 K€
- SWORD CONSULTING SA, "IT engineering" segment	484 K€
- SWORD SWITZERLAND, "IT engineering" segment in Switzerland	36 K€

(K€)	31/12/2002		
	Gross value	Depreciation	Net Value
Software, other intangible fixed assets	217	(137)	80
Market shares	31,314		31,314
Goodwill	202	(35)	167
<b>Total</b>	<b>31,733</b>	<b>(172)</b>	<b>31,561</b>

On 31<sup>st</sup> December 2001, market shares include:

- SWORD Inc, "documentary management in the USA" segment	1,797 K€
- FIRCOSOFT Sa, "rebuilding of Swift messages in France" segment	4,307 K€
- FIRCOSOFT Inc, "rebuilding of Swift messages in the USA" segment	121 K€
- SWORD, IDP segment, "documentary engineering in the Paris region"	3,153 K€
- SWORD, IDL segment, "documentary engineering in the Lyon region"	1,707 K€
- SWORD, SWP segment, "trademark and patent engineering"	3,657 K€
- SWORD DDS UK, "change management" segment	1,378 K€
- SWORD CONSULTING SA, "IT engineering" segment	484 K€
- SWORD SWITZERLAND, "IT engineering" segment in Switzerland	36 K€
- ACRAMAN, TEXT SOLUTIONS, ECM, "change management" segment	4,880 K€
- CRONOS, "data engineering" segment	9,794 K€

#### 4.2. Movements for the period

(in K€)	12/01	Acquisitions reserve allocations	Sale of assets	Perimeter movements	12/02
<b>Market shares</b>					
Gross value	16,640			14,674 (1)	31,314
Depreciation	-				
Net	16,640			14,674	31,314
<b>Goodwill</b>					
Gross value	-			202	202
Depreciation	-			(35)	(35)
Net	-			167	167
<b>Other intangible fixed assets</b>					
Gross value	40	60		117	217
Depreciation	(23)	(48)		(66)	(137)
Net	17	12		51	80
<b>Total</b>	<b>16,657</b>	<b>12</b>		<b>14,892</b>	<b>31,561</b>

(1) Perimeter movements relate to the market shares of ACRAMAN, ECM, TEXT SOLUTION and CRONOS.

## NOTE 5: TANGIBLE FIXED ASSETS

## 5.1. Item breakdown

(in K€)	31/12/01		
	Gross value	Depreciation	Net value
Land	-	-	-
Buildings	-	-	-
Transport equipment	69	(12)	57
Fixtures-installations	471	(94)	377
Office and IT equipment	384	(178)	206
Office furnishings	47	(4)	43
<b>Total</b>	<b>971</b>	<b>(288)</b>	<b>683</b>

(in K€)	31/12/02		
	Gross value	Depreciation	Net value
Land	-	-	-
Buildings	180	(61)	119
Transport equipment	72	(16)	56
Fixtures-installations	410	(111)	299
Office and IT equipment	1,320	(704)	616
Office furnishings	272	(106)	166
<b>Total</b>	<b>2,254</b>	<b>(998)</b>	<b>1,256</b>

SWORD GROUP PRO FORMA 31/12/01 PERIMETER

(in K€)	31/12/01		
	Gross value	Depreciation	Net value
Land	-	-	-
Buildings	-	-	-
Transport equipment	69	(12)	57
Fixtures-installations	471	(94)	377
Office and IT equipment	384	(178)	206
Office furnishings	47	(4)	43
<b>Total</b>	<b>971</b>	<b>(288)</b>	<b>683</b>

(in K€)	31/12/02		
	Gross value	Depreciation	Net value
Land	-	-	-
Buildings	180	(61)	119
Transport equipment	72	(16)	56
Fixtures-installations	269	(75)	194
Office and IT equipment	633	(334)	299
Office furnishings	175	(18)	157
<b>Total</b>	<b>1,329</b>	<b>(504)</b>	<b>825</b>

## SWORD GROUP PRO FORMA 31/12/02 PERIMETER

(en K€)	31/12/02		
	Gross value	Depreciation	Net value
Land	-	-	-
Buildings	180	(61)	119
Transport equipment	72	(16)	56
Fixtures-installations	410	(111)	299
Office and IT equipment	1,320	(704)	616
Office furnishings	272	(106)	166
<b>Total</b>	<b>2,254</b>	<b>(998)</b>	<b>1,256</b>

**5.2. Movements for the period**

(in K€)	12/01	Acquisitions Reserve allocations	Sale of assets	Perimeter movements	12/02
<b>Land</b>					
Gross value					
Depreciation					
Net					
<b>Buildings</b>					
Gross value		180			180
Depreciation		(61)			(61)
Net		119			119
<b>Equipment and tools</b>					
Gross value					
Depreciation					
Net					
<b>Transport equipment</b>					
Gross value	70	72	(70)		72
Depreciation	(12)	(21)	17		(16)
Net	58	51	(53)		56
<b>Fixtures-installations</b>					
Gross value	470		(201)	141	410
Depreciation	(94)		19	(36)	(111)
Net	376		(182)	105	299
<b>IT and office equipment</b>					
Gross value	384	264	(15)	687	1,320
Depreciation	(178)	(233)	4	(297)	(704)
Net	206	31	(11)	390	616
<b>Office furnishings</b>					
Gross value	47	128		97	272
Depreciation	(4)	(22)		(80)	(106)
Net	43	106		17	166
<b>Total</b>	<b>683</b>	<b>307</b>	<b>(246)</b>	<b>512</b>	<b>1,256</b>

**NOTE 6: FINANCIAL FIXED ASSETS**

Financial fixed assets consist mainly of paid and recoverable guarantee deposits within SWORD SA.

**NOTE 7: Operating receivables****Item breakdown**

<b>(in K€)</b>	<b>12/01</b>		
	<b>Gross value</b>	<b>Provisions</b>	<b>Net value</b>
Operating receivables and customer accounts receivable	8,292	89	8,203
Tax and social claims	1,184	31	1,153
Prepaid expenses	59		59
Deferred tax assets	267		267
<b>Total</b>	<b>9,802</b>	<b>120</b>	<b>9,682</b>

<b>(in K€)</b>	<b>12/02</b>		
	<b>Gross value</b>	<b>Provisions</b>	<b>Net value</b>
Operating receivables and customer accounts receivable	13,812	91	13,721
Other receivables	2,428	31	2,397
Prepaid expenses	328		328
Deferred tax assets	90		90
<b>Total</b>	<b>16,658</b>	<b>122</b>	<b>16,536</b>

## SWORD GROUP PRO FORMA 31/12/01 PERIMETER

<b>(in K€)</b>	<b>12/01</b>		
	<b>Gross value</b>	<b>Provisions</b>	<b>Net value</b>
Operating and customer accounts receivable	8,309		8,220
Tax and social claims	1,167		1,136
Prepaid expenses	59		59
Deferred tax assets	102		102
<b>Total</b>	<b>9,637</b>	<b>120</b>	<b>9,517</b>

<b>(in K€)</b>	<b>12/02</b>		
	<b>Gross value</b>	<b>Provisions</b>	<b>Net value</b>
Operating and customer accounts receivable	8,765	10	8,755
Other receivables	4,044	31	4,013
Prepaid expenses	270		270
Deferred tax assets	90		90
<b>Total</b>	<b>13,169</b>	<b>41</b>	<b>13,128</b>

## SWORD GROUP PRO FORMA 31/12/02 PERIMETER

(in K€)	12/02		
	Gross value	Provisions	Net value
Operating and customer accounts receivable	13,812	91	13,721
Tax and social claims	2,428	31	2,397
Prepaid expenses	328		328
Deferred tax assets	90		90
<b>Total</b>	<b>16,6</b>	<b>122</b>	<b>16,5</b>

**NOTE 8: CHANGES IN EQUITY CAPITAL AND MINORITY INTERESTS****Group share**

(in K€)	31/12/01	Allocation of profit	Profit for the financial year	Paid-in capital	Increase in capital	Others	Own shares	Currency differences	31/12/02
Capital	3,620				2,542				6,161
Paid-in capital	747			15,849					16,596
Social reserves									
Consolidation reserves		1203				46	(527)		722
Foreign currency reserves	(17)							(413)	(430)
Profit	1,203	(1,203)	3,662						3,662
<b>TOTAL</b>	<b>5,553</b>	<b>0</b>	<b>3,662</b>	<b>15,849</b>	<b>2,542</b>	<b>46</b>	<b>(527)</b>	<b>(413)</b>	<b>26,712</b>

**Minority interests**

(in K€)	31/12/2001	Reserves	Profit for the financial year	Perimeter variations	31/12/2002
Non-group reserves	482	35		956	1,473
Non-group profit	35	(35)	116		116
<b>TOTAL</b>	<b>517</b>	<b>0</b>	<b>116</b>	<b>956</b>	<b>1,589</b>

## Capital stock and securities that give access to capital

### **Capital stock**

Capital stock consisted of 8000 shares with a face value of 5 euros on the date SWORD GROUP was created in June 2001.

The extraordinary shareholder meeting of 30<sup>th</sup> August 2001 voted for an increase in capital of K€3,412 to pay SWORD SA shareholders, who contributed all their SWORD SA shares to SWORD GROUP.

On 31<sup>st</sup> December 2001, following the exercising of 33,568 stock warrants by Jacques MOTTARD, capital stock was increased by a further 168 K€.

On 27<sup>th</sup> February 2002, following the exercising of 123,072 stock warrants by the company 21 CENTRAL PARTNER, capital stock was increased by 615 K€.

On 12<sup>th</sup> March 2002 the board of directors ordered an increase in the capital reserved for the VCF 21 DEVELOPPEMENT of 630 K€.

On 20<sup>th</sup> March 2002 the board of directors ordered an increase in capital of K€1,295 with the intention of floating the company on the stock market.

On 31<sup>st</sup> December 2002, capital stock stands at 6,161,215 euros divided into 1,232,243 shares with a face value of 5€.

### **Stock warrants:**

In application of the approval by the extraordinary general meeting of SWORD GROUP shareholders held on 29<sup>th</sup> October 2001, and of the decisions made by the Board of Directors on 2<sup>nd</sup> November 2001, 156,640 stock warrants were issued gratuitously for the benefit of:

- Jacques MOTTARD, who received 33,568 stock warrants.
- The company 21, CENTRALE PARTNERS, which received 123,072 stock warrants.

Subscriptions may be exercised at any time up until 31<sup>st</sup> December 2005 at the rate of one SWORD GROUP share per stock warrant held, once payment of 27.25 euros per share is made (face value of €5 and paid-in capital of €22.25). Stock warrants for which no subscriptions are exercised during this period will lose all their value, as well as any rights attached to them; this issuance was accompanied by the simultaneous cancellation of the 156,640 stock warrants that had been awarded at SWORD SA level under the same terms and for the same optionees.

On 31<sup>st</sup> December 2002, Mr. Jacques MOTTARD and 21 CENTRALE PARTNER exercised all their stock warrants.

**NOTE 9: LONG-TERM AND SHORT-TERM PROVISIONS****9.1. Item breakdown**

<b>(IN K€)</b>	<b>31/12/2001</b>		
	<b>Long-Term</b>	<b>Short-Term</b>	<b>Total</b>
Provision for legal risks		163	163
Other provisions for risks and expenses (1)		1,155	1,155
<b>Total</b>		<b>1,318</b>	<b>1,318</b>

<b>(IN K€)</b>	<b>31/12/2002</b>		
	<b>Long-Term</b>	<b>Short-Term</b>	<b>Total</b>
Provision for legal risks		137	137
Other provisions for risks and expenses (1)		1,221	1,221
<b>Total</b>		<b>1,358</b>	<b>1,358</b>

(1) this is the cost resulting from SWORD SA's commitment to repurchase stock options for a sum of K€290 within the scope of the stock options agreement, with the remainder consisting mainly of provisions for risks for the projects that are in progress.

SWORD GROUP PRO FORMA 31/12/01 PERIMETER

<b>(IN K€)</b>	<b>31/12/2001</b>		
	<b>Long-Term</b>	<b>Short-Term</b>	<b>Total</b>
Provision for legal risks		163	163
Other provisions for risks and expenses (1)		1,155	1,155
<b>Total</b>		<b>1,318</b>	<b>1,318</b>

<b>(IN K€)</b>	<b>31/12/2002</b>		
	<b>Long-Term</b>	<b>Short-Term</b>	<b>Total</b>
Provision for legal risks		137	137
Other provisions for risks and expenses (1)		1,221	1,221
<b>Total</b>		<b>1,358</b>	<b>1,358</b>

(1) this is the cost resulting from SWORD SA's commitment to repurchase stock options for a sum of K€290 within the scope of the stock options agreement, with the remainder consisting mainly of provisions for risks for the projects that are in progress.

## SWORD GROUP PRO FORMA 31/12/02 PERIMETER

(IN K€)	31/12/2002		
	Long-Term	Short-Term	Total
Provision for legal risks		137	137
Other provisions for risks and expenses (1)		1,221	1,221
<b>Total</b>		1,358	1,358

**9.2. Movements for the period**

(K€)	31/12/2001	Reserve allocations over the financial year	Sums carried over from the financial year (1)	Perimeter movements	31/12/2002
<b>Operations</b>					
- Reserve allocations for legal risks					
- Other provisions for risks and expenses	1,155	787	1,564	286	664
<b>Financial</b>					
Provision for exchange rate losses		86			86
Provision for costs relating to the repurchasing agreement within the scope of stock options		290			290
<b>Extraordinary</b>					
- Reserve allocations for legal risks	163		26		137
- Other provisions for risks and expenses		181			181
<b>TOTAL</b>	1,318	1,344	1,590	286	1,358

**NOTE 10: NET DEBT****10.1. Item breakdown by nature of the debt**

<b>(K€)</b>	<b>12/02</b>	<b>12/01</b>
Other long-term and short-term loans	8,037	9,846
Other LT financial debts		
Bank loans and overdrafts		
<b>Total gross debt</b>	<b>8,037</b>	<b>9,846</b>
Financial current accounts (debit side)		
Own shares	94	
Marketable securities	31	
Cash and similar	5,520	2,077
<b>Total net debt</b>	<b>2,392</b>	<b>7,769</b>

## SWORD GROUP PRO FORMA 31/12/01 PERIMETER

<b>(K€)</b>	<b>12/02</b>	<b>12/01</b>
Other long-term and short-term loans	10,251	9,832
Other LT financial debts		
Bank loans and overdrafts		
<b>Total gross debt</b>	<b>10,251</b>	<b>9,832</b>
Financial current accounts (debit side)		
Own shares	94	
Marketable securities	31	
Cash and similar	17,359	2,619
<b>Total net debt</b>	<b>(7,233)</b>	<b>7,213</b>

## SWORD GROUP PRO FORMA 31/12/02 PERIMETER

<b>(K€)</b>	<b>12/02</b>
Other long-term and short-term loans	8,037
Other LT financial debts	
Bank loans and overdrafts	
<b>Total gross debt</b>	<b>8,037</b>
Financial current accounts (debit side)	
Own shares	94
Marketable securities	31
Cash and similar	5,653
<b>Total net debt</b>	<b>2,259</b>

## 10.2 Breakdown of long and medium-term loans, including those of a short-term nature, on 31<sup>st</sup> December 2002

(K€)	12/02	12/01
<b>Maturity date</b>		
< 1 year	3,159	4,052
1 year < X > 5 years	4,878	4,727
> 5 years		1,067
<b>Total (1)</b>	<b>8,037</b>	<b>9,846</b>

The largest loans were contracted at the 3-month Euribor interest rate of +1.5.

### NOTE 11: OPERATING DEBTS

(K€)	12/02	12/01
Accounts payable and other operating debts	6,297	3,053
Tax and social debts	5,915	4,236
Other debts	1,777	232
Deferred income	3,482	1,174
<b>Total</b>	<b>17,471</b>	<b>8,695</b>

#### SWORD GROUP PRO FORMA 31/12/01 PERIMETER

(K€)	12/02	12/01
Accounts payable and other operating debts	2,517	3,060
Tax and social debts	4,704	4,259
Other debts	1,724	232
Deferred income	1,562	1,174
<b>Total</b>	<b>10,507</b>	<b>8,725</b>

#### SWORD GROUP PRO FORMA 31/12/02 PERIMETER

(K€)	12/02
Accounts payable and other operating debts	6,297
Tax and social debts	5,915
Other debts	1,777
Deferred income	3,482
<b>Total</b>	<b>17,471</b>

**NOTE 12: CONTINGENT LIABILITIES**

Breakdown by type

<b>Financial guarantees offered (exhaustive data)</b>		
<b>Guarantees relating to acceleration clauses</b>		
Business collateral (SWORD) and share collateral (1)	9,147	9,147
Credit collateral	100(4)	
Deposits for future rents and share collateral (2)	2,476	2,764
Deposits		
Market deposits	4	80
SWORD SA share repurchasing agreement (3)		
<b>Complex guarantees</b>		
Leases (5)	1,051	
<b>Guarantees received (exhaustive data)</b>		
Deposits received on the market		
Other guarantees received (6)	197	

Guarantees relating to the acceleration clause:

No significant guarantees have been omitted.

Identification procedure: internal control procedures relating to the "contract" function are carried out by the Financial Department. These make it possible to generate an up-to-date statement showing the progress of contracts, as well as inventories and accounting and financial bills.

To date, no current liabilities for financial debts exist. In addition, no operations relating to financial investments are carried out by the group. There are therefore no risks at this level.

(1) SWORD GROUP allocates and delegates the following in the form of commercial collateral and, using this, guarantees available bank credit lines of 9,147 K€, of which K€6,098 had been used on 31<sup>st</sup> December 2002:

- Collateral from the 3 businesses acquired in December 2000: IDP, IDL and SWP
- An account pledge for financial instruments relating to the shares of FIRCOSOFT PARIS (value of the shares: 4,798 K€)

(2) SWORD GROUP has laid down the shares of SWORD DDS France as collateral, and is not permitted to modify the distribution of capital of said company without prior agreement from SICOMI RHONE-ALPES (value of the shares: 38 K€).

(3) Agreement to repurchase SWORD SA shares:

In an effort to maintain the rights of the beneficiaries of SWORD SA's stock options plan, and subsequent to approval from the Commission des Opérations de Bourse, SWORD GROUP agreed with these optionees that it would repurchase any new shares that should result from them exercising their rights as part of said plan at a unit price set according to the stock market value SWORD GROUP shares.

