FINANCIAL REPORT
ANNUAL REPORT

Sword Group 2011

In accordance with Article 212-13 of its general rules, this financial report has been filed with the AMF (the French market authority) on 5 March 2012 under number D.12-0130. It may be used to support a financial transaction only if it is accompanied by a memorandum approved by the Autorité des Marchés Financiers. This annual report was drafted by l issuer and is legally binding for its signatories.

This Financial Report contains the following by reference:

- The Group's management report and consolidated financial statements and the auditors' reports on the consolidated financial statements for the period ended 31st December 2010, as presented in the Financial Report filed with the French market authority (Autorité des Marchés financiers) on 21 April 2011 under number D.11-0349,
- The Group's management report and consolidated financial statements and the auditors' reports on the consolidated financial statements for the period ended 31st December 2009, as presented in the Financial Report filed with the French market authority (Autorité des Marchés financiers) on 7 April 2010 under number D.10-225,

The other information contained in the two aforementioned Financial Reports was, if applicable, replaced and/or updated with information provided in previous Financial Report.

The two aforementioned Financial Reports are available on the Sword Group's website (www.sword-group.com) and on the AMF's website (www.amf-france.org).

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This financial report includes the annual report:

I – Persons in charge

1.1 Person in charge of the information contained in the annual report

Mr Jacques Mottard, Chairman of Board of Directors and Executive Chairman of Sword Group.

1.2 Statement by the person in charge of the financial report

“I certify, after taking all reasonable measures to that end, that the information contained in this annual report is, to my knowledge, consistent with reality, and includes no omissions likely to alter its meaning or interpretation.

I certify that, to the best of my knowledge, the accounts have been drawn up in accordance with the relevant accounting standards and give a true and fair view of the assets, liabilities, financial position and profit or loss of the companies included therein taken as a whole, and the annual report on the page 161 gives a true and fair view of the development of business, the profit or loss of the companies included therein taken as a whole together with a description of the principal risks and uncertainties that it faces.

I have secured from our auditors a completion letter stating that they have verified the information regarding the financial situation and the financial statements provided in the annual report, and that they have read the entire annual report.

The historic financial information provided in this document has been subjected to reports by legal auditors, which contain a comment on page 124.”

Saint Didier, 5 March 2012
Jacques Mottard
Chairman of the Board
Executive Chairman

1.3 Individuals in charge of the information contained in this document

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II – Auditors

2.1 Auditors in charge of the issuer's financial statements

2.1.1 Statutory auditors

(1) Deloitte & Associés
Head Office: 185, avenue Charles de Gaulle, 92200 Neuilly-sur-Seine.
Date renewed: 4 May 2007.
Date term of office expires: the term of office will expire after the Shareholders' General Meeting called to approve the statements of accounts for the financial year ending on 31 December 2012.

(2) Cabinet Mazars
Head Office: 131 boulevard Stalingrad, 69624 Villeurbanne cedex.
Date appointed: 29 July 2009.
Date term of office expires: the term of office will expire after the Shareholders' General Meeting called to approve the statements of accounts for the financial year ending on 31 December 2012.

2.1.2 Substitute auditors

(1) BEAS
Head Office: 7/9, Villa Houssay, 92200 Neuilly-sur-Seine.
Date renewed: 4 May 2007.
Date term of office expires: the term of office will expire after the Shareholders' General Meeting called to approve the statements of accounts for the financial year ending on 31 December 2012.

(2) Mrs Christine Dubus
Address: 131 boulevard Stalingrad, 69624 Villeurbanne cedex.
Date appointed: 29 July 2009.
Date term of office expires: the term of office will expire after the Shareholders' General Meeting called to approve the statements of accounts for the financial year ending on 31 December 2012.

2.2 Information regarding auditors that resigned, have been dismissed, or whose terms of office have not been renewed in the past three years

SAFICI, statutory co-auditor and Mrs Elizabeth Baylot, substitute co-auditor, have resigned as of 29 July 2009, date of the General Meeting that appointed their substitutes.