The terms of the stock options plan that apply at SWORD SA, and to which the SWORD GROUP repurchasing commitment relates, are as follows:

- *Optionees*: options are intended solely for employees of one of the SWORD group's companies who have been at the company for more than two years at the time the options are exercised.
- *Number of options issued*: 15,700 options (1 share per option), which corresponds to a maximum capital increase of €78,500; the options allocation plan was closed on 29th October 2001; on 31<sup>st</sup> December 2002, 12,050 SWORD SA options are in circulation.
- *Subscription price for new shares*: the subscription price has been set to the face value, that is 5 euros
- *Time limit for exercising options*: optionees will only be able to exercise the options after a 2-year freezing period and for a period of three years only. On 31<sup>st</sup> December 2002, no options have yet been exercised.

(4) The company CRONOS received a guarantee from the KBC Bank for the letting of their premises in Brussels, at 9/13 Rue Joseph, and for those in Luxembourg, at 105 Route d'Arlon.

Complex guarantees:

No significant guarantees have been omitted.

Identification procedure: internal control procedures relating to the “contract” function are carried out by the Financial Department. These make it possible to generate an up-to-date statement showing the progress of contracts, as well as inventories and accounting and financial bills.

(5) The company CRONOS has several lease contracts. Restatement in the form of the consolidation of leases has not yet been carried out, as the company was acquired in December 2002 and because these leases come in the form of multiple small lease contracts (vehicles, IT equipment).

In this case, restatement would have led to an increase in financial debt of around 800 K€.

Guarantees received:

No significant guarantees have been omitted.

(6) The company CRONOS offered credit collateral of K€100 to the international bank DEXIA. DEXIA gave market guarantees to the European commission.

### NOTE 13: REMUNERATION FOR MEMBERS OF THE ADMINISTRATIVE AND DIRECTORS' BOARDS

The members (8 people) of the directors' and operational boards collectively received a gross payment of K€595 for the financial year ending 31<sup>st</sup> December 2002. No appearance fees were collected by the members of the board of directors.

### NOTE 14: LIST OF CONSOLIDATED COMPANIES

Company	Closing date	31 <sup>st</sup> December 2002		Consolidation method
		% controlled	% stake	
SWORD GROUP (parent company)	31/12	100%	100%	Full consolidation
SWORD SA	31/12	100%	100%	Full consolidation
SWORD Création Informatique	31/12	100%	100%	Full consolidation
FIRCOSOFT	31/12	98.15%	98.15%	Full consolidation
FIRCOSOFT inc	31/12	100%	98.15%	Full consolidation
SWORD Inc (*)	31/12	100%	100%	Full consolidation
SWORD CONSULTING	31/12	100%	100%	Full consolidation
DDS UK	31/12	97.37%	97.37%	Full consolidation
SWORD SWITZERLAND	31/12	100%	100%	Full consolidation
SWORD DDS FRANCE	31/12	99.88%	99.88%	Full consolidation
ACRAMAN	31/12	100%	97.37%	Full consolidation
ECM	31/12	93.46%	91%	Full consolidation
TEXT SOLUTION	31/12	100%	97.37%	Full consolidation
CRONOS	31/12	90%	90%	Full consolidation

(\*) Statutory accounts closed on 30<sup>th</sup> June 2002

### SWORD GROUP PRO FORMA 31/12/01 PERIMETER

Company	Date closed	31 <sup>st</sup> December 2002		Consolidation method
		% controlled	% stake	
SWORD GROUP (parent company)	31/12	100%	100%	Full consolidation
SWORD SA	31/12	100%	100%	Full consolidation
SWORD Création Informatique	31/12	100%	100%	Full consolidation
FIRCOSOFT	31/12	89.43%	89.43%	Full consolidation
FIRCOSOFT inc	31/12	100%	89.43%	Full consolidation
SWORD Inc (*)	31/12	100%	100%	Full consolidation
SWORD CONSULTING	31/12	100%	100%	Full consolidation
DDS UK	31/12	97.66%	97.66%	Full consolidation
SWORD SWITZERLAND	31/12	100%	100%	Full consolidation
SWORD DDS FRANCE	31/12	100%	100%	Full consolidation

(\*) Statutory accounts closed on 30<sup>th</sup> June 2002

## 4.2 Corporate financial statements

### SWORD GROUP SA – INCOME STATEMENT ON 31<sup>st</sup> DECEMBER 2002

12-month financial year ending 31<sup>st</sup> December 2002

(In K Euros)	31/12/2002 (12 months)	31/12/2001 (6 months)
Turnover	904	229
Fixed production assets		
Other revenue	153	0
<b>OPERATING REVENUE</b>	<b>1,057</b>	<b>229</b>
Consumed purchases		
Other purchases and external costs	813	33
Taxes and duty	9	3
Personnel costs	325	193
Net reserve allocations for provisions and depreciation	16	
Other operating costs	0	
<b>OPERATING COSTS</b>	<b>1,163</b>	<b>229</b>
<b>OPERATING PROFIT</b>	<b>-106</b>	<b>-1</b>
<b>FINANCIAL RESULT</b>	<b>1,065</b>	<b>-61</b>
<b>PROFIT FROM ORDINARY OPERATIONS BEFORE CORPORATION TAX</b>	<b>959</b>	<b>-62</b>
<b>EXTRAORDINARY PROFIT</b>	<b>-3</b>	<b>0</b>
Corporation tax	-457	
<b>NET PROFIT</b>	<b>1,413</b>	<b>-62</b>

SWORD GROUP SA – BALANCE SHEET ON 31<sup>ST</sup> DECEMBER 2002 - ASSETS12-MONTH FINANCIAL YEAR ENDING 31<sup>ST</sup> December 2002

(in Keuros)	31/12/2002 (12 months)		31/12/2001 (6 months)		Net	Gross	Depreciation Provisions	Net
	Gross	Depreciation Provisions	Gross	Depreciation Provisions				
<b>FIXED ASSETS</b>								
Intangible assets	10		10	204		204		204
Tangible assets	72	16	56					0
Financial assets	19,818	150	19,668	9,833		9,833		9,833
<b>TOTAL FIXED ASSETS</b>	<b>19,900</b>	<b>167</b>	<b>19,734</b>	<b>10,037</b>	<b>0</b>	<b>10,037</b>	<b>0</b>	<b>10,037</b>
<b>CURRENT ASSETS</b>								
Customer accounts receivable	252		252	9		9		9
Other accounts receivable and accruals	5,367		5,367	72		72		72
Own shares	194	99	95					
Other marketable securities	30		30					
Cash	1,641		1,641	218		218		218
<b>TOTAL CURRENT ASSETS</b>	<b>7,484</b>	<b>99</b>	<b>7,385</b>	<b>299</b>	<b>0</b>	<b>299</b>	<b>0</b>	<b>299</b>
<b>OVERALL TOTAL</b>	<b>27,385</b>	<b>266</b>	<b>27,119</b>	<b>10,336</b>	<b>0</b>	<b>10,336</b>	<b>0</b>	<b>10,336</b>

**12-MONTH FINANCIAL YEAR ENDING 31<sup>ST</sup> DECEMBER 2002 – LIABILITIES**

<b>(in Keuros)</b>	<b>31/12/2002 (12 months)</b>	<b>31/12/2001 (6 months)</b>
<b>PERMANENT CAPITAL</b>		
Capital	6,161	3,620
Paid-in capital	16,596	747
Undistributed profit	-62	
Net profit	1,413	-62
<b>EQUITY CAPITAL</b>	<b>24,109</b>	<b>4,305</b>
Other equity capital	132	3,459
<b>TOTAL PERMANENT CAPITAL</b>	<b>24,241</b>	<b>7,764</b>
Provisions for risks and expenses	86	
Financial debts	659	2,369
<b>CURRENT LIABILITIES</b>		
Customer accounts receivable	461	148
Other debts and accruals	1,672	55
<b>TOTAL CURRENT LIABILITIES</b>	<b>2,133</b>	<b>203</b>
<b>OVERALL TOTAL</b>	<b>27,119</b>	<b>10,336</b>

## ANNEXE TO THE BALANCE SHEET AND THE CORPORATE FINANCIAL STATEMENT

This is the annexe to the balance sheet prior to the breakdown of the financial year ending 31<sup>st</sup> December 2002, which totals €27,118,784.88, and to the financial statement for the financial year, presented in the form of a list, which shows profits of €1,413,287.26.

The financial year lasts 12 months and covers the period from 01/01/2002 to 31/12/2002.

SWORD GROUP was created in June 2001. It became the holding company for the SWORD group on 30<sup>th</sup> August 2001 when SWORD SA shareholders contributed all their SWORD shares to SWORD GROUP. Since 30<sup>th</sup> August 2001, SWORD GROUP has acquired the shares of the following companies: DDS, SWORD Switzerland, SWORD Inc and SWORD South Africa, all subsidiaries of SWORD SA. In December 2002, it acquired 90% of the capital of the company CRONOS, based in Luxembourg.

Its activities are exclusively devoted to:

- the management of the SWORD group's stakes
- making central services available to subsidiaries (general, financial, commercial and strategic management) through an agreement to provide management services.

### NOTE 1: ACCOUNTING RULES AND PRINCIPLES

The notes or tables that appear hereafter form an integral part of the annual financial statements.

General accounting conventions have been applied, in accordance with the prudence principle, and founded on these basic assumptions:

- the continuity of operations,
- the permanent nature of accounting methods from one financial year to the next,
- the independence of financial years,

and in accordance with the general rules for establishing and presenting annual financial statements.

The application, as of January 2000, of CRC rule 2000-06 relating to liabilities and provisions for risks and expenses, has had no effect on the financial statements for the financial year 2002.

#### 1.1. Intangible fixed assets

Intangible fixed assets relate to the trademark SWORD, which was purchased during the course of the financial year.

#### 1.2. Tangible fixed assets

The company possesses a vehicle that is assigned to Mr. Jacques MOTTARD.

The company does not possess any movable or immovable assets financed under the lease system.

#### 1.3. Financial fixed assets

Financial fixed assets consist of equity interests and of paid and recoverable guarantee deposits for own shares.

Equity interests are evaluated according to their historical cost. At the close of each financial year, provisions for depreciation are set up based on possible capital losses between the book value and the inventory value. The inventory value is assessed using the same criteria as those used for consolidated financial statements (in particular with regards to the value of subsidiaries' fixed tangible assets), if we take into account the fact that the value of shares in the annual financial statements of SWORD GROUP cannot be significantly greater than the value of the subsidiary in the consolidated financial statements.

Own shares are valued at the average share price over the last month before financial year-end, that is the average price in December. A provision is set up when the average price in December is lower than the stock market price of own shares.

#### 1.4. Operating accounts receivable

These are assessed at face value and are essentially comprised of accounts receivable from subsidiaries. A provision for the depreciation of customer accounts receivable is set up when a risk that these accounts may not be recoverable appears in the inventory.

#### 1.5. Own shares

SWORD Group holds its own shares within the scope of:

- a share repurchasing programme
- a liquidity agreement

Own shares held within the scope of the share repurchasing programme are entered as fixed securities (fixed financial assets) insofar as the various objectives of share repurchasing (supporting the stock market price, intervention on the share market, allocation to employees and payment within the scope of external growth operations) were not quantified from the outset. They give rise to a provision for depreciation when the average market price in the last month of the year dips below the historical share price.

Own shares held within the scope of the liquidity agreement are entered as marketable securities. They give rise to a provision for depreciation when the average market price in the last month of the year dips below the historical share price.

#### 1.6. Provisions for risks and expenses

The risks and expenses identified on the closing date give rise to provisions established in accordance with the rules of prudence. A regular review of the elements that constitute these provisions (industrial disputes, exchange rate risks, subsidiary risks...) is carried out in order to make any readjustments that are considered necessary.

In view of the age of the company and the average age of its personnel, pension requirements are small and therefore no provision for pension commitments is entered.

#### 1.7. Extraordinary profit

Extraordinary profit includes non-operating costs and revenues, as well as any adjustments for management operations that are non-recurring and significant, and therefore justify their categorisation as extraordinary profit.

#### 1.8. Corporation tax

As of 1<sup>st</sup> January 2002, SWORD GROUP opted for the fiscal consolidation tax regime. According to the convention for fiscal consolidation in force within the company, each subsidiary company incurs the same corporation tax costs as they would have incurred without fiscal consolidation. The tax saving produced by transferring the deficits of subsidiaries to SWORD GROUP is entered for the year in which they were transferred.

#### NOTE 2: HIGHLIGHTS.

The main highlight of the elapsed period was floatation on the stock market, which took place in March 2002.

#### NOTE 3: INCOME STATEMENT

##### 3.1 Personnel costs

Personnel costs amount to €324,905 and can be broken down as follows:

(in €)	31/12/02 (12 months)	31/12/01 (6 months)
Gross wages	230,340	146,188
Social contributions	94,565	47,088
Stakes and interests		
<b>Total</b>	<b>324,905</b>	<b>193,277</b>

Workforce:

	31/12/02 (12 months)	31/12/01 (6 months)
<b>Executive</b>	<b>4</b>	<b>4</b>
<b>Non-executive</b>		
<b>Total</b>	<b>4</b>	<b>4</b>

**3.2. Net reserve allocations for operational depreciation and provisions.**

(in €)	31/12/02 (12 months)	31/12/01 (6 months)
Net reserve allocation for tangible and intangible fixed assets	16,295	
Reserve allocation for accounts receivable		
Reserve allocation for other provisions for risks and expenses		
<b>Total</b>	<b>16,295</b>	<b>0</b>

**3.3. Financial result**

(in €)	31/12/02 (12 months)	31/12/01 (6 months)
Reserve allocations for depreciation and provisions	335,606	
Interest on current accounts	42,214	60,936
Bank interest	4,717	780
Negative exchange rate differences	101,698	
<b>Total net financial costs</b>	<b>484,235</b>	<b>61,716</b>
Financial revenue from stakes	1,258,067	
Revenue from marketable securities	165,011	
Interest on current accounts	123,124	295
Exchange rate differences	3,046	-22
<b>Total financial revenue</b>	<b>1,549,248</b>	<b>273</b>
<b>Financial result</b>	<b>1,065,013</b>	<b>(61,443)</b>

**3.4. Extraordinary profit**

Extraordinary profit can be broken down as follows:

(in €)	12/02 (12 months)	12/01 (6 months)
Net profit from sale of own shares	443	
Other extraordinary costs or revenue	(3,096)	
<b>Extraordinary profit</b>	<b>(2,653)</b>	<b>0</b>

**3.5. Cash flow**

(in €)	31/12/02 (12 months)	31/12/01 (6 months)
Profit	1,413,287	(62,210)
Depreciation	16,295	
Provisions	335,606	
<b>Cash flow</b>	<b>1,765,188</b>	<b>(62,210)</b>
Profit from the sale of assets		
<b>Overall cash flow</b>	<b>1,765,188</b>	<b>(62,210)</b>

**NOTE 4: INTANGIBLE FIXED ASSETS****4.1. Item breakdown**

<b>(in €)</b>	<b>31/12/2001</b>		
	<b>Gross value</b>	Depreciation	<b>Net value</b>
Intangible fixed assets in progress (Stock market floatation costs)	204,250		204,250
<b>Total</b>	<b>204,250</b>		<b>204,250</b>

<b>(in €)</b>	<b>31/12/2002</b>		
	<b>Gross value</b>	Depreciation	<b>Net value</b>
Trademarks and patents	10,000		10,000
<b>Total</b>	<b>10,000</b>		<b>10,000</b>

**4.2. Movements for the period**

<b>(in €)</b>	<b>01/01/02</b>	<b>Acquisitions</b>	<b>Sale of assets</b>	<b>Reclassification</b>	<b>31/12/02</b>
<b><i>Trademarks and patents</i></b>					
Gross value		10,000			<b>10,000</b>
Depreciation					
Net		10,000			<b>10,000</b>
<b><i>Other intangible fixed assets</i></b>					
Gross value	204,250			204,250 (1)	0
Depreciation					
Net	204,250			204,250	0
<b>Total</b>					<b>10,000</b>

(1) Intangible fixed assets relating to stock market floatation costs (committed on 31<sup>st</sup> December 2001) have been posted to paid-in capital.

**NOTE 5 : TANGIBLE FIXED ASSETS****5.1. Item breakdown**

(in K€)	31/12/2002		
	Gross value	Depreciation	Net value
Transport equipment	71,831	16, 295	55, 536
<b>Total</b>	<b>71,831</b>	<b>16,295</b>	<b>55,536</b>

**5.2. Movements for the period**

(in €)	01/01/02	Acquisitions	Sale of assets	Reclassification	31/12/02
<i>Other tangible fixed assets</i>					
Gross value		71,831			71,831
Depreciation		(16,295)			(16,295)
Net		55,536			55,536
<b>Total</b>					<b>55,536</b>

**NOTE 6: FINANCIAL FIXED ASSETS****6.1. Item breakdown**

(in €)	31/12/01		
	Gross value	Provisions	Net
Equity interests	9,830,795		9,830,795
Paid and recoverable guarantee deposits	2,439		2,439
Other financial fixed assets			
<b>Total</b>	<b>9,833,234</b>		<b>9,833,234</b>

(in €)	31/12/02		
	Gross value	Provisions	Net
Equity interests	19,281,327		19,281,327
Paid and recoverable guarantee deposits	10,000		10,000
Other financial fixed assets	527,036	150,286	376,750
<b>Total</b>	<b>19,818,363</b>	<b>150,286</b>	<b>19,668,077</b>

Financial fixed assets mainly consist of equity interests and own shares.

**6.2. Movements for the financial year**

(in €)	01/01/02	Acquisitions	Sales	31/12/02
<b>Equity interests</b>				
Gross Value	9,830,795	9,450,532		19,281,327
Depreciation				
Net	9,830,795	9,450,532		19,281,327
<b>Deposits</b>				
Gross Value	2,439	7,561		10,000
Depreciation				
Net	2,439	7,561		10,000
<b>Other financial fixed assets</b>				
Gross Value		527,036		527,036
Depreciation		150,286		150,286
Net		376,750		376,750
<b>Total</b>				<b>19,668 077</b>

Acquisitions of equity interests over the financial year relate to:

- the purchase of 90% of the capital of the company CRONOS, based in Luxembourg, which took place in December 2002 for a sum of K€9,060
- the purchase of 8.71% of the capital of the company FIRCOSOFT

**NOTE 7: OPERATING ACCOUNTS RECEIVABLE****Item breakdown**

(in €)	31/12/01		
	Gross value	Provisions	Net value
Customer and operating accounts receivable	8,941		8,941
Other receivables	71,796		71,796
Prepaid expenses			
<b>Total</b>	<b>80,737</b>		<b>80,737</b>

(in €)	31/12/02		
	Gross value	Provisions	Net value
Customer and operating accounts receivable	251,661		251,661
Other receivables	5,363,505		5,363,505
Prepaid expenses	3,349		3,349
<b>Total</b>	<b>5,618,515</b>		<b>5,618,515</b>

**NOTE 8: EQUITY CAPITAL****Capital stock and securities that give access to capital*****Capital stock***

Capital stock consisted of 8000 shares with a face value of 5€ on the date the SWORD GROUP was formed in June 2001.

The extraordinary Shareholders' meeting of 30<sup>th</sup> August 2001 ordered a capital increase K€3,412 to enable payments to SWORD SA shareholders, who contributed all their SWORD SA shares to SWORD GROUP.

On 31<sup>st</sup> December 2001, after J. MOTTARD exercised 33,568 of his stock warrants, capital stock was increased again, this time by 168 K€..

On 31<sup>st</sup> December 2001, capital stock totalled 3,620,310 euros, divided into 724,062 shares with a face value of €5.

On 27<sup>th</sup> February 2002, after the company 21 CENTRAL PARTNER exercised 123,072 of its stock warrants, capital stock was increased by 615 K€.

On 12<sup>th</sup> March 2002 the board of directors carried out a capital increase of K€630 for the VCF 21 DEVELOPPEMENT.

On 20<sup>th</sup> March 2002 the board of directors carried out a capital increase of K€1,295 with a view to floating the company on the stock market.

On 31<sup>st</sup> December 2002, capital stock totals 6,161,215 euros divided into 1,232,243 shares with a face value of 5€.

***Stock warrants:***

- In application of the approval by the extraordinary general meeting of SWORD GROUP shareholders held on 29<sup>th</sup> October 2001, and of the decisions made by the board of directors on 2<sup>nd</sup> November 2001, 156,640 stock warrants were issued gratuitously for:

- Jacques MOTTARD: 33,568 warrants.
- The company 21, CENTRALE PARTNERS: 123,072 warrants.

These may be exercised at any time up until 31<sup>st</sup> December 2005, with a ratio of one SWORD GROUP share per stock option, in return for payment of a sum of 27.25 euros per share (face value of 5 euros, to which paid-in capital of 22.25 euros is added). Warrants for which subscriptions have not been exercised within this time limit will lose all their value and any rights associated with them.

The issue of these stock warrants was accompanied by the simultaneous cancellation of the 156,640 SWORD SA stock warrants, which had been granted under the same terms and to the same beneficiaries.

- On 31<sup>st</sup> December 2002, Mr. Jacques MOTTARD and the company 21 CENTRALE PARTNERS exercised their 156,640 stock warrants.

**NOTE 9: OTHER EQUITY CAPITAL (K€132 on 31<sup>st</sup> December 2002)**

In November 2001, in consideration for the gratuitous allocation of stock warrants (see note 8), Mr. Jacques MOTTARD and the company CENTRALE PARTNERS contributed K€4,268 to the current account, broken down as follows:

- Mr. Jacques MOTTARD, 914,728 euros,
- 21 CENTRALE PARTNERS, 3,353,712 euros.

The terms of these capitalisable advances were as follows:

- ♦ **remuneration**: maximum tax deductible rate, where said remuneration is paid by the company each quarter;
- ♦ **paying up**: overall one-time payment into SWORD GROUP'S accounts on the date the stock warrants are issued. SWORD GROUP will have full disposal of these sums immediately;
- ♦ **freezing**: the advance will be frozen until the stock warrants are exercised, with the partial or total freezing of stock warrants leading to immediate unfreezing of a sum equal to the advance. This will enable any new shares that have been subscribed to be paid up, up to a value equal to all or part of the advance, which will then become a claim to money that is payable in accordance with the provisions of the law.

On 31<sup>st</sup> December 2002, the stock warrants subscribed by Mr. Jacques MOTTARD and the company CENTRAL PARTNERS were exercised in their entirety and the corresponding advance was capitalised. An innovation grant of €132,000 was awarded by the ANVAR (French office for innovation).

**NOTE 10: LONG-TERM AND SHORT-TERM PROVISIONS****10.1. Item breakdown**

(in €)	31/12/2002		
	Long-Term	Short-Term	Total
Provision for currency risks		86,180	86,180
<b>Total</b>		<b>86,180</b>	<b>86,180</b>

**10.2. Movements for the period**

(in €)	31/12/2001	Reserve allocations for the financial year	Carryovers for the financial year	31/12/2002
<b>Financial</b>				
Provision for currency losses		86,180		86,180
<b>Total</b>		<b>86,180</b>		<b>86,180</b>

**NOTE 11: NET DEBT****11.1. Item breakdown by type**

(in €)	31/12/02	31/12/01
Other long-term and medium-term borrowing		
Other financial debts	658,580	2,368,850
Current financial backing from banks		
<b>Total gross debt</b>	<b>658,580</b>	<b>2,368,850</b>
Financial current accounts (debit side)		
Marketable securities	125,635	
Cash and similar	1,641,021	217,903
<b>Total net debt</b>	<b>( 1,108,076)</b>	<b>2,150,947</b>

**11.2 Breakdown of long and medium-term loans, including those of a short-term nature**

(in €)	31/12/02	31/12/01
<b>Maturity date</b>		
< 1 year	658,580	2,368,850
1 year < X > 5 years		
> 5 years		
<b>Total (1)</b>	<b>658,580</b>	<b>2,368,850</b>

(1) The largest loans relate to the current accounts of subsidiaries.

**NOTE 12: OPERATING DEBTS**

(in €)	31/12/02	31/12/01
Supplier debts and other operating debts	461,069	148,356
Tax and social debts	63,121	46,717
Debts for fixed assets	1,560,000	
Other debts	49,230	8,000
Deferred income		
<b>Total</b>	<b>2,133,420</b>	<b>203,073</b>

**NOTE 13: CONTINGENT LIABILITIES**

Breakdown by type

(K€)	31/12/02	31/12/01
<b>Financial guarantees offered</b>		
Deposits for future rents (1)	2,476 (1)	2,743
Other deposits (2)	10,993	9,147
Other guarantees given (3)		
<b>Guarantees received</b>		
Deposits received		
Other guarantees received (4)	1,384	

(1) The company SWORD GROUP has put the shares of SWORD DDS France up as collateral, and is not permitted to redistribute said company's capital without prior agreement from SICOMI RHONE ALPES (the value of the shares is 38 K€). Rent to be paid by SWORD DDS France and guaranteed by SWORD GROUP amounts to 2,438 K€.

(2) Guarantees relate to bank credit lines subscribed by SWORD SA for a sum of 9,147 K€, of which K€6,098 had been used by 31<sup>st</sup> December 2002, and to a payment guarantee of K€1,200 to John Anderson and Helen Potter.

(3) Commitment to repurchase SWORD SA shares:

Subsequent to approval from the Commission des Opérations de Bourse, and in an effort to maintain the rights of the beneficiaries of SWORD SA's stock options plan, SWORD GROUP agreed with the latter that it would repurchase any new shares that should result from them exercising their rights as part of said plan at a unit price that is set depending on the stock market value of a SWORD GROUP share.

The terms of the stock options plan that are in force at SWORD SA, and to which the SWORD GROUP repurchasing commitment relates, are as follows:

- *Optionees*: options are intended solely for employees of one of the SWORD group's companies who have been at the company for more than two years at the time the options are exercised.
- *Number of options issued*: 15,700 options (1 share per option), which corresponds to a maximum increase in capital of €78,500; the options allocation plan was closed on 29th October 2001. On 31<sup>st</sup> December 2002, 12,050 SWORD SA options are in circulation.
- *Subscription price for new shares*: the subscription price has been set to the face value, that is 5 euros
- *Time limit for exercising options*: optionees will only be able to exercise the options after a 2-year freezing period and for a period of three years only. On 31<sup>st</sup> December 2002, no options have yet been exercised.

(4) The guarantee received relates to a 900 K€ collateral pledge made in cash as a payment guarantee to John Anderson and Helen Potter.

## NOTE 14 : LIST OF SUBSIDIARIES AND STAKES HELD

(in €)	Capital stock	Equity capital not including capital stock	Share of capital held, as a percentage	Value of securities		Advance loan granted by the company and not yet repaid	Turnover	Result for the last financial year	Dividends collected	Observations Closing date
				Gross	Net					
1 – <u>Subsidiaries (more than 50% of capital held)</u>										
SWORD INC 230 Park Avenue Suite 1000 NEW YORK – NY 10169 – USA	1,151	860,037	100	2,561,143	2,561,143		2,005,355	(70,849)	NONE	30/06
SWORD SOUTH PO BOX 9518 PRETORIA 0001 – SOUTH AFRICA	15	101,438	100	106,714	106,714		186,619	30,202	NONE	31/12
SWORD SUISSE 36 place du midi SION VALAIS	163,784	78,260	100	284,493	284,493		442,668	(61,514)	NONE	31/12
DDS 1000 Great West Road Brentford Middlesex TW8 9DW	1,697	2,135,153	97.37	3,417,986	3,417,986		7,901,472	1,456,334	1,258,067	31/12
SWORD SA 9 Avenue Charles de Gaulle 69370 ST DIDIER AU MONT D'OR	3,412,500	(680,428)	100	3,412,470	3,412,470	9,147,000	15,573,219	742,623	NONE	31/12
CRONOS Luxembourg SA 105 Route d'Arion L-8009 Stassen LUXEMBOURG	31,000	345,815	90	9,060,000	9,060,000		14,614,027	702,726	NONE	31/12

In €	Capital stock	Equity capital not including capital stock	Share of capital held, as a percentage	Value of securities		Advance loan granted by the company and not yet repaid	Turnover	Result for the last financial year	Dividends collected	Observations Closing date
				Gross	Net					
<u>2 – Stakes (less than 10% of capital held)</u>										
FIRCOSOFT SA	230,000	416,054	9.78	438,340	438,340		1,325,511	350,514	NONE	31/12
SWORD DDS	40,000	207,981	0.04	97	97	2,438,000	562,682	(98,855)	NONE	31/12
SWORD CONSULTING	76,224	13,848	0.02	84	84		3,737,643	702,570	NONE	31/12

No data appears here for loans and advances granted by the company and not yet repaid.

**4.3 Pro forma consolidated financial statements 2002-2001****SWORD GROUP PRO FORMA – INCOME STATEMENT ON 31<sup>ST</sup> DECEMBER 2002**

<b>Turnover</b>	<b>47 815</b>	<b>38 218</b>
Fixed production assets		
Other revenue	2 005	578
<b>REVENUE FROM OPERATIONS</b>	<b>49 820</b>	<b>38 796</b>
Consumed purchases	488	0
Other purchases and external costs	19 022	15 853
Taxes and duty	151	237
Wages and social contributions	22 569	17 945
Net reserve allocations for depreciation and provisions	1 424	415
Other operating costs	7	6
<b>OPERATING COSTS</b>	<b>43 661</b>	<b>34 456</b>
<b>OPERATING PROFIT</b>	<b>6 159</b>	<b>4 341</b>
<b>FINANCIAL RESULT</b>	<b>-828</b>	<b>-915</b>
<b>PROFIT FROM ORDINARY OPERATIONS BEFORE TAX</b>	<b>5 331</b>	<b>3 426</b>
<b>EXTRAORDINARY PROFIT</b>	<b>114</b>	<b>-251</b>
Stake		
Corporation tax	1 499	575
Goodwill amortisation	35	100
<b>OVERALL CONSOLIDATED NET EARNINGS</b>	<b>3 911</b>	<b>2 499</b>
Share of minority interests	131	72
<b>GROUP'S SHARE OF NET EARNINGS</b>	<b>3 780</b>	<b>2 427</b>
Profit per share	3,07	3,53
Diluted profit per share	3,04	3,18

**SWORD GROUP PRO FORMA – CONSOLIDATED BALANCE SHEET ON 31<sup>ST</sup> DECEMBER  
2002 – ASSETS**

(in thousands of euros)

	31/12/2002 PRO FORMA (12/2002 perimeter)			31/12/2001
	Gross	Deprec.	Net	PRO FORMA 31/12/02 perimeter
		Prov		
<b>FIXED ASSETS</b>				
Goodwill	570	283	287	320
Intangible fixed assets	31,532	138	31,394	31,396
Tangible fixed assets	2,254	998	1,257	1,127
Financial fixed assets	169		169	187
<b>TOTAL FIXED ASSETS</b>	<b>34,525</b>	<b>1,419</b>	<b>33,106</b>	<b>33,030</b>
<b>CURRENT ASSETS</b>				
Customer accounts receivable	13,812	91	13,721	10,998
Other receivables and accruals	2,846	31	2,815	1,890
Own shares	193	99	94	
Marketable securities	31		31	
Cash reserves	7,063		7,063	0
<b>TOTAL CURRENT ASSETS</b>	<b>23,946</b>	<b>221</b>	<b>23,725</b>	<b>12,888</b>
<b>OVERALL TOTAL</b>	<b>58,470</b>	<b>1,639</b>	<b>56,831</b>	<b>45,917</b>

**SWORD GROUP PRO FORMA – CONSOLIDATED BALANCE SHEET ON 31<sup>ST</sup> DECEMBER  
2002 - LIABILITIES**

(in thousands of euros)

	<b>31/12/2002</b>	<b>31/12/2001</b>
	<b>PRO FORMA</b>	<b>PRO FORMA</b>
	<b>31/12/02 Perimeter</b>	<b>31/12/02 Perimeter</b>
<b>PERMANENT CAPITAL</b>		
Capital	6,161	3,620
Paid-in capital	16,596	747
Reserves – group share	1,823	307
Net profit – group share	3,780	2,427
<b>EQUITY CAPITAL</b>	<b>28,360</b>	<b>7,101</b>
Minority interests	1,604	1,456
Other equity capital	0	3,354
<b>TOTAL PERMANENT CAPITAL</b>	<b>29,965</b>	<b>11,911</b>
Provisions for risks and expenses	1,358	1,853
Financial debt	8,037	18,862
<b>CURRENT LIABILITIES</b>		
Supplier accounts payable	6,297	5,180
Other debts and accruals	11,175	8,111
<b>TOTAL CURRENT LIABILITIES</b>	<b>17,471</b>	<b>13,291</b>
<b>OVERALL TOTAL</b>	<b>56,831</b>	<b>45,917</b>

**ANNEXE TO THE CONSOLIDATED FINANCIAL STATEMENTS on 31st December 2002****NOTE 1: ACCOUNTING PRINCIPLES AND CONSOLIDATION RULES**

SWORD Group's consolidated financial statements are established in compliance with French accounting principles, in particular with the provisions of rule no. 99-02 of the Accounting Rules Committee. They cover the period between 1<sup>st</sup> January and 31<sup>st</sup> December 2002.

The rules and methods detailed below have been applied in the same way as in the previous financial year. The application of CRC rule 2000-06 relating to liabilities and provisions for risks and expenses, which took effect on 1<sup>st</sup> January 2002, has had no effect on the 2002 financial statements.

**1.1. Consolidation perimeter and methods**

The company SWORD GROUP was founded in June 2001 with the aim of become the holding company for the SWORD group. In order to do so, it was suggested to the shareholders that they contribute their SWORD SA shares to the company SWORD GROUP, a move approved by the extraordinary general shareholder meeting of 30<sup>th</sup> August 2001. However, in view of the pact signed between SWORD SA's main shareholders, control of the SWORD group was obtained with effect from 1<sup>st</sup> July 2001.

The historical background contributed by SWORD SA to SWORD GROUP in 2001 is as follows:

- On 15<sup>th</sup> December 2000 SWORD SA acquired the following businesses, with backdated effect from 1<sup>st</sup> December 2000:
  - IDP, sold by DECAN for a sum of 2,973 K€, specialising in documentary engineering in the Paris region.
  - IDL, sold by DECAN for a sum of 1,610 K€, specialising in documentary engineering in the Lyon region.
  - SWP, sold by DECAN for a sum of 3,445 K€, specialising in trademark and patent engineering, based in Paris. It works side by side with all trademark and patent organisations whatever their location.
- On 15<sup>th</sup> December 2000, SWORD SA also acquired:
  - 81.33% of the capital of FIRCOSOFT, which specialises in Swift message rebuilding, for a sum of 4,482 K€; during the 1st half-year of 2001, this acquisition was completed by the purchase of an additional 7% of its capital for a sum of 315 K€.
  - The shares of SWORD CREATION INFORMATIQUE for 1,631 K€. This Pretoria-based company provides services for SWP's segment.
  - The shares of SWORD Inc for 2,561 K€. The company specialises in document management and its main customer is the United Nations in New York.
- SWORD SA acquired the following stakes on 1st April 2001:
  - SWORD Consulting (ex Profiler SCII), acquired in whole for a sum of 419 K€. This company has three main components:
    - ✓ Interfacing between customers and freelancers
    - ✓ IT engineering in Lyon
    - ✓ Consulting in Paris.
  - DDS Europe limited, acquired in whole for a sum of 3,418 K€. This company is based in London and Manchester. Its main activity is change management.
  - SWORD Switzerland based in Sion, acquired in whole for a sum of 284 K€.
- On 14<sup>th</sup> September 2001, SWORD CONSULTING acquired the capital of ESPACE CRECY in its entirety (the company was renamed SWORD DDS on 18th January 2002), with the intention of developing its change management activity.

Over the course of the 2<sup>nd</sup> half-year of 2001, SWORD GROUP repurchased the shares of the following companies: SWORD DDS UK, SWORD Switzerland, SWORD Inc and SWORD South Africa, subsidiaries of SWORD SA.

The English company ACRAMAN was founded on 1<sup>st</sup> April 2002 with a capital of £2, 100% of which was held by SWORD DDS UK, in order to initiate the acquisition of the English company TEXT SOLUTIONS LTD (100%) for a total sum of 2,259 K€. The holding company TEXT SOLUTIONS LTD held 100% of the company ECM, which specialises in change management.

In June 2002, in order to simplify the organisational chart for the group's English companies, ECM's shares were reclassified through their sale by TEXT SOLUTIONS to SWORD DDS UK for 2,524K€, a sum equal to their initial purchase price. ACRAMAN and TEXT SOLUTIONS have now ceased activities.

In December 2002, SWORD GROUP acquired 90% of the company CRONOS, which is located in Luxembourg.