III – Selected financial information

3.1 Annual selected historic financial information

Consolidated annual financial statements:

In €'000	At 31/12/2011	At 31/12/2010	At 31/12/2009
Turnover	156,193	185,323	180,603
Current operating profit	23,025	34,005	32,031
Consolidated net profit	1,421	23,235	22,035

Non-current assets	107,518	228,047	207,351
Cash and cash equivalents	111,609	28,020	41,431
Consolidated shareholders' equity	130,293	161,332	148,101
Total balance sheet	301,351	355,403	345,227

Annual financial statements:

In €'000	At 31/12/2011	At 31/12/2010	At 31/12/2009
Turnover	6,517	2,816	3,691
Operating profit	- 872	-899	-1,161
Net income	- 4,744	-2,022	3,694
Non-current assets	197,437	112,275	100,948
Bank and cash	17,274	2,198	9,764
Shareholders' equity	110,034	136,981	145,053
Total balance sheet	299,337	309,807	298,217

3.2 Intermediary financial information

A half-yearly financial report audited by the Auditors was published on 30 August 2011. It is attached to this report (paragraph 20.8).

IV – Risk factors

The company reviewed its risks and we consider that there are no significant risks other than the ones described below.

4.1 Activity-related risks

4.1.1 Risks due to fixed price services

In 2011, if we consider the "Services" (IT Services + Communication Technologies) and the "Software" (Products) divisions' portions of fixed price services, the services portion with commitment to results is greater than 80%.

Fixed price services mitigate the effects of intercontract risks on a day to day basis. However, they amplify the end of work site risk and the issue of keeping the team busy in between two projects.
The "Software" segment is exposed to limited risk, as Sword's strategy is based on the upgrading of existing products rather than the creation from scratch of new products.

The Sword Group's industrial methodological approach makes it possible to guarantee that commitments to results, costs and deadlines are respected. This approach is based on the ISOPRO quality assurance system and is characterized by the following:
- Its compliance with the ISO 9001 standard,
- Strong commitment of Sword's Senior Management,
- Daily involvement of all engineers during project execution.

For Sword Group, a project's quality assurance is not limited to writing the Quality Assurance Plan; it is its perfect assimilation by the different contributors to the project and the quality follow-up that make it effective. During the project, different people intercede and have to act in a manner that contributes to the end product's quality.
Application of Quality Assurance to a project allows:
- The formalisation of the project's priority objectives,
- The implementation of rules and the means used to achieve them,
- The implementation of rules and the means used to control them,
- To properly target the actions required for the project and thus increase the effectiveness and level of the service provided.

However, obtaining a quality product is the result of work performed by a whole team. Quality Assurance channels the actions lead by all the contributors to a project in order to secure it and obtain the level of quality desired. Nevertheless, it does not replace the skills and motivation of each one, which are the basic elements required to develop a quality product.

At 31 December 2011, the backlog totals to 22.5 months of pro forma turnover compared to the budgeted turnover for 2012 (versus 19.6 months of pro forma turnover compared to the actual turnover for 2011).

Naturally, part of this turnover relates to years subsequent to 2012.
The share of 2012 turnover represents 10.1 months of turnover compared to the budgeted turnover for 2012.

Backlog includes "weighted signed + probable + possible" orders. By "signed", we mean any order received formally, by "80% weighted", we mean a verbal order; by "50% weighted", we mean that there remain 2 companies on the short list, and by "30% weighted", we mean that we are in a short list, without specifying the number of remaining applicants.

Each project is followed up monthly. In 2011, the total of days gained and days lost compared with initial estimates for the cost of projects is positive, thanks to the systematic application of the ISOPRO method.

However, in case of potential delay in a project, all overruns estimated as compared to the project's initial budget are immediately handled in terms of earnings via commercial concessions (= excess time assigned to the project not recognised as earnings).

Generally, 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.

4.1.2 Client risks

Risk of default

There are no customer risks in terms of payments: 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.

Competition risk

The competition risk is very low thanks to:

- Sword Group's technological edge,
- 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: European Community), 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.

Sword Group's ten largest clients account for 23.3% of the pro forma turnover for 2011.
The 1st client accounts for 5.6% of the pro forma turnover for 2011.