The companies within the consolidation perimeter are listed in note 14. All the companies in the consolidation perimeter are controlled in whole by SWORD GROUP and are therefore consolidated using the full consolidation method.

### 1.1.2. Conventions for establishing pro forma financial statements

In order to give an economic overview of the group as it stands on 31<sup>st</sup> December 2002 and to ensure that financial data for 2002 can be compared to that of the previous financial year, while taking into account:

- Significant changes to the perimeter that occurred in 2002 and in 2001 (see above)
- The 6-month accounting period presented in y-1.

it has been decided that pro forma consolidated financial statements for the financial years ending on 31<sup>st</sup> December 2001 (12 months) and 2002 (12 months) should be established. These pro forma financial statements were established based on a constant consolidation perimeter over the 24 months, this being the consolidation perimeter of the group as it stands on 31<sup>st</sup> December 2002: thus, all the companies acquired by SWORD GROUP between 1<sup>st</sup> January 2001 and 31<sup>st</sup> December 2002 are considered to have been acquired on 1<sup>st</sup> January 2001. In order to facilitate the drafting of the pro forma statements and to maintain their consistency with the information supplied in SWORD GROUP's stock market floatation prospectus, the 2001 pro forma financial statements have been established using the SWORD GROUP pro forma consolidated financial statements that were published in March 2002. To do this, the entry of ACRAMAN, TEXT SOLUTION, ECM and CRONOS (all acquired in 2002) into the consolidation perimeter was simulated with effect from 1<sup>st</sup> January.

The main conventions used to draft the pro forma consolidated financial statements referred to above are as follows; they are identical to those used to establish SWORD GROUP's pro forma consolidated financial statements published with the company's stock market floatation prospectus:

- The financial statements used for the pro forma consolidation are either annual statements for these entities, or their intermediate situation on the date the pro forma statement was established. This would be the case if the date on which these companies' financial years ended did not coincide with the date the pro forma financial statements were established.
- Pro forma consolidated balance sheets on 31<sup>st</sup> December 2001 and 31<sup>st</sup> December 2002 are the balance sheets consolidated on the same date, although the following must be pointed out:
  - To evaluate the market shares shown in the pro forma balance sheets on 31<sup>st</sup> December 2001 and 31<sup>st</sup> December 2002, the values employed when securities are cancelled are those that result from the evaluations made on the date the companies and businesses were acquired, and are confirmed by independent experts. Consequently, pro forma results obtained prior to the legal acquisition date of the entities have been posted to the "Goodwill" item, and any excess amounts to the "cash" item.
  - To determine 2002 pro forma equity capital, 2001 pro forma profit is considered to have been allocated to the consolidated reserves.
  - Funding for the acquisition of the shares of TEXT SOLUTION, ECM, ACRAMAN and CRONOS, on the simulated date of 1<sup>st</sup> January 2001, has been posted to the "Financial debt" item; insofar as these acquisitions have been financed, in reality, thanks to the capital increase carried out when the SWORD GROUP was floated on the stock exchange in March 2002, no pro forma financial costs have been taken into account for 2001.

### 1.2. Closing date and accounting year for consolidation

SWORD GROUP closes its annual individual accounts on 31<sup>st</sup> December.

For the purposes of consolidation, all consolidated companies whose financial year does not close on 31<sup>st</sup> December have established an intermediate financial statement on 31<sup>st</sup> December 2002.

### 1.3. Internal operations

All reciprocal balances and flows between incorporated companies have been cancelled.

### 1.4. Conversion of financial statements for foreign companies

The conversion of financial statements for foreign subsidiaries outside the Euro zone is carried out using the closing price method.

According to this method, the conversion of financial statements is carried out in the following way:

- All assets and liabilities, be they monetary or non-monetary, are converted using the exchange rates in force on the date the financial year closes
- Revenue and costs (including depreciation and provisions) are converted using the average rate for the period
- Observed foreign currency conversion differences, both on opening balance sheets and on income statements, are posted in equity capital under "foreign currency reserves".

### 1.5. Conversion of transactions made in foreign currency

Transactions made in foreign currency are converted at the exchange rate in force at the time of the transaction. At the end of the year, any accounts receivable and debts in foreign currency are converted at the closing exchange rate. Conversion differences are posted onto the income statement.

### 11.6. Goodwill

The difference observed between the cost of acquiring the shares of a consolidated company (which includes all costs resulting directly from the acquisition) and the share of equity capital acquired, restated according to the group's principles on the date of entry into the consolidation perimeter, is posted to the valuation of identifiable elements. Most notably, this includes any intangible assets that have not been posted in the individual financial statements of each consolidated entity, such as market share (see below).

The final unallocated balance, which constitutes the goodwill, is amortised according to the straight-line method over a period set according to economic activities and which cannot exceed 10 years.

### 1.7. Intangible fixed assets

#### *Market shares*

The existence of market shares is acknowledged when the target satisfies three criteria:

- The existence of an international, national or regional market share
- An acknowledged position
- Recurring customers.

The market shares acquired directly by the companies in the perimeter and which appear under the "business capital" item of the individual financial statements of said companies are reclassified in the consolidation under the "market share" accounts item, from the moment they themselves satisfy the criteria listed above.

The value of all market shares posted on the asset side of the consolidated balance sheet is systematically assessed by an independent expert at a date that is close to the acquisition date.

Because market shares posted on the balance sheet are representative of an identifiable intangible asset that does not depreciate with time, and for which an evaluation can be made according to objective criteria (in this case, according to the future cash flow method) that can be monitored over time, these are not subject to depreciation.

Each year, an independent expert carries out a depreciation test (impairment) that aims to check that the true value of the market shares posted on the balance sheet is equal to or greater than their book value. If this is not the case, a provision for depreciation is posted in the accounts in order to bring their book value down to their true value.

### 1.8. Tangible fixed assets

For tangible fixed assets, the figure that appears on the balance sheet is the acquisition cost. The depreciation of tangible fixed assets is calculated according to the straight-line method over the predicted lifetime.

The main lifetimes used for calculations are:

- |   |                     |              |
|---|---------------------|--------------|
| ▪ | Transport equipment | 5 years      |
| ▪ | Office equipment    | 3 to 5 years |
| ▪ | IT equipment        | 3 years      |
| ▪ | Office furnishings  | 10 years     |

The company does not possess any movable or immovable assets financed under the lease system, with the exception of the recently acquired company CRONOS. Because of the very short time that has elapsed since the acquisition, the lease contracts for CRONOS have not been restated in the consolidated financial statements on 31<sup>st</sup> December 2001. On this date, they represent financial debts of around 800K€.

### 1.9. Financial fixed assets

Financial fixed assets consist mainly of paid and recoverable guarantee deposits.

### 1.10. Accounts receivable

These are assessed at face value. A provision for depreciation is set up according to the risk of receivables being non-recoverable and to the length of time they have been in existence.

Customer risks are handled individually and any provisions that may be specifically set up are justified through an evaluation carried out by the group using the information at its disposal: quality of the debtor, length of time the receivables have been in existence, nature of the commercial dispute.

### 1.11. Fixed price contracts not completed at year-end

Results for fixed price contracts are assessed according to the technical progression status method. The services relating to these contracts are evaluated based on a detailed inventory established using analytical accounting methods and on the elements used to establish forecasts.

The company posts its employees' output in terms of turnover. To evaluate turnover, employees are valued at a daily rate that is specific to their position. Only output for which customers are liable to be invoiced is taken into account when evaluating turnover. Thus, during the course of a project, production times can be entered as mali by taking into account the delays or overspending that are accepted, with respect to the expected progress defined at the start of the contract.

Excess production that appears as turnover on the invoices issued at year-end are entered in the "revenues to be received" section of the assets side of the balance sheet, under the item "customer accounts receivable".

Conversely, when the invoices issued exceed output produced and warranted, the excess is entered under the item "revenues entered in advance" on the liabilities side of the balance sheet.

In the same way, when output that is produced and acknowledged in the form of turnover, added to the work that remains to complete the contract, exceeds the total turnover from the contract, a provision for losses upon completion is set up to cover the difference. This provision is entered under the provisions for risks and expenses.

In addition, when the contract contains such a clause, the company enters a guarantee provision in the form of revenues entered in advance.

### **1.12. Own shares**

SWORD GROUP holds its own shares within the scope of:

- a share repurchasing programme
- a liquidity agreement

Own shares held within the scope of the share repurchasing programme are posted in the annual financial statements under fixed securities (fixed financial assets) insofar as the various objectives (supporting the stock price, intervention on the share market, allocation to employees and payment within the scope of external growth operations) of share repurchasing were not quantified from the outset. In accordance with accounting principles, in consolidated financial statements, these fixed securities are deducted from consolidated reserves.

Own shares held within the scope of the liquidity agreement are entered as marketable securities. They give rise to a provision for depreciation when the average stock market price in the last month of the year dips below the historical share price.

### **1.13. Marketable securities**

Marketable securities are valued according to their acquisition cost. If their probable negotiable value at financial year-end (based on the last quoted price or the liquidation value) dips below the purchase price, a provision is set up.

### **1.14. Interests outside the group**

The proportion of the group's equity capital and profits that results from third parties appears in an appropriate item under "liabilities" in the consolidated balance sheet.

### **1.15. Provisions for risks and expenses**

Obligations with regards to third parties, be they legal, regulatory, contractual or implicit, give rise to a provision for risks and expenses if these exist on the closing date and if it has been established that they will lead to an outflow of resources, without an equivalent counter-flow from the parties concerned. A regular review of the elements that go to constitute these provisions (commercial disputes, industrial disputes, losses on completion [see 1.11.], restructuring...) is carried out to make any readjustments that are considered necessary. In view of the age of the company and the average age of its personnel, pension requirements are small and therefore no provision for pension commitments is entered.

Any SWORD SA shares that are liable to be issued (capital increase) within the scope of the SWORD SA subsidiary's stock-options plan are covered by a repurchasing agreement on the part of SWORD GROUP at the unit value of SWORD GROUP shares, calculated as the average quoted price of the shares over the twenty stock market days preceding repurchasing. On 31<sup>st</sup> December 2002, the difference between the book value (5€ per share) of SWORD SA shares that can be subscribed by employees and the average stock market price of SWORD GROUP shares over the month of December (that is 31€ per share) stands at around 290 K€, if we take into account the number of options in circulation and the impact of staff turnover up until the date the stock options are exercised. This difference has given rise to a provision in the consolidated financial statements on 31<sup>st</sup> December 2002.

**1.16. Start-up costs**

Start-up costs are entered directly into the costs for the financial year during which they were borne.

**1.17. Research and development costs**

Research and development costs are entered directly into the costs for the financial year during which they were borne. Internal expenditure devoted to research and development is included in the “wages and social contributions” item.

**1.18. Income tax**

Certain restatements posted in the annual financial statements of consolidated companies in order for them to be harmonised with the accounting principles for consolidated financial statements, in addition to certain deferred taxes that appear in the annual financial statements, create temporal differences between taxable income and the restated profit before tax.

Deferred taxes result from the differences between the book and fiscal values of assets and liabilities. These differences give rise to deferred taxes being calculated according to the variable deferment method, which takes into account the terms and conditions for taxation that exist at the end of the financial year.

In the same way, when market shares are acknowledged on the asset side of the balance sheet for the 1<sup>st</sup> consolidation (see note 1.7.), no deferred tax liabilities are taken into account in the difference between the book value and the fiscal value of said market shares. This is due to the fact that these are evaluation discrepancies relating to intangible assets for which the probability of a transfer that is separate from the company that holds them is judged to be small.

Taxes calculated for the fiscally consolidated group highlight an overall deficit that has generated deferred tax assets of 13K€.

**1.19. Extraordinary profit**

Extraordinary profit takes into account non-operating costs and revenue, as well as any adjustments for management operations that are non-recurring and significant, and therefore justify their status as extraordinary profit.

**NOTE 2: HIGHLIGHTS**

The main highlight of the elapsed period was the incorporation of the companies ACRAMAN, TEXT SOLUTIONS and ECM on 1<sup>st</sup> April 2002, and of the company CRONOS on 1<sup>st</sup> December 2002 (see 1.1).

**NOTE 3: INCOME STATEMENT****3.1. Sector information**

	<b>12/02</b> <i>Pro forma</i> <b>(31/12/02 perimeter)</b>	<b>12/01</b> <i>Pro forma</i> <b>(31/12/02 perimeter)</b>
<b>Turnover</b>	<b>47,815</b>	<b>38,218</b>
<i>By sector of activity (according to BU)</i>		
ECM		
▪ Document management	14,829	15,359
▪ GIS	3,109	2,174
▪ Data engineering	14,514	8,054
▪ Change management	10,148	7,562
▪ Consulting	3,236	2,037
▪ Platform for growth		1,864
▪ STP	1,979	1,168
<i>By geographical zone</i>		
▪ France	12,248	10,332
▪ UK	12,484	13,530
▪ United States	1,925	2,552
▪ Benelux	14,514	8,054
▪ Others	6,644	3,750
<b>Operating profit</b>	<b>6,159</b>	<b>4,341</b>
<i>By sector of activity</i>		
ECM		
▪ Document management	1,535	1,905
▪ GIS	345	137
▪ Data engineering	1,040	475
▪ Change management	2,098	1,073
▪ Consulting	718	151
▪ Platform for growth		181
▪ STP	622	419
▪ Holdings	-199	
<i>By geographical zone</i>		
▪ France	1,956	1,398
▪ UK	2,087	1,568
▪ United States	105	345
▪ Benelux	1,040	475
▪ Others	971	555

	<b>12/02</b> <i>Pro forma</i> <b>(31/12/02 perimeter)</b>	<b>12/01</b> <i>Pro forma</i> <b>(31/12/02 perimeter)</b>
<b>Average workforce of companies incorporated through full consolidation</b>	<b>335</b>	<b>270</b>
<i>By sector of activity</i>		
ECM		
▪ Document management	128	120
▪ GIS	33	30
▪ Data engineering	77	42
▪ Change management	41	35
▪ Consulting	33	11
▪ Platform for growth		20
▪ STP	14	7
▪ Holdings	9	5
<i>By geographical zone</i>		
▪ France	141	114
▪ UK	59	65
▪ United States	7	11
▪ Benelux	77	42
▪ Others	51	38
<b>Gross fixed assets</b>	<b>34,156</b>	<b>33,739</b>
<i>By sector of activity</i>		
ECM		
▪ Document management	14,371	14,628
▪ GIS	1,912	
▪ Data engineering	10,533	9,705
▪ Change management	2,090	3,540
▪ Consulting	509	374
▪ Platform for growth	124	281
▪ STP	4,493	5,185
▪ Holdings	124	26
<i>By geographical zone</i>		
▪ France	14,369	15,123
▪ UK	7,233	6,908
▪ United States	1,983	1,967
▪ Benelux	10,533	9,705
▪ Others	38	36

### 3.2. Personnel costs

Personnel costs are analysed in terms of:

(en K€)	<i>12/02 Pro forma (31/12/02 perimeter)</i>	<i>12/01 Pro forma (31/12/02 perimeter)</i>
Gross wages	17,609	13,134
Social contributions	4,944	4,811
Stakes and interests	16	
<b>Total</b>	<b>22,569</b>	<b>17,945</b>

Average consolidated employee numbers:

	<i>12/02 Pro forma (31/12/02 perimeter)</i>	<i>12/01 Pro forma (31/12/02 perimeter)</i>
Executive	207	167
Non-executive	128	103
<b>Total</b>	<b>335</b>	<b>270</b>

### 3.3. Net depreciation and operating provisions

(in K€)	<i>12/02 Pro forma (31/12/02 perimeter)</i>	<i>12/01 Pro forma (31/12/02 perimeter)</i>
Net reserve allocation for tangible and intangible fixed assets	546	327
Reserve allocation for accounts receivable	(99)	89
Reserve allocation for legal risks		(904)
Reserve allocation for other provisions for risks and expenses	(777)	904
<b>Total</b>	<b>(330)</b>	<b>416</b>

### 3.4. Financial result

(in K€)	<i>12/02 Pro forma (31/12/01 perimeter)</i>	<i>12/01 Pro forma (31/12/02 perimeter)</i>
Reserve allocations	475	
Net expenses for marketable securities		
Financial expenses for loans	509	991
Negative exchange differences	313	156
<b>Total net financial expenses</b>	<b>1,297</b>	<b>1,147</b>
Revenue from marketable securities	167	
Other revenues	66	192
Positive exchange rate differences	236	40
<b>Total financial revenue</b>	<b>469</b>	<b>232</b>
<b>Financial result</b>	<b>(828)</b>	<b>(915)</b>

### 3.5. Extraordinary profit

Extraordinary profit can be broken down as follows:

(in K€)	<i>12/02 Pro forma (31/12/02 perimeter)</i>	<i>12/01 Pro forma (31/12/02 perimeter)</i>
Capital gains on the disposal of tangible/intangible fixed assets	(6)	407
Net reversal of reserves for legal risks		(56)
Net reversal of other provisions for risks and expenses	26	
Other extraordinary costs and revenues	94	(601)
<b>Extraordinary profit</b>	<b>114</b>	<b>(250)</b>

### 3.6. Analysis of income tax expenses

#### 3.6.1. Structure of the corporation tax bill

(in K€)	<i>12/02 Pro forma (31/12/02 perimeter)</i>	<i>12/01 Pro forma (31/12/02 perimeter)</i>
Income tax on ordinary operations	1,510	923
Deferred taxes (1)	(11)	(348)
<b>Total</b>	<b>1,499</b>	<b>575</b>

(1) See note 1.18.

**3.6.2. Effective tax rate**

(in K€)	<i>12/02 Pro forma (31/12/02 perimeter)</i>	<i>12/01 Pro forma (31/12/02 perimeter)</i>
<b>Profit from incorporated companies before tax</b>	<b>5,410</b>	<b>3,074</b>
<b>Average tax rate in force in France</b>	<b>34.33%</b>	<b>35.33%</b>
<i>Expected tax</i>	<i>1,857</i>	<i>1,086</i>
Impact		
▪ Final difference between profit before tax and taxable profit	(525)	14
▪ Permanent differences on consolidation entries	(58)	170
▪ Exchange rate difference for foreign subsidiaries	206	(102)
▪ Non-activation of corporation tax for tax deficits (prudence principle)	223	(240)
▪ Use of tax deficits not taken into account at the start of the year	(204)	(200)
▪ Miscellaneous		(153)
<i>Effective assessed tax</i>	<i>1,499</i>	<i>575</i>
<b>Effective tax rate</b>	<b>27.71%</b>	<b>18.7%</b>

**Profit per share**

Undiluted net profit per share is calculated from the average weighted number of shares in circulation during the financial year in question, from which the average weighted number of shares held by consolidated companies is deducted.

Net diluted profits per share take into account share equivalents, after the deduction of share equivalents held by consolidated companies, which have a dilution effect, and do not take into account share equivalents that do not have a dilution effect. Share equivalents taken into account on 30th June 2002 are composed of:

SWORD SA stock options issued for the potential number of SWORD SA shares to be created, and which SWORD GROUP agrees to repurchase at a ratio of 1 for 1 (see note 12).

Share equivalents are taken into account on 31<sup>st</sup> December 2002 according to the share repurchasing method (the repurchasing price taken into account on 31<sup>st</sup> December 2002 being the stock market price of 45€). The average number of dilution shares for this period is the figure that is used.

In euros	<i>12/02 Pro forma (31/12/02 perimeter)</i>	<i>12/01 Pro forma (31/12/02 perimeter)</i>
<i>Undiluted net profit per share</i>		
▪ Total average number of shares	1,232,243	687,375
▪ Total net profit	3,779,225	2,426,788
▪ <b>Undiluted net profit per share</b>	<b>3.07</b>	<b>3.53</b>
<i>Diluted net profit per share</i>		
▪ Total average number of shares	1,232,243	687,375
▪ Average number of stock warrants in circulation (see note 8)	0	61,786
▪ Number of SWORD SA stock options guaranteed in the form of SWORD GROUP shares (1 SWORD GROUP share for 1 SWORD SA share)	10,106 (share equivalent)	13,956
▪ <b>Total number of securities</b>	<b>1,242,439</b>	<b>763,117</b>
▪ Total net profit	3,779,225	2,426,788
▪ <b>Net diluted profit per share</b>	<b>3.04</b>	<b>3.18</b>

**3.8. Cash flow**

(in K€)	<i>12/02 Pro forma (31/12/02 perimeter)</i>	<i>12/01 Pro forma (31/12/02 perimeter)</i>
Profit from consolidated companies	3,911	2,499
Depreciation	546	327
Provisions	(427)	33
Deferred taxes	(11)	(348)
<b>Gross cash flow</b>	<b>4,019</b>	<b>2,511</b>
Profit from the sale of assets	(6)	407
<b>Overall cash flow</b>	<b>4,025</b>	<b>2,104</b>

**NOTE 4: INTANGIBLE FIXED ASSETS****4.1. Item breakdown**

(K€)	31/12/2001		
	Gross value	Depreciation	Net value
Other intangible fixed assets	139	(58)	81
Market shares	31,314		31,314
Goodwill	570	(248)	322
<b>Total</b>	<b>32,023</b>	<b>(306)</b>	<b>31,717</b>

On 31<sup>st</sup> December 2001, market shares include:

- SWORD Inc, "documentary management in the USA" segment	1,797 K€
- FIRCOSOFT Sa, "rebuilding of Swift messages in France" segment	4,307 K€
- FIRCOSOFT Inc, "rebuilding of Swift messages in the USA" segment	121 K€
- SWORD, IDP segment, "documentary engineering in the Paris region"	3,153 K€
- SWORD, IDL segment, "documentary engineering in the Lyon region"	1,707 K€
- SWORD, SWP segment, "trademark and patent engineering"	3,657 K€
- DDS Europe Ltd, "change management" segment	1 378 K€
- SWORD CONSULTING SA, "IT engineering" segment	484 K€
- SWORD SWITZERLAND, "IT engineering" segment in Switzerland	36 K€
- ACRAMAN, TEXT SOLUTIONS, ECM, "change management" segment	4,880 K€
- CRONOS, "data engineering" segment	9,794 K€

(K€)	31/12/2002		
	Gross value	Depreciation	Net Value
Software, other intangible fixed assets	217	(137)	80
Market shares	31,314		31,314
Goodwill	570	(283)	287
<b>Total</b>	<b>31,101</b>	<b>(420)</b>	<b>31,681</b>

On 31<sup>st</sup> December 2001, market shares include:

- SWORD Inc, "documentary management in the USA" segment	1,797 K€
- FIRCOSOFT Sa, "rebuilding of Swift messages in France" segment	4,307 K€
- FIRCOSOFT Inc, "rebuilding of Swift messages in the USA" segment	121 K€
- SWORD, IDP segment, "documentary engineering in the Paris region"	3,153 K€
- SWORD, IDL segment, "documentary engineering in the Lyon region"	1,707 K€
- SWORD, SWP segment, "trademark and patent engineering"	3,657 K€
- SWORD DDS UK, "change management" segment	1,378 K€
- SWORD CONSULTING SA, "IT engineering" segment	484 K€
- SWORD SWITZERLAND, "IT engineering" segment in Switzerland	36 K€
- ACRAMAN, TEXT SOLUTIONS, ECM, "change management" segment	4,880 K€
- CRONOS, "data engineering" segment	9,794 K€

**4.2. Movements for the period**

(in K€)	12/01	Acquisitions reserve allocations	Sale of assets	Perimeter movements	12/02
<b>Market shares</b>					
Gross value	31,314				31,314
Depreciation	-				
Net	31,314				31,314
<b>Goodwill</b>					
Gross value	570				570
Depreciation	(248)	(35)			(283)
Net	322				287
<b>Other intangible fixed assets</b>					
Gross value	139	78			217
Depreciation	(58)	(79)			(137)
Net	81	(1)			80
<b>Total</b>	<b>31,717</b>	<b>(36)</b>			<b>31,681</b>

**NOTE 5: TANGIBLE FIXED ASSETS****5.1. Item breakdown**

(in K€)	31/12/01		
	Gross value	Depreciation	Net value
Land	-	-	-
Buildings	-	-	-
Transport equipment	69	(12)	57
Fixtures-installations	716	(103)	613
Office and IT equipment	648	(258)	390
Office furnishings	96	(29)	67
<b>Total</b>	<b>1,529</b>	<b>(398)</b>	<b>1,127</b>

(in K€)	31/12/02		
	Gross value	Depreciation	Net value
Land	-	-	-
Buildings	180	(61)	119
Transport equipment	72	(16)	56
Fixtures-installations	410	(111)	299
Office and IT equipment	1,320	(704)	616
Office furnishings	272	(106)	166
<b>Total</b>	<b>2,254</b>	<b>(998)</b>	<b>1,256</b>

**5.2. Movements for the period**

(in K€)	12/01	Acquisitions Reserve allocations	Sale of assets	Perimeter movements	12/02
<b>Land</b>					
Gross value					
Depreciation					
Net					
<b>Buildings</b>					
Gross value		180			180
Depreciation		(61)			(61)
Net		119			119
<b>Equipment and tools</b>					
Gross value					
Depreciation					
Net					
<b>Transport equipment</b>					
Gross value	70	72	(70)		72
Depreciation	(12)	(21)	17		(16)
Net	58	51	(53)		56
<b>Fixtures-installations</b>					
Gross value	716		(306)		410
Depreciation	(103)	(27)	19		(111)
Net	613	(27)	(287)		299
<b>IT and office equipment</b>					
Gross value	648	687	(15)		1 320
Depreciation	(258)	(450)	4		(704)
Net	390	237	(11)		616
<b>Office furnishings</b>					
Gross value	96	176			272
Depreciation	(29)	(77)			(106)
Net	67	99			166
<b>Total</b>	<b>1,127</b>	<b>479</b>	<b>(351)</b>		<b>1,256</b>

**NOTE 6: FINANCIAL FIXED ASSETS**

Financial fixed assets consist mainly of paid and recoverable guarantee deposits within SWORD SA.

**NOTE 7: Operating receivables****Item breakdown**

(in K€)	12/01		
	Gross value	Provisions	Net value
Operating receivables and customer accounts receivable	11,087	89	10,998
Tax and social claims	1,735	31	1,704
Prepaid expenses	83		83
Deferred tax assets	102		102
<b>Total</b>	<b>13,007</b>	<b>120</b>	<b>12,887</b>

(in K€)	12/02		
	Gross value	Provisions	Net value
Operating receivables and customer accounts receivable	13,812	91	13,721
Tax and social claims	2,428	31	2,397
Prepaid expenses	328		328
Deferred tax assets	90		90
<b>Total</b>	<b>16,658</b>	<b>122</b>	<b>16,536</b>

**NOTE 8: CHANGES IN EQUITY CAPITAL AND MINORITY INTERESTS****Group share**

(in K€)	31/12/01	Allocation of profit	Profit for the financial year	Paid-in capital	Increase in capital	Other variations	Own shares	Currency differences	31/12/02
Capital	3,620				2,542				6,161
Paid-in capital	747			15,849					16,596
Social reserves									
Consolidation reserves	228	2,427				46	(527)		2,174
Foreign currency reserves	79							(430)	(351)
Profit	2,427	(2,427)	3,780						3,780
<b>TOTAL</b>	<b>7,101</b>	<b>0</b>	<b>3,780</b>	<b>15,849</b>	<b>2,542</b>	<b>46</b>	<b>(527)</b>	<b>(430)</b>	<b>28,360</b>

**Minority interests**

(in K€)	31/12/2001	Reserves	Profit for the financial year	Perimeter variations	Share of market shares	31/12/2002
Non-group reserves	1,383	73		17	0	1,473
Non-group profit	73	(73)	131			131
<b>TOTAL</b>	<b>1,456</b>	<b>0</b>	<b>46</b>	<b>17</b>	<b>0</b>	<b>1,604</b>

**Capital stock and securities that give access to capital**➤ **Capital stock:**

Capital stock consisted of 8000 shares with a face value of 5 euros on the date SWORD GROUP was created in June 2001.

The extraordinary shareholder meeting of 30<sup>th</sup> August 2001 voted for an increase in capital of K€3,412 to pay SWORD SA shareholders, who contributed all their SWORD SA shares to SWORD GROUP.

On 31<sup>st</sup> December 2001, following the exercising of 33,568 stock warrants by Jacques MOTTARD, capital stock was increased by a further 168 K€.

On 27<sup>th</sup> February 2002, following the exercising of 123,072 stock warrants by the company 21 CENTRAL PARTNER, capital stock was increased by 615 K€.

On 12<sup>th</sup> March 2002 the board of directors ordered an increase in the capital reserved for the VCF 21 DEVELOPPEMENT of 630 K€.

On 20<sup>th</sup> March 2002 the board of directors ordered an increase in capital of K€1,295 with the intention of floating the company on the stock market.

On 31<sup>st</sup> December 2002, capital stock stands at 6,161,215 euros divided into 1,232,243 shares with a face value of 5€.

➤ **Stock warrants:**

- In application of the approval by the extraordinary general meeting of SWORD GROUP shareholders held on 29<sup>th</sup> October 2001, and of the decisions made by the Board of Directors on 2<sup>nd</sup> November 2001, 156,640 stock warrants were issued gratuitously for the benefit of:

- ✓ Jacques MOTTARD, who received 33,568 stock warrants.
- ✓ The company 21, CENTRALE PARTNERS, which received 123,072 stock warrants.

Subscriptions may be exercised at any time up until 31<sup>st</sup> December 2005 at the rate of one SWORD GROUP share per stock warrant held, once payment of 27.25 euros per share is made (face value of €5 and paid-in capital of €22.25). Stock warrants for which no subscriptions are exercised during this period will lose all their value, as well as any rights attached to them; this issuance was accompanied by the simultaneous cancellation of the 156,640 stock warrants that had been awarded at SWORD SA level under the same terms and for the same optionees.

- On 31<sup>st</sup> December 2002, Mr. Jacques MOTTARD and 21 CENTRALE PARTNER exercised all their stock warrants.

**NOTE 9: LONG-TERM AND SHORT-TERM PROVISIONS****9.1. Item breakdown**

(IN K€)	31/12/2001		
	Long-Term	Short-Term	Total
Provision for legal risks		163	163
Other provisions for risks and expenses (1)		1,690	1,690
<b>Total</b>		1,853	1,853

(IN K€)	31/12/2002		
	Long-Term	Short-Term	Total
Provision for legal risks		137	137
Other provisions for risks and expenses (1)		1,221	1,221
<b>Total</b>		1,358	1,358

**9.2. Movements for the period**

(K€)	31/12/2001	Reserve allocations over the financial year	Sums carried over from the financial year (1)	Perimeter movements	31/12/2002
<b>Operations</b>					
- Reserve allocations for legal risks					
- Other provisions for risks and expenses	1,690	538	1,564		664
<b>Financial</b>					
Provision for exchange rate losses		86			86
Provision for costs relating to the repurchasing agreement within the scope of stock options		290			290
<b>Extraordinary</b>					
- Reserve allocations for legal risks	163		26		137
- Other provisions for risks and expenses		181			181
<b>TOTAL</b>	1,853	1,095	1,590		1,358

**NOTE 10: NET DEBT****10.1. Item breakdown by nature of the debt**

(K€)	12/02	12/01
Other long-term and short-term loans	8,037	9,855
Other LT financial debts		
Bank loans and overdrafts		10,412
<b>Total gross debt</b>	<b>8,037</b>	<b>20,267</b>
Financial current accounts (debit side)		
Own shares	94	
Marketable securities	31	
Cash and similar	7,183	0
<b>Total net debt</b>	<b>7,308</b>	<b>20,267</b>

**10.2 Breakdown of long and medium-term loans, including those of a short-term nature, on 31<sup>st</sup> December 2001**

(K€)	12/02	12/01
<b>Maturity date</b>		
< 1 year	3,159	4,061
1 year < X > 5 years	4,878	4,727
> 5 years		1,067
<b>Total (1)</b>	<b>8,037</b>	<b>9,855</b>

The largest loans were contracted at the 3-month Euribor interest rate of +1.5.

**NOTE 11: OPERATING DEBTS**

(K€)	12/02	12/01
Accounts payable and other operating debts	6,297	5,180
Tax and social debts	5,915	6,345
Other debts	1,777	232
Deferred income	3,482	1,534
<b>Total</b>	<b>17,471</b>	<b>13,291</b>

**NOTE 12: CONTINGENT LIABILITIES**

Breakdown by type

(K€)	12/02	12/01
<b><i>Financial guarantees offered</i></b>		
Business collateral (SWORD) and share collateral (1) and guarantees and leases	10,198	9,147
Deposits for future rents and share collateral (2)	2,476	2,743
SWORD SA share repurchasing agreement (3)		
<b><i>Guarantees received</i></b>		
Deposits received on the market		
Other guarantees received (4)	1,384	

(1) SWORD GROUP allocates and delegates the following in the form of commercial collateral as a guarantee for current bank loans of 9,147 K€:

- Collateral from the 3 businesses acquired in December 2000: IDP, IDL and SWP
- An account pledge for financial instruments relating to the shares of FIRCOSOFT PARIS (value of the shares: 4,798 K€)

(2) SWORD GROUP has laid down the shares of SWORD DDS France as collateral, and is not permitted to modify the distribution of capital of said company without prior agreement from SICOMI RHONE-ALPES (value of the shares: 38 K€).

(3) Agreement to repurchase SWORD SA shares:

In an effort to maintain the rights of the beneficiaries of SWORD SA's stock options plan, and subsequent to approval from the Commission des Opérations de Bourse, SWORD GROUP agreed with these optionees that it would repurchase any new shares that should result from them exercising their rights as part of said plan at a unit price set according to the stock market value SWORD GROUP shares.

The terms of the stock options plan that apply at SWORD SA, and to which the SWORD GROUP repurchasing commitment relates, are as follows:

- *Optionees*: options are intended solely for employees of one of the SWORD group's companies who have been at the company for more than two years at the time the options are exercised.
- *Number of options issued*: 15,700 options (1 share per option), which corresponds to a maximum capital increase of €78,500; the options allocation plan was closed on 29th October 2001.
- *Subscription price for new shares*: the subscription price has been set to the face value, that is 5 euros
- *Time limit for exercising options*: optionees will only be able to exercise the options after a 2-year freezing period and for a period of three years only. On 30th June 2002, no options had been exercised.

(4) SWORD GROUP guaranteed payment to John Anderson and Helen Potter of up to 1,200K€. SWORD GROUP guaranteed the payment of K€960 to Jourdan Serderidis for the repurchase of his shares.

**NOTE 13: REMUNERATION FOR MEMBERS OF THE ADMINISTRATIVE AND DIRECTORS' BOARDS**

The members (8 people) of the directors' and operational boards collectively received a gross payment of K€595 for the financial year ending 31<sup>st</sup> December 2002. No appearance fees were collected by the members of the board of directors.

**NOTE 14: LIST OF CONSOLIDATED COMPANIES**

Company	Closing date	31 <sup>st</sup> December 2002		Consolidation method
		% controlled	% stake	
SWORD GROUP (parent company)	31/12	100%	100%	Full consolidation
SWORD SA	31/12	100%	100%	Full consolidation
SWORD Création Informatique	31/12	100%	100%	Full consolidation
FIRCOSOFT	31/12	98.15%	98.15%	Full consolidation
FIRCOSOFT inc	31/12	100%	98.15%	Full consolidation
SWORD Inc (*)	31/12	100%	100%	Full consolidation
SWORD CONSULTING	31/12	100%	100%	Full consolidation
DDS UK	31/12	97.37%	97.37%	Full consolidation
SWORD SWITZERLAND	31/12	100%	100%	Full consolidation
SWORD DDS FRANCE	31/12	99.88%	99.88%	Full consolidation
ACRAMAN	31/12	100%	97.37%	Full consolidation
ECM	31/12	93.46%	91%	Full consolidation
TEXT SOLUTION	31/12	100%	97.37%	Full consolidation
CRONOS	31/12	90%	90%	Full consolidation

(\*) Statutory accounts closed on 30<sup>th</sup> June 2002

## 4.4 Management report on the financial year ending 31<sup>st</sup> December 2002

SWORD GROUP – Public limited company with capital of 6,161,215 Euros  
 Headquarters: 9, Avenue Charles de Gaulle  
 69370 SAINT DIDIER AU MONT D'OR  
**438 305 054 RCS LYON**

### **MANAGEMENT REPORT DRAFTED BY THE BOARD OF DIRECTORS AND PRESENTED AT THE ANNUAL ORDINARY SHAREHOLDER MEETING OF 30<sup>TH</sup> APRIL 2003**

Ladies and Gentlemen,

We have brought you together at this Annual Ordinary Shareholder Meeting, in application of the legal provisions, to submit the annual financial statements and consolidated financial statements for the financial year ending 31<sup>st</sup> DECEMBER 2002 for your approval.

We will present the consolidated financial statements and corporate financial statements to you successively. We will then submit these for your approval.

#### **1 IMPORTANT EVENTS**

The company SWORD GROUP was floated on the Nouveau Marché of the Paris Stock Exchange on 12<sup>th</sup> March 2002, as decided in 2001.

This floatation has been a success and has made a capital increase of €1,295,100 possible. Overall capital stands at €6,161,215 divided into 1,232,243 shares worth €5. Taxable capital stands at around €16 million.

Two acquisitions were carried out during the course of the financial year:

A. TEXT SOLUTIONS on 1<sup>st</sup> April 2002: A company specialising in Document Management, which operates mainly in London and Manchester

Over the nine months of activity, it generated turnover of 2,602 K€.

Forecast turnover for 2003 is more than €4.4 million and a large proportion of its contracts are long-term contracts.

B. CRONOS LUXEMBOURG SA on 1<sup>st</sup> December 2002: A company specialising in Data Management.

Over its month of activity, it generated turnover of 1,388 K€.

Forecast turnover for 2003 is more than €17 million and a large proportion of its contracts are long-term contracts.

As of 1<sup>st</sup> January 2002, SWORD GROUP opted for the fiscal consolidation tax regime.

#### **2 COMPARABILITY OF THE FINANCIAL STATEMENT, ACCOUNTING RULES AND METHODS**

The consolidated financial statements have been established according to the same rules and methods as for those of the previous financial year, closing on 31<sup>st</sup> December 2001. They comply with the provisions of rule no. 99-02 of the Accounting Rules Committee.

In 2002, the company implemented CRC rule 06 relating to liabilities and provisions: the implementation of this rule has had no impact on the consolidated financial statements.

Annual financial statements for 2002 were established on a similar basis to those of the previous financial year.

In the aim of maintaining the comparability of consolidated financial statements, pro forma data is presented next to the consolidated financial statements:

- pro forma financial statements on 31<sup>st</sup> December 2002 established for the perimeter as it stood on 31<sup>st</sup> December 2002 over 12 months,
- pro forma financial statements on 31<sup>st</sup> December 2002 established for the perimeter as it stood on 31<sup>st</sup> December 2001 over 12 months,
- pro forma financial statements on 31<sup>st</sup> December 2001 established for the perimeter as it stood on 31<sup>st</sup> December 2001 over 12 months.

### 3 THE GROUP'S ACTIVITIES – PRESENTATION OF INCOME STATEMENTS FOR THE FINANCIAL YEAR ENDING 31<sup>ST</sup> DECEMBER 2002

The table below presents a simplified income statement for the SWORD group for the financial year ending 31<sup>st</sup> December 2002, as well as the pro forma income statement.

In thousands of euros	2002 consolidated 12 months	2001 consolidated 6 months	2002 pro forma 31/12/2001 perimeter (1)	2001 pro forma 31/12/2001 perimeter (2)	2002 pro forma 31/12/2002 perimeter (3)
Turnover	33,441	12,592	29,551	25,418	47,815
Operating margin	16.4%	15.9%	16.6%	14.3%	12.9%
Profit before goodwill amortisation	3,813	1,239	3,087	2,200	3,946
Net profit after goodwill amortisation	3,778	1,239	3,052	2,100	3,911
Net profit, group share	3,662	1,203	3,006	2,075	3,780

(1) Pro forma consolidated operating accounts for 2002 with the SWORD GROUP perimeter as it stood on 31/12/2001 over 12 months.

(2) Pro forma operating accounts for 2001, consolidating all the companies acquired over the course of that year, in other words the entire DDS and PROFILER year.

(3) Pro forma operating accounts for 2002, consolidating all the companies acquired over the course of that year, in other words TEXT SOLUTIONS and CRONOS LUXEMBOURG SA.

#### List of consolidated companies

COMPANY CONTROLLED Name	UNDER GROUP CONTROL	GROUP STAKE	INCORPORATION	METHOD SELECTED
SWORD GROUP	100.00%	100.00%	100.00%	FC
ACRAMAN	100.00%	97.37%	100.00%	FC
SWORD CREATION INFORMATIQUE	100.00%	100.00%	100.00%	FC
SWORD CONSULTING	100.00%	100.00%	100.00%	FC
SWORD DDS FRANCE (Ex ESPACE CRECY)	99.88%	99.88%	100.00%	FC
CRONOS LUXEMBOURG SA	90.00%	90.00%	100.00%	FC
DDS EUROPE LIMITED	97.37%	97.37%	100.00%	FC
SWORD ECM (EX TEXT SYSTEM)	93.46%	91.00%	100.00%	FC
FIRCOSOFT	98.15%	98.15%	100.00%	FC
FIRCOSOFT INC	100.00%	98.15%	100.00%	FC
SWORD INC	100.00%	100.00%	100.00%	FC
TEXT SOLUTIONS	100.00%	97.37%	100.00%	FC
SWORD SWITZERLAND	100.00%	100.00%	100.00%	FC
SWORD SA	100.00%	100.00%	100.00%	FC

#### a/ activities and turnover

Overall change

In 2002, SWORD GROUP posted a 31.56% increase in consolidated turnover compared to 2001 (2002 consolidated turnover with the perimeter as it stood on 31/12/2002 compared with pro forma turnover for 2001 with the perimeter as it stood on 31/12/2001).

In 2002, the group share of net profit for the consolidated companies as a whole was 10.95% of turnover.

The group has:

- Continued its internationalisation
- Continued to specialise in Electronic Content Management
- Pursued both its internal and external expansion policies

**A. Internationalisation**

The international nature of the British team was further amplified and we are currently working with some thirty countries.

In addition, we have successfully penetrated the market in Benelux through the acquisition of CRONOS LUXEMBOURG SA.

Lastly, the postponed project for the creation of our Swiss subsidiary has been a resounding success, thanks to an order book for the subsidiary that currently contains the equivalent of 9 months of the budget for 2003.

Distribution of turnover by geographical zone is as follows (pro forma consolidated turnover with the perimeter as it stood on 31/12/2002):

France	26%
UK	26%
Benelux	30%
Others	18%

It must be noted that part of the turnover posted for a particular country is often generated in several countries for a multinational customer.

**B. Specialisation**

The range of services has been structured around the following, using an industrial approach (software components):

E-Content Management: 68% of turnover (pro forma consolidated turnover with the perimeter as it stood on 31/12/2002), with the main segments being:

Document Management (31%)  
GIS (7%)  
Data Management (30%)

- Change Management (21% of turnover)
- Consulting (7%), divided into three main segments:  
card payment systems  
logistics  
CRM
- Straight Through Processing (4%)

**C. Expansion**

In terms of pro forma turnover, expansion is as follows:

2000 turnover	16,837 K€	(pro forma 12/00 with 12/2001 perimeter)
2001 turnover	25,418 K€	(pro forma 12/01 with 12/2001 perimeter)
2002 turnover	47,815 K€	(pro forma 12/02 with 12/2002 perimeter)

On a like-for-like basis, the budget for 2003 is 56,000 K€. Operating profit (EBIT) for the managed (consolidated) perimeter remains constant and is close to 16%.

Internal growth over the financial year stands at 16.3%.

Our customer base is divided into 5 areas:

Banking/Insurance	19%
Industry and Pharmaceuticals	13%
International Organisations	36%
Energy/Environmental	22%
Telecoms	10%

Lastly, the various contributions to 2002 pro forma turnover are as follows:

a) turnover of the perimeter on 31/12/2001	K€29,551
b) turnover of TEXT SOLUTIONS in its 9 months of consolidation (acquired on 01/04/2002)	K€2,602
c) turnover CRONOS LUXEMBOURG SA in its month of consolidation (acquired on 01/12/2002)	K€1,288
<i>Consolidated sub-total</i>	<i>K€33,441</i>
d) turnover of TEXT SOLUTIONS over the 3 non-consolidated months	K€1,148 (Q1 2002)
e) turnover of CRONOS LUXEMBOURG SA over the 11 non-consolidated months	K€13,226
<i>Pro forma total</i>	<i>K€47,815</i>

**b/ Operating profit**

2002 operating profit from all the consolidated companies stands at 5,486 K€, or 16.4% of turnover.

The operating margin continues to be the Group's main strength and demonstrates its ability to acquire less profitable companies and bring them into line with SWORD's standards within a year of their acquisition.

**c/ Financial result and income from ordinary operations**

The financial result stands at – K€793, or 2.4% of turnover.

This can be broken down mainly into net interest payable on loans of 408 K€, exchange rate losses of 163K€, reserve allocations for the depreciation of marketable securities (own shares) of 99 K€, costs of K€290 linked to the repurchasing of SWORD SA shares with the scope of the stock options agreement, and revenues from the sale of marketable securities of K€167.

Income from ordinary operations therefore stands at K€4,693, or 14.03% of turnover.

**d/ Extraordinary profit**

Extraordinary profit is constituted mainly of non-recurring revenue from previous financial years of K€118.

**e/ Income tax and net profit**

Corporation tax at consolidated level amounts to K€1,018, with an effective tax rate of 21.23% (see analysis of income tax expenses (note 3.6 in the annexe to the consolidated financial statements)).

After corporation tax, net profit for the consolidated companies stands at K€3,778, or 11.3% of turnover, the group share of net profit stands at K€3,662, or 10.95% of turnover, and net profit allocated to minority shareholders is K€116.

**f/ Debt, cash flow and investments**

Net debt, in other words total gross debt from which cash reserves on 31<sup>st</sup> December 2002 are deducted, stands at K€2,392.

Cash flow (see cash flow table) stands at K€3,791.

Gross investments for the financial year, both intangible (excluding goodwill and market shares) and tangible, stand at K€712.

**g/ External growth**

This concerns the companies TEXT SOLUTIONS and CRONOS LUXEMBOURG SA.

- a) TEXT SOLUTIONS was acquired on 01/04/2002 and its contribution to the consolidated operating financial statement is as follows:
- |                  |         |
|------------------|---------|
| Turnover         | K€2,602 |
| Operating profit | K€393   |
- b) CRONOS LUXEMBOURG SA was acquired on 01/12/2002 and its contribution to the consolidated operating financial statement is as follows:
- |                  |         |
|------------------|---------|
| Turnover         | K€1,288 |
| Operating profit | K€202   |

**h/ Changes in the group's main subsidiaries (SWORD SA, SWORD CREATION INFORMATIQUE SA, SWORD Switzerland, DDS EUROPE LIMITED , SWORD INC, CRONOS LUXEMBOURG SA)**

SWORD SA's turnover stands at K€15,573, a 23% increase on the figure for the previous financial year. Its net profit of K€743 was 2.09 times higher than the previous year's total.

The company SWORD CREATION INFORMATIQUE SA multiplied its turnover by 2.9 in the last financial year. Its turnover for the financial year ending on 31<sup>st</sup> December 2002 stands at K€187. Net profit is K€30, 50% higher than for the previous financial year.

SWORD SWITZERLAND's turnover stands at K€443 and is 28.5 times greater than in the financial year ending 31<sup>st</sup> December 2001. The net result stands at K€-62, down K€123 from the previous year's figure.

The turnover of DDS EUROPE LIMITED stands at K€7,901, up 19% from the financial year ending 31<sup>st</sup> December 2001. Net profit stands at K€1,456, a drop of 5%.

SWORD INC's 2002 turnover stands at K€1,347, a drop of 34.6% compared to the previous year. Its net result stands at K€-347, a drop of K€433.

The turnover of CRONOS LUXEMBOURG SA, acquired on 1<sup>st</sup> December 2002, is up 81.4% from the previous year's figure. Its turnover after the acquisition stands at K€1,388. Net profit is 1.16 times greater than for the previous financial year and stands at K€397 over the month of December 2002.

**i/ Important events occurring after year-end**

On 14<sup>th</sup> January 2003, SWORD GROUP increased its stake in the company CRONOS LUXEMBOURG SA from 90% to 93%.

**j/ Outlook**

The group aims to continue its internal and external expansion:

- geographically, the following choices are available:
  - a) FRANCE will have to limit its expansion because of the crisis currently hitting IT service companies and in order to maintain its profitability.
  - b) Benelux, which benefits from the stability of European Community markets, is currently experiencing rapid expansion due to the enlargement of the EU. It should lead the group's internal expansion policy, in particular by enabling penetration into the Document Management market.
  - c) the United Kingdom should intensify its international strategy and will manage the development of our American subsidiary and its activities in Texas.
  - d) the Swiss subsidiary, whose creation we delayed, is set to have a highly successful year and therefore to experience significant growth thanks to an exceptional order book.
  - e) an acquisition may be carried out in another country.
- strategically:
  - a) We will intensify the industrial approach we have always employed, most notably with our components, by envisaging an offshore activity that will allow us to reduce development costs.
  - b) Our aim is to carry out new acquisitions in order to purchase €10 to €15 million in turnover and to attain pro forma turnover of €69 million in 2003.

**k/ Estimated value of market shares in the consolidated financial statements**

No provision was set up after it was checked that the evaluation criteria for market shares had been met. An independent evaluation led by the firm MAZARS GUERARD confirmed the balance sheet value of these intangible assets.

**l/ Research and development**

R&D expenses are entered directly into the costs for the financial year in which they were borne.

Internal expenses devoted to the R&D effort represent around 4% of the group's turnover and are entered in the "wages and social contributions" item.

**m/ Approval of the consolidated financial statements**

In accordance with the provisions of Law 2001.420 of 15<sup>th</sup> May 2001, we request that you approve the consolidated financial statements for the financial year ending 31<sup>st</sup> December 2002 (balance sheet, income statement and annexes) such as they are presented, which show profits for the consolidated companies of K€3,778 (of which the group share of profit is K€3,662).

**4 ACTIVITIES OF SWORD GROUP – PRESENTATION OF CORPORATE FINANCIAL STATEMENTS.****a/ company activities over the financial year 2002, balance sheet and income statement**

Over 2002, SWORD GROUP carried out its operational, strategic and financial supervision role for the Group.

The four members of the team are the Chairman and CEO, the Managing Director, the Administrative and Financial Director and an assistant.

The balance of its operating accounts is maintained by rebilling its services to its subsidiaries.

**b/ important events occurring after year-end**

The principles of a restructuring programme at the heart of the group have been set and a study into its implementation has been ordered.

Its goal is the subsidiarisation of SWORD SA's operational activities, followed by a takeover of SWORD SA by SWORD GROUP. Most importantly, restructuring will allow us to simplify the group's organisational chart and to render it more legible. Indeed, in view of the creation of the international holding company SWORD GROUP, the positioning of the services company SWORD SA as a sub-holding company for the group no longer seems justified.

**c/ Outlook for 2003**

2003 will be a fairly lean year. It will be tough in France and worldwide. In this climate, we nevertheless remain optimistic about having a successful year in 2003, because we have structured the group in order to face up to such events.

- a) regarding strategy, the group is now fully specialised, international and industrial
- b) regarding management, our principles of thoroughness, exemplarity and involvement are adhered to by all our employees
- c) regarding localisation, we mainly have operations in flexible countries, where social expenses are the lowest
- d) regarding clientele, customers are continuing to invest in the areas that we cover; the state of the order book on 31<sup>st</sup> December 2002 testifies to this
- e) regarding development: we are envisaging an offshore development policy and would like to make acquisitions in countries with strong economic growth.

**d/ industrial and environmental risks**

In application of rules N° 98-01 and N° 95-01, we would like to point out to you that, because of its area of activity, the company is not exposed to environmental issues and that its workforce consists purely of the members of the Board of Directors and an assistant.

The list of compulsory information regarding social matters provided in the decree of 20<sup>th</sup> February 2002 is therefore irrelevant.

**e/ Information on market risks**

e – 1 Commercial risk due to fixed price services

Fixed price services dampen the commercial risk of finding ourselves in an intercontract situation from one day to the next.

On the other hand, they increase project completion risks and raise the question of occupying the team between projects.

This illustrates the importance of having an order book. Particular attention has been paid to increasing its size.

On 31<sup>st</sup> December 2001, it amounted to 8 months worth of turnover.

Each project is monitored on a monthly basis. To date, the difference between days gained and days lost compared with initial estimates for the cost of projects is close to 0, thanks to the systematic application of the Isopro method.

Nevertheless, in the event that a project develops the potential to deviate from the plan, 100% of this deviation will be funded regardless of any corrective action that may be necessary in the future. This is a cautious method that generally leads to part of the provisions being recovered at the end of the project.

Lastly, billing for components is a major element of safety in SWORD Group's quoting policy, given that the resulting turnover does not generate direct costs and may alleviate the consequences of overspending on projects.

#### e – 2 Technological risk

As far as hardware and local networks are concerned, a 2-person team is dedicated to maintaining our infrastructures and, in particular, the daily safeguarding of data, which is placed in fireproof cabinets.

In addition, a civil liability insurance policy allows us to cover all risks relating to damage caused by our employees at customer sites.

Lastly, exploiting our know-how through our software components allows us to confidently grasp the technological advances of our partners and suppliers.

#### e – 3 Competition risk

The competition risk is very low thanks to:

- SWORD Group's technological advantage,
- its functional knowledge of its customers' areas of work,
- the dispersion of its competitors, all of whom display marked differences,
- the nature of its customers (example: the UN), which makes a considerable investment necessary from the outset.

This wide spectrum of competition is actually a very positive point, especially when the customer requires a wide range of skills for its integration projects, for instance.

#### e – 4 Currency risk

In countries where costs are paid for locally (local personnel), no currency cover is taken.

In countries where we have costs resulting from transactions in different currencies (e.g.: USA with a few European employees), we take out annual currency cover based on the budgeted turnover for the year.

In countries with extremely volatile currencies (e.g.: the Rand in South Africa), we have a systematic policy on insurance, given that very few costs are charged in the local currency.

The currency risk is controlled by the holding company. Budgets are set out with great prudence, and the theoretical exchange rate is always between 4 and 8% lower than the real exchange rate for the period, depending on the currency.

### f/ activities and results of the subsidiaries and companies we control

Below, in accordance with the provisions of article L 233-6 paragraphs 1 and 2 of the Commercial Code, we will report to you on the following:

- any significant stakes acquired or takeovers occurring within companies whose headquarters are in FRANCE (f - 1).
- the activities and results of our company's subsidiaries (f - 2) and of the companies it controls (f - 3)

#### f - 1 / significant stakes acquired or takeovers occurring over the course of the financial year

In December 2002, SWORD GROUP acquired 90% of the capital of CRONOS LUXEMBOURG SA, a company based in Luxembourg that specialises in data management and which works mainly with the organisations of the European communities.

#### f – 2 / Activities and results of the subsidiaries in the sense of article L 233-1 of the Commercial Code

COMPANY	STAKE HELD AS A PERCENTAGE	TURNOVER	RESULTS	ACTIVITY
<b>SWORD SA</b>	100%	K€15,573	K€743	Document Management + GIS
<b>DDS EUROPE LIMITED</b>	97.37%	K€7,901	K€1,456	Change Management
<b>SWORD INC</b>	100%	K€1,347	K€- 347	Change Management
<b>SWORD CREATION INFORMATIQUE SA</b>	100%	K€187	K€30	Document Management
<b>SWORD SWITZERLAND</b>	100%	K€443	K€- 62	Document Management + GIS
<b>CRONOS LUXEMBOURG SA (12 months)</b>	90%	K€14,614	K€703	Data Management

f – 3 / Activities and results of the companies we control in the sense of article L 233-3 of the Commercial Code

<b>COMPANY</b>	<b>STAKE HELD AS A PERCENTAGE</b>	<b>TURNOVER</b>	<b>RESULTS</b>	<b>ACTIVITY</b>
<b>SWORD CONSULTING</b>	100%	K€3,738	K€703	Consulting
<b>FIRCOSOFT</b>	98.15%	K€1,326	K€351	Straight Through Processing
<b>SWORD DDS SAS</b>	99.88%	K€563	K€- 99	Change Management

#### g/ Employee equity interest

In application of the provisions of article L 225-102 paragraph 1 of the Commercial Code we must report to you on the state of employee stakes in the company's capital stock at year-end.

At the close of the financial year, employees held 8.51% of the company's capital, with the shares held being managed collectively:

- Within the scope of a company savings plan (CSP): none
- Within the scope of a voluntary employee savings partnership plan (PPESV): none
- Within the scope of a company mutual fund (FCPE): none
- Within the scope of stakes in the company's results (agreement set up within the subsidiary SWORD SA) €15,882

#### h/ Distribution of SWORD GROUP capital at the close of the financial year (%)

<b>Forename-Surname</b>	<b>% of capital</b>	<b>% of voting rights</b>
Jacques MOTTARD	31.87	31.87
21 CENTRALE PARTNERS and VCF 21 DEVELOPPEMENT	32.74	32.74
Françoise FILLOT	1.73	1.73
Christian TAPIA	1.73	1.73
SWORD GROUP (repurchasing agreement)	1.00	1.00
Employees	8.51	8.51
Free float	22.42	22.42
<b>TOTAL</b>	<b>100.00</b>	<b>100.00</b>

#### i/ variations in the share price

<b>2002</b>	<b>2003</b>
Highest price 49.50 euros (on 15.03.2002)	Highest price 26.80 euros (on 2.01.2003)
Lowest price 22.00 euros (on 15.10.2002)	Lowest price 20.00 euros (on 27.01.2003)
Number of shares exchanged via the stock market 1,097	Number of shares exchanged via the stock market 299

#### j/ information on the acquisition and sale by the company of its own shares

Liquidity agreement: number of shares on 31/12/2002 6,153 shares  
 Repurchasing agreement: number of shares on 31/12/2002 12,363 shares

**k/ profit allocation proposal and various terms of allocation**

## k – 1 – Profit allocation

We request that you approve the corporate financial statements for the financial year ending 31<sup>st</sup> December 2002 (balance sheet, income statement and annexes) such as they are presented to you, which show profits of 1,413,287.26 euros.

We also request that you approve the distributable sums that have been evaluated as well as their allocation.

## Evaluation of distributable sums

Profit for the financial year	€1,413,287.26
Proposed allocation	
To Retained Losses	€62,209.34
5% to the legal reserve	€67,553.90
Dividends of €0.75 per share	€924,182.25
Retained earnings	€359,341.77
<b>TOTAL</b>	<b>€1,413,287.26</b>

The net dividend per share stands at €0.75, with corresponding tax credit of €0.375 for those shareholders who are entitled to it, amounting to overall revenue for the latter of €1.125, subject to the special conditions provided by the General Tax Code regarding the amount and the beneficiary of the tax credit.

In order to comply with the provisions of article 243 A of the General Tax Code, we remind you that the value of the dividend placed in circulation during the first financial year and the corresponding tax credit were as follows:

<b>Financial year ending</b>	<b>Net dividend</b>	<b>Tax credit</b>
31.12.2001	0	0

## k – 2 – Non-tax-deductible expenses

We would like to point out that, in accordance with the provisions of article 223 of the General Tax Code, the financial statements for the financial year take into account a fraction of 13,338 euros, which is not entered as a cost by the tax authorities by virtue of article 39-4 of the General Tax Code.

## k - 3 – Table of results for the five previous financial years.

In accordance with the provisions of article 148 of the decree of 23<sup>rd</sup> March 1967, a table showing the Company's results for the financial years ending 31<sup>st</sup> December 2001 and 31<sup>st</sup> of December 2002 is annexed to this report.

## k – 4 Conventions defined in articles L 225-38 and onwards of the Commercial Code

We request that, in accordance with article L 225-40 of the Commercial Code, you approve the conventions defined in article L 225-38 of said code, which have been concluded or pursued over the course of the last financial year, once you have received lawful authorisation from your Board of Directors.

Your auditors have been duly informed of these conventions, which were described by them in their special report.

**I/ Mandates of the members of the Board of Directors**

The table below contains the list of mandates and positions held by each executive officer in each of the group's companies.

<b>POSITION</b>	<b>DURATION OF MANDATE</b>	<b>COMPANY</b>	<b>EXPIRY DATE (Shareholder meeting ruling on the financial statements for the last financial year)</b>
<b>JACQUES MOTTARD</b>			
Chairman and CEO	3 years	SWORD GROUP	31/12/2003
Chairman and CEO	3 years	SWORD SA	31/12/2002
Chairman	Unlimited	SWORD CONSULTING SAS	Unlimited duration
Chairman	Unlimited	SWORD DDS SAS	Unlimited duration
Chairman	Unlimited	FIRCOSOFT SAS	Unlimited duration
Manager	Unlimited	LE DAVID (EURL)	Unlimited duration
Chairman	Unlimited	DDS EUROPE LIMITED	Unlimited duration
Chairman	Unlimited	SWORD INC	Unlimited duration
Chairman		SWORD CREATION INFORMATIQUE SA	
Chairman	1 year	SWORD SWITZERLAND	31/12/2003
Chairman	6 years	CRONOS LUXEMBOURG	10/12/2008
Chairman	Unlimited	SA	Unlimited duration
Chairman	Unlimited	FIRCOSOFT INC	Unlimited duration
Chairman	Unlimited	ACRAMAN LTD SWORD ECM LTD	Unlimited duration
<b>NICOLAS MOTTARD</b>			
Director		SWORD GROUP	31/12/2003
<b>21 CENTRALE PARTNERS</b>			
Director	3 years	SWORD GROUP	31/12/2003
<i>Mandates exercised outside the group</i>			
	3 years	LE GOUT DE LA VIE	31/12/2003
	6 years	ASTEEL	31/12/2007
	1 year	EMINENCE (Supervisory Board)	31/12/2003
	6 years	CARRERE GROUP (Supervisory Board)	31/12/2007
	1 year	FINATHEM	31/12/2003
	6 years	LE PUBLIC SYSTEME	31/12/2005
	6 years	EGIDE	31/12/2005
	4 years	HARMONY	31/12/2005
	6 years	SAFIG	31/12/2006
	6 years	EURALTECH	31/12/2007
	3 years	COTHERM	31/12/2005
	6 years	FAP (Supervisory Board)	31/12/2004
	6 years	AFE	31/12/2004
	6 years	FONTAINE PAJOT	31/08/2006

**m/ Remuneration of executive officers**

Total remuneration for the members of the Board of Directors stood at 36,587 euros, in addition to the 13,338 euros paid in kind.

This table shows the total remuneration and all other benefits paid to each executive officer during the financial year.

<b>EXECUTIVE OFFICER</b>	<b>REMUNERATION AND BENEFITS</b>
Jacques MOTTARD	From the company: €49,925 From controlled companies, article L 233-16 of the Commercial Code: 0
21 CENTRALE PARTNERS	From the company: 0 From controlled companies, art. L 233-16 of the Commercial Code: 0
Permanent representative François BARBIER	From the company: 0 From controlled companies, art. L 233-16 of the Commercial Code: 0
Nicolas MOTTARD	From the company: 0 From controlled companies, art. L 233-16 of the Commercial Code: 0

**n/ Renewal of directors' mandates**

It must be noted that none of the director's mandates have yet expired.

**o/ Renewal of the mandates of regular and alternate Auditors**

It must be noted that none of the mandates of the regular and alternate Auditors have yet expired.

**p/ Appearance fees**

We propose that you set the appearance fees for members of the Board of Directors to a sum of 31,000 euros for the financial year opening on 1<sup>st</sup> January 2003 and for each subsequent year, until otherwise decided.

Once you have read the reports presented by your Auditor, your board invites you to adopt the resolutions it is submitting for your approval.

**The Board of Directors**

Jacques MOTTARD  
Chairman and CEO of the company SWORD GROUP

**SWORD GROUP - RESULTS (AND OTHER CHARACTERISTIC ELEMENTS) OF THE COMPANY  
OVER THE LAST FIVE FINANCIAL YEARS**

NATURE OF THE DATA	Financial year 31.12.01 (1 <sup>st</sup> year)	Financial year 31.12.02	
<b>I . Capital at financial year-end</b>			
Capital stock	3,620,310	6,161,215	
Number of ordinary shares in existence	724,062	1,232,243	
Number of (non-voting) preference shares in existence. Maximum number of shares to be issued in the future Through bond conversion By exercising subscription rights			
<b>II . Operations and results for the financial year</b>			
Turnover excluding tax	228,675	903,642	
Profit before tax, employee stakes, depreciation and provisions	-62,209	1,307,908	
Income tax.	0	-457,280	
Employee equity interest for the financial year Profit after tax, employee equity interest, depreciation and provisions Distributed profit.	-62,209 /	1,413,287 924,182.25	
<b>III . Profit per share</b>			
Profit after tax and employee equity interest, but before depreciation and provisions	-0.08	1.43	
Profit after tax, employee equity interest, depreciation and provisions	-0.08 /	1.15 0.75	
Dividend distributed for each share			
<b>IV . Personnel</b>			
Average number of staff employed over the financial year	4	4	
Total wage bill for the financial year	146,188	230,340	
Total amount paid in social benefits over the financial year (social security, social welfare)	47,089	94,565	

#### **4.5 Report by the Board of Directors on stocks options**

**SWORD GROUP – Capital of 6,161,215 Euros, Head office: 9, Avenue Charles de Gaulle - 69370 SAINT DIDIER AU MONT D'OR 438 305 054 RCS LYON**

Ladies and Gentlemen,

In accordance with the provisions of article L. 225-184 of the Commercial Code, adopted by the French law of 15<sup>th</sup> May 2001 relating to New Economic Regulations, we would like to bring to your knowledge the following information relating to the stock options that have been granted and to the shares subscribed as a result of stock options being exercised, over the course of the financial year ending 31<sup>st</sup> December 2002, by the executive officers and the ten non-executive employees of the company who have been granted the highest number of options or who have subscribed the highest number of shares when the options were exercised.

With regards to this point, we would like to remind you that no stock options plan has been initiated at SWORD GROUP since it was founded and that only a repurchasing agreement for SWORD SA shares has been set up, which may be executed with the scope of a stock options plan set up at SWORD SA during the financial year 2001.

Indeed, in order to preserve the rights of allottees, it has been decided that, when the time comes, they will be able to sell their SWORD SA shares.

SWORD GROUP has therefore agreed to acquire new SWORD SA shares resulting from the exercising of stock options, from any allottees who make such a request, within three months of the end of the period of unavailability for shares defined in the Plan Rules, at the unit price of a SWORD GROUP share, which is calculated as its average quoted price over the twenty days of stock market trading preceding the acquisition.

**INFORMATION ON STOCK OPTIONS**

STOCK OPTIONS GRANTED TO EACH EXECUTIVE OFFICER AND OPTIONS EXERCISED BY THESE PARTIES	Number of options allocated/ of shares subscribed or purchased	Price	Expiry dates	Plan No.
Options granted during the financial year to each executive officer by the issuer and by the group's companies (list of names)	0			
Options exercised over the course of the financial year by each executive officer (list of names)	0			

STOCK OPTIONS GRANTED TO EACH OF THE TEN NON-EXECUTIVE EMPLOYEES WITH THE HIGHEST NUMBER OF STOCK OPTIONS AND OPTIONS EXERCISED BY THESE PARTIES	Number of options allocated/ of shares subscribed or purchased	Average weighted price	Plan No.1	Plan No.2
Options granted during the financial year by the issuer and by any consolidated company that is able to allocate options, to the ten employees of the issuer and of any of these consolidated companies to whom the highest number of options have been granted (overall information)	5,000	€5	750	4,250
Options from the issuer and the companies referred to above, exercised during the financial year by the ten employees of the issuer or of these companies who have purchased or subscribed the highest number of shares as a result (overall information)	None			

No new plan has been provided for the executive officers or the employees of SWORD SA during the financial year 2002.

Given the exercising period for stock options already provided in plan No.1 and plan No.2, no shares were subscribed over the course of the financial year 2002.

It must be noted that a restructuring programme is currently under study. If this is implemented, it should lead to SWORD SA stock options being converted into SWORD GROUP stock options in 2003.

**THE BOARD OF DIRECTORS**

Jacques MOTTARD  
Chairman and CEO of  
SWORD GROUP

## 4.6 General and special reports by the auditors

### GENERAL AUDITORS' REPORT

#### Annual financial statements – Financial year ending 31<sup>st</sup> December 2002

Within the scope of the task that has been entrusted to us by your general shareholder meeting, we will now present our report relating to the financial year ending 31<sup>st</sup> December 2002, on:

- our examination of SWORD GROUP's annual financial statements, which are attached to this report,
- the specific checks and information stipulated by law.

The annual financial statements have been drawn up by the board of directors. Our role is to express an opinion on these financial statements based on the audit we have carried out.

#### 1. OPINION ON THE ANNUAL FINANCIAL STATEMENTS

We have carried out our audit in compliance with the professional standards applicable in France; these standards require that due diligence be practiced so as to obtain reasonable assurances that the annual financial statements include no significant anomalies. An audit is conducted by examining the probative elements, obtained through surveys, that back up the data contained in these financial statements. It also involves appraising the accounting principles practiced and any significant estimates employed in drawing up the financial statements, as well as assessing the overall presentation. We consider that these assessments provide a reasonable basis for the opinion expressed below.

We certify that, from the point of view of French accounting rules and principles, these annual financial statements are consistent and sincere, and provide a faithful representation of results from the company's operations over the financial year in question, as well as its financial situation and assets at the end of the financial year.

#### 2. SPECIFIC CHECKS AND INFORMATION

In accordance with the professional standards applicable in France, we have also carried out the specific checks provided for by the law.

We have no remarks to make regarding the sincerity and consistency of the information provided in the board of directors' management report and in the documents sent to shareholders regarding the financial situation and annual financial statements, with that provided in the annual financial statements.

In application of the law, we have made sure that all information relating to the acquisition of stakes and control and to the identity of those who hold the corresponding capital has been provided for you in the management report.

Lyon and Villeurbanne, 25<sup>th</sup> February 2003

The Auditors

**FIGEREC**

**DELOITTE TOUCHE TOHMATSU**

Georges BONNEPART

Jacques CONVERT

**SPECIAL AUDITORS' REPORT ON REGULATED AGREEMENTS****Financial year ending 31<sup>st</sup> December 2002**

In our capacity as auditors of your company, we will now present our report on regulated agreements.

**AGREEMENTS AUTHORISED OVER THE COURSE OF THE FINANCIAL YEAR**

In application of article L.225-40 of the Commercial Code, we have been advised of the agreements that have necessitated prior authorisation from your board of directors.

Our role is not to detect the existence of any other agreements, but to provide you with the main characteristics and terms of those we have been advised of, based on the information we have been given, and without us being required to express an opinion as to their utility and validity. It is your responsibility to assess the advantage of establishing these agreements with a view to approving them, in accordance with the provisions of article 92 of the decree of 23<sup>rd</sup> March 1967.

We have carried out our work in accordance with the professional standards applicable in France; these standards require that due diligence be practiced in order to verify the consistency of the information we have been given with that held in the documents from which it originates.

**1. Management services to the subsidiaries****Board meeting of 31<sup>st</sup> December 2001**

*Type and purpose:* SWORD GROUP provides its subsidiaries and sub-subsidiaries with assistance in terms of commercial policy, communication, strategy, purchasing, management controls and organisation.

*Terms:* The services invoiced by your company, within the scope of the assistance provided, were modified on 1<sup>st</sup> January 2002; billing is now established based on a fixed rate of €300 per employee per month for French companies, and on a fixed rate of €150 for foreign companies.

<b>Subsidiary</b>	<b>Individuals concerned</b>	<b>Amount (€)</b>
SWORD SA	Jacques MOTTARD 21 CENTRALE PARTNERS Nicolas MOTTARD SWORD Group	613,800
SWORD CONSULTING	Jacques MOTTARD SWORD Group	109,800
FIRCOSOFT	Jacques MOTTARD SWORD Group	20,700
SWORD INC	Jacques MOTTARD SWORD Group	11,700
SWORD DDS France	Jacques MOTTARD SWORD Group	10,800
DDS EUROPE Ltd	Jacques MOTTARD SWORD Group	59,850
SWORD ECM Ltd	Jacques MOTTARD SWORD Group	36,450

## **2. Services provided by SWORD DDS France**

### **Board meeting of 1<sup>st</sup> July 2002**

Persons concerned: Jacques MOTTARD and SWORD Group

Type and purpose: SWORD DDS France places a range of services at the disposal of SWORD GROUP, including the letting of four well-equipped offices at company headquarters, as well as various related secretarial and telecommunications services.

Terms: rent billed for over the course of the financial year 2002 adds up to €37,318.

## **3. Agreement to assist SWORD SA**

### **Board meeting of 24<sup>th</sup> December 2002**

Persons concerned: Jacques MOTTARD and SWORD Group

Type and purpose: SWORD GROUP has provided assistance to SWORD SA within the scope of the legal and accounts processing of stock options issued by SWORD SA.

Terms: services billed for by SWORD GROUP in 2002, within the scope of this assistance, amount to €40,000.

**AGREEMENTS APPROVED OVER THE COURSE OF PREVIOUS FINANCIAL YEARS AND WHOSE IMPLEMENTATION CONTINUED DURING THE FINANCIAL YEAR**

In addition, in application of the decree of 23<sup>rd</sup> March 1967, we have been informed that the execution of the following agreements, which were approved in previous financial years, continued during the last financial year.

**1. Current account agreement with the company 21 CENTRALE PARTNERS**

*Type and purpose:* In accordance with the provisions of the agreement reached on 29<sup>th</sup> October 2001, shareholder overdrafts, which are granted in proportion to the number of stock warrants issued until the latter are exercised, are paid at the maximum tax-deductible rate.

On 27<sup>th</sup> February 2002, within the scope of this agreement, the company 21 CENTRALE PARTNERS, which holds 123,072 stock warrants, exercised its right to subscribe 123,072 new SWORD GROUP shares, paid up through its current account balance.

Since this subscription took place, the current account of 21 CENTRALE PARTNERS shows an account balance of zero.

*Terms:* Interest produced in 2002 by the current account of 21 CENTRALE PARTNERS stands at €31,245.

**2. Guarantee for the benefit of SWORD DDS France**

*Type and purpose:* On 19<sup>th</sup> November 2001, the board of directors authorised your company to become financial guarantors for the company ESPACE CRECY, renamed SWORD DDS France, in its contract with the SICOMI Rhône-Alpes (property leasing firm), for the entire duration of the long-term contract relating to a piece of property located in Saint-Didier au Mont d'Or, to which an office extension of around 1,238 m<sup>2</sup> has been added.

*Terms:* Commitments to SICOMI Rhône-Alpes represent a sum of K€2,438 on 31<sup>st</sup> December 2002.

**3. Guarantee for the benefit of SWORD SA**

*Type and purpose:* On 20<sup>th</sup> December 2001, your board of directors authorised your company to secure the commitments of SWORD SA to the banks CRÉDIT AGRICOLE LOIRE HAUTE-LOIRE, BANQUE RHÔNE-ALPES and LYONNAISE DE BANQUE, resulting from loans worth a total of K€9,147 (spread equally between the 3 banks providing the loans) contracted by SWORD SA to finance the acquisition of the shares of the companies SWORD Inc., SWORD CREATION INFORMATIQUE Ltd, SWORD Switzerland, DDS EUROPE Ltd and FIRCOSOFT, as well as several Business Units.

*Terms:* On 31<sup>st</sup> December 2002, loans taken out by SWORD SA stand at K€9,147. So far, of its three available credit lines, which total K€9,147, K€6,098 have been used up.

Lyon and Villeurbanne, 25<sup>th</sup> February 2003

The Auditors

**FIGEREC**

**DELOITTE TOUCHE TOHMATSU**

Georges BONNEPART

Jacques CONVERT

---

NB: no new agreements have been set up since 31/12/2002.

**AUDITORS' REPORT – Consolidated financial statements**

**Financial year ending 31<sup>st</sup> December 2002**

Within the scope of the task that has been entrusted to us by your general shareholder meeting, we have examined the consolidated financial statements of SWORD GROUP relating to the financial year ending 31<sup>st</sup> December 2002, which are attached to this report.

The consolidated financial statements have been drawn up by the board of directors. Our role is to express an opinion on these financial statements based on the audit we have carried out.

We have conducted our audit in compliance with the professional standards applicable in France; these standards require that due diligence be practiced so as to obtain reasonable assurances that the consolidated financial statements include no significant anomalies. An audit is conducted by examining the probative elements, obtained through surveys, that back up the data contained in these financial statements. It also involves appraising the accounting principles practiced and any significant estimates employed in drawing up the financial statements, as well as assessing the overall presentation. We consider that these assessments provide a reasonable basis for the opinion expressed below.

We certify that, from the point of view of French accounting rules and principles, these consolidated financial statements are consistent and sincere, and provide a faithful representation of the assets, the financial situation and of the results achieved by the entire group of consolidated companies.

In addition, we have checked the information relating to the group that was provided in the management report, in accordance with the professional standards applicable in France. We have no remarks to make regarding its sincerity and consistency with the consolidated financial statements.

Lyon and Villeurbanne, 25<sup>th</sup> February 2003

The Auditors

**FIGEREC**

**DELOITTE TOUCHE TOHMATSU**

Georges BONNEPART

Jacques CONVERT

## **AUDITORS' REPORT ON THE PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS - Financial year ending 31<sup>st</sup> December 2002**

### ***For the attention of the Chairman of the board of directors of SWORD GROUP***

You requested that we examine SWORD GROUP's pro forma consolidated financial statements covering the periods from 1<sup>st</sup> January to 31<sup>st</sup> December 2002 and from 1<sup>st</sup> January to 31<sup>st</sup> December 2001, which are attached to this report. These were established when the SWORD GROUP's 2002 annual statement was published.

You were in charge of drafting pro forma consolidated financial statements based on the following:

- for 2002, historical annual financial statements (period from 1st January to 31<sup>st</sup> December 2002) for the companies in SWORD GROUP's consolidation perimeter on 31<sup>st</sup> December 2002
- For 2001, historical annual financial statements (period from 1st January to 31<sup>st</sup> December 2001) for the companies in SWORD GROUP's consolidation perimeter on 31<sup>st</sup> December 2002.

With the exception of the financial statements of CRONOS, based in Luxembourg and acquired by SWORD GROUP on 1<sup>st</sup> December 2002, these 2001 and 2002 historical annual financial statements have been audited in accordance with the professional standards applicable in France (French companies) or in accordance with international IFAC audit standards (foreign companies). These standards require that due diligence be practiced in order to obtain a reasonable assurance that these financial statements contain no significant anomalies. These audits have led us to express an opinion on these annual financial statements that is free of reservations and remarks.

The financial statements of CRONOS, in which SWORD GROUP holds a 90% stake and which achieved turnover of €14.6 million and net profit of K€703 in 2002 (12 months), were not being audited prior to its acquisition by SWORD GROUP; given that analytical accounts for previous years are unavailable, it has been impossible for us to conduct even a limited *a posteriori* review of past data, in particular regarding the "turnover", "work in progress" and "customer" items.

We conducted our examination of the pro forma financial statements in accordance with the professional standards applicable in France. These standards require that we evaluate the procedures employed to select conventions and draft the pro forma financial statements, as well as checking that due diligence is implemented, thus allowing us to assess whether the conventions chosen are coherent, to check the way in which the corresponding figures are determined and to make sure that the accounting methods used comply with those employed in establishing SWORD GROUP's previous consolidated financial statements.

One role of the pro forma financial statements is to translate the effect of the execution of a given operation or event on historical financial information, at a date prior to its actual or reasonably likely occurrence. Nevertheless, these are not necessarily representative of the financial situation and the performance that would have been observed had the operation or event occurred at a date prior to that of its actual or likely occurrence.

In our opinion, and subject to the limitations described above relating to the examination of the 2001 financial statements of CRONOS, the conventions employed constitute a reasonable base upon which to present the effects of SWORD GROUP's acquisition, on 1<sup>st</sup> January 2001, of the companies found in the consolidation perimeter on 31<sup>st</sup> December 2002, in the pro forma financial statements. The corresponding figures have been determined in an appropriate manner and the accounting methods employed are the same as those used to establish the consolidated financial statements.

Lyon and Villeurbanne, 17th April 2003

The Auditors

**FIGEREC**

**DELOITTE TOUCHE TOHMATSU**

Georges BONNEPART

Jacques CONVERT

#### 4.7 Auditors fees and fees for members of their network covered by the SWORD group in 2002 (1)

<i>Financial year 2002 (12 months)</i>	<i>Deloitte Touche Tohmatsu</i>		<i>Figerec</i>	
	€	%	€	%
<b>Audit</b>				
<i>Auditor -</i>				
Audit of annual and consolidated financial statements	162,584	1	23,650	1
<i>Other auditing tasks</i>				
Audit of intermediate situations (companies acquired)	29,958	0	0	0
<b>Audit sub-total</b>	<b>192,542</b>	<b>1</b>	<b>23,650</b>	<b>1</b>
<b>Other services</b>				
Fiscal	6,149	0	0	0
<b>Sub-total other</b>	<b>6,149</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Overall total</b>	<b>198,691</b>	<b>1</b>	<b>23,650</b>	<b>1</b>

(1) information not comparable for n-1: 6-month financial period and non-quoted company

## Chapter 5

### 5 – Administration – Management

#### 5.1 Board of Directors - composition

Name and Forename or company name of the member	Date first nominated	Date mandate expires	Main position held at the company	Main position held outside the company	Other mandates and positions held in all companies
Jacques MOTTARD	22.06.2001	31.12.2003	Chairman and CEO	Chairman and CEO of SWORD SA	<ul style="list-style-type: none"> <li>- Chairman and CEO SWORD SA</li> <li>- Chairman SWORD CONSULTING SAS</li> <li>- Chairman SWORD DDS SAS</li> <li>- Chairman FIRCOSOFT SAS</li> <li>- Manager of LE DAVID (EURL)</li> <li>- Chairman DDS EUROPE LIMITED</li> <li>- Chairman SWORD INC</li> <li>- Chairman SWORD CREATION INFORMATIQUE SA</li> <li>- Chairman SWORD SWITZERLAND</li> <li>- Chairman CRONOS LUXEMBOURG SA</li> <li>- Chairman FIRCOSOFT INC</li> <li>- Chairman ACRAMAN LTD</li> <li>- Chairman SWORD ECM LTD</li> </ul>
Nicolas MOTTARD	22.06.2001	31.12.2003	Director	None	None
<b>21 CENTRALE PARTNERS SA</b> represented by Mr. François BARBIER	22.06.2001	31.12.2003	Director	Director or member of the Supervisory Board	<ul style="list-style-type: none"> <li>- Director of LE GOUT DE LA VIE</li> <li>- Director of ASTEEL</li> <li>- Member of the Supervisory Board of EMINENCE</li> <li>- Member of the Supervisory Board of CARRERE GROUP</li> <li>- Director of FINATHEM</li> <li>- Director of LE PUBLIC SYSTEME</li> <li>- Director of EGIDE</li> <li>- Director of HARMONY</li> <li>- Director of SAFIG</li> <li>- Director of EURALTECH</li> <li>- Director of COTHERM</li> <li>- Member of the Supervisory Board of FAP</li> <li>- Director of AFE</li> <li>- Director of FOUNTAINE PAJOT</li> </ul>

The group prioritises efficiency and reactivity in its corporate governance policy. The group is currently run by a board of directors, which will be required to expand in-line with the group's future growth.

- 21, Centrale Partners is a qualified independent director, in accordance with the criteria of the Bouton report of September 2002.

- Generally speaking, the company holds discussions on the theme of corporate governance, with a view to continuously adapting the role of the Board of Directors and the way it functions, while ensuring that it remains suited to the size of the company.

**5.1.2 How it functions**

<b>Internal rules</b>	<b>Restriction of directors' powers</b>	<b>Number of shares that must be held by directors</b>
None	The board can limit the powers of the Chairman in his role as managing director, as well as those of the managing directors and representatives	1

<b>Board's assessment method</b>	<b>Number of meetings held in the last financial year</b>	<b>Attendance rate of members</b>
None	14	2 out of 3

The Board of Directors holds discussions on corporate governance, with a view to adapting the way it functions, while bearing in mind the size of the company.

**Independent directors:**

- Jacques MOTTARD
- Nicolas MOTTARD
- 21 CENTRALE PARTNERS

Founding members

**Directors elected by employees:**

None.

**Censors:**

None.

**Directors selected by the General Shareholder Meeting:**

None.

### 5.1.3 Remuneration of executive officers

Total remuneration for the Board of Directors totalled €36,587, not including €13,338 worth of benefits paid in kind.

The table below shows the total remuneration and all types of benefits paid over the financial year to each executive officer:

Executive officer	Remuneration and benefits
Jacques MOTTARD	49,925 euros
21 CENTRALE PARTNERS	0
François BARBIER, permanent representative	0
Nicolas MOTTARD	0

## 5.2 Management and Operational Committees

### 5.2.1 Composition of the General Management Committee

Jacques MOTTARD, Chairman and CEO of SWORD GROUP  
 Christian TAPIA STOCKER, Managing Director  
 Françoise FILLOT, Administrative and Financial Director

### 5.2.2 Mission

This Committee's role is to work on long-term strategy and to check the Group's results. It meets once a month for half a day. During these meetings, depending on the topics of discussion, the General Management Committee may call upon the Directors of Operations.

The General Management Committee works on commercial policy, communication policy, strategy, purchasing, management controls and the remuneration of Directors of Operations.

Each month, it conducts an internal audit on the Business Units and participates in the drafting of annual financial statements.

### **5.2.3 Composition of the Operational Committee**

Jacques MOTTARD, Chairman and CEO of SWORD GROUP  
Christian TAPIA STOCKER, Managing Director  
Françoise FILLOT, Administrative and Financial Director  
James Peter O'Brien, Director of "Change Management" Operations  
Philippe FRANCHET, Director of "GED North" Operations  
Patrick VERRIER, Director of Consulting Operations  
Jean-Marc SONJON, Director of "GED South" Operations  
Patrick de la HAYE, Director of Benelux Operations

### **5.2.4 Mission**

In addition to the General Management Committee, this Committee includes the 5 directors of operations, who each manage a Business Unit and can have control over others.

Its role is to propose improvements to the way the Group functions, to suggest strategic modifications, and to address any operational problems, while managing the Business Units and supervising projects and sales forces.

A Career Committee meets to determine the remuneration of Business Unit Directors and staff.

The Operational Committee meets with the General Management Committee once every quarter.

Twice a year, the members of the General Management and Operational Committees are assessed according to the objectives set when the budget was established.

### **5.2.5 Composition of the Management Committee**

The committee comprises the Business Unit Directors.

It meets for half a day in the first week of each month and bases its discussions on the analytical operating accounts drafted on the first working day of each month.

Its aim is to check that the turnover and profits of each business unit are in-line with budgets and to put forward any modifications that may be necessary.

In the second part of these meetings, a commercial management committee is assembled, which includes the members of the Management Committee and the sales engineers.

Once a quarter, all the members in charge of the Group meet for a 3-day residential seminar. This brings together the General Management Committee, the Directors of Operations, the Business Unit Directors, the sales engineers and the technical managers of all the countries.

## **5.3 Management stakes in the capital of the issuer, the company that controls it, subsidiaries and key customers and suppliers**

Management stakes in:

- SWORD GROUP: 79.1%
- SWORD DDS: 0.2%
- FIRCOSOFT: 6.3%

The managers hold no significant stakes in the capital of customers and suppliers of SWORD GROUP.

## 5.4 Earnings of members of the directors' and management boards

Gross remuneration for all the members of the Board of Directors of SWORD GROUP was €36,587 for the financial year 2002, plus a company car.

For the financial year 2002, the members of the General Management Committee collectively received total gross remuneration of €193,484. Each member has a company car.

For the financial year 2002, the members of the Management and Operational Committees collectively received total gross remuneration of €594,527. Each member has a company car (Patrick de la Haye for one month).

## 5.5 Operations agreed with the members of the Management and Directors' Board that are not ordinary operations agreed under normal terms and conditions

<u>Director concerned</u>	<u>Nature of the agreement</u>	<u>Conditions</u>
21 CENTRALE PARTNERS	Remuneration of current accounts	Maximum tax-deductible rate

## 5.6 Loans and guarantees granted or set up for the administrative boards

SWORD GROUP has agreed to repurchase the SWORD SA shares issued as a result of stock options being exercised (reference 2-2-4-1-2.)

## 5.7 Personnel stakes

### 5.7.1 Profit sharing and participation contracts

A legal participation agreement is currently being drawn up. The company does not plan to pay any lump sums to employees.

**5.7.2 Company share options granted to personnel**

STOCK OPTIONS GRANTED TO EACH EXECUTIVE OFFICER AND OPTIONS EXERCISED BY THESE PARTIES	Number of options allocated/ of shares subscribed or purchased	Price	Expiry dates	Plan No.
Options granted during the financial year to each executive officer by the issuer and by the group's companies (list of names)	0			
Options exercised over the course of the financial year by each executive officer (list of names)	0			

STOCK OPTIONS GRANTED TO EACH OF THE TEN NON-EXECUTIVE EMPLOYEES WITH THE HIGHEST NUMBER OF STOCK OPTIONS AND OPTIONS EXERCISED BY THESE PARTIES	Number of options allocated/ of shares subscribed or purchased	Price	Expiry dates	Plan No.
Options granted during the financial year by the issuer and by any consolidated company that is able to allocate options, to the ten employees of the issuer and of any of these consolidated companies to whom the highest number of options have been granted (overall information)	5,000	€5	750	4,250
Options from the issuer and the companies referred to above, exercised during the financial year by the ten employees of the issuer or of these companies who have purchased or subscribed the highest number of shares as a result (overall information)	None			

## CALENDAR OF PUBLICATIONS AND OTHER SWORD GROUP FINANCIAL EVENTS DURING 2003/2004

### PUBLICATIONS:

<b>03/03/03:</b>	2002 Annual financial statements
<b>08/04/03:</b>	1 <sup>st</sup> quarter 2003 turnover
<b>09/07/03:</b>	2 <sup>nd</sup> quarter 2003 turnover
<b>08/09/03:</b>	2003 Quarterly financial statements
<b>09/10/03:</b>	3 <sup>rd</sup> quarter 2003 turnover
<b>14/01/04:</b>	4 <sup>th</sup> quarter 2003 turnover
<b>08/03/04:</b>	2003 Annual financial statements

### OTHER EVENTS:

<b>12/03/03:</b>	Presentation of the annual financial statements at the group's head office at 5:00pm – 9, Avenue Charles de Gaulle 69370 ST DIDIER AU MONT D'OR
<b>13/03/03:</b>	SFAF (French Association of Financial Analysts) meeting in Paris at 10:00am (Presentation of annual financial statements) Salons Etoile Wagram - 16, Avenue Wagram 75008 PARIS
<b>23 &amp; 24/04/03:</b>	Participation in the NEXTECONOMY NEXTPRIME EVENT forum Palais Brongniart - Paris
<b>30/04/03:</b>	Annual shareholder meeting at the group's head office
<b>09/09/03:</b>	SFAF meeting in Paris (quarterly financial statements)
<b>09/03/04:</b>	SFAF meeting in Paris (annual financial statements)
<b>30/04/04:</b>	Annual shareholder meeting at the group's head office