4.1.3 Risks related to IT security and technological progress

As far as hardware and local networks are concerned, a 6-strong team is dedicated to maintaining our infrastructures and, in particular, the daily backup 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, harnessing our know-how through our software components allows us to confidently grasp the technological advances of our partners and suppliers.

4.2 Liquidity risk

The company has negotiated contracts for the opening of credit lines with several banks to finance general corporate requirements and external growth.

	Unused	Used	Covenants
Total drawing rights	€49,563 k	€100,500 k	Net consolidated financial debt / consolidated EBITDA less than 3.5 Net consolidated financial debt / consolidated shareholders' equity less than 1

See also notes 15, 20.2 and 20.3 of the consolidated financial statements that complement the previous table.
Promissory note drawing rights: complement see Notes 15 and 20 of the appendix to consolidated statements.
Acceleration on default clauses: see Note 15 of the appendix to consolidated statements.
Financial liabilities: see Note 20 of the appendix to consolidated statements.
Other bank loans: see Note 20.2 of the appendix to consolidated statements.
The Group has no difficulty accessing to loans (sustainable relationship with Sword Group's partner banks).

4.3 Market risks

4.3.1 Currency risk

See Note 21 of the appendix to consolidated statements.

4.3.2 Interest rate risks

See Note 21 of the appendix to consolidated statements.

4.3.3 Share risks

Assessment of the portfolio
Marketable securities

Marketable securities are valued at their acquisition cost. At closing, capital gains or losses are noted with the bank documents. If there is a loss, a provision is recorded.

Own shares
The company can be led to owning its own shares within the share repurchase programme authorised by the General Meeting on 29 April 2009, redeemable at 10% of its share capital. The objectives of share ownership provided by this program are as follows:
- Leading the market or liquidity within the framework of a liquidity contract entered into with certified provider,
- Purchase for exchange or payment within the framework of external growth operations,
- Allocation to employees,
- Cancellation of shares.

As at 31 December 2011, Sword Group held 77,887 own shares.

Share risk tracking and management
Investments are selected from those that present no real risk, that is risk-free cash UCITS shares, which can be used or disposed very quickly and present no risk of loss of value in case of interest rate fluctuations.

Among its long-term investments (available for sale), at 31 December 2011, Sword Group holds equity interest in the following companies:
- 2.15% of the capital of the company quoted as SBT for an amount of €147k (market value); this company specialises in the design of software programmes designed for the development of cognitive abilities,
- 9% of the capital of Lyodssoft for an amount of €1,046k (book value), depreciated at 100%,
- 12.03 % of the capital of LOG & PI Consulting for an amount of €135k (book value) depreciated for €65k,
- 9.99% of the capital of Simalaya for an amount of €1,173k(book value); this company is based in Switzerland and specialises in IT and management strategy consulting,
- 15 % of the capital of MiddleSoft for an amount of €369k (book value) depreciated for €180k,
- 22.48 % of the capital of Amor Business Technology Solutions (formerly Sword Business Technology Solutions) for an amount of €8,977k (book value),
- 19% of the capital of Guangzhou Si Wo Ruanjian Keji Comp. for an amount of €3,000k (book value).

Excluding own shares, the portfolio is very limited. Investments must remain conventional by nature and risk-free by definition.

4.4 Risk factors related to the acquisition policy

Sword Group pursues a dynamic investment policy, reflected by high levels of external growth.

The Group's external growth policy aims at:
- The acquisition of additional skills,
- The expansion of the geographic scope,
- The strengthening of existing lines of business,

The means implemented by the Group to limit the risks arising from that policy are as follows:
- Strong involvement of senior management in the implementation of acquisitions,
- Systematic performance of external audits.

Details of the method used for recording goodwill are in Note 2.9 of the appendix to the consolidated statements.

4.5 Legal risks

There are no current legal risks, aside from possible commercial or technical risks that may result from the outcome of work in progress (see paragraph 4.1.1). These detected risks are systematically subject to a provision for risks and contingencies recorded as liabilities in the balance sheet whenever they are considered to be likely.

As at 31 December 2011, no current general legal risks relative to the Group's activities, are likely to be assessed.

4.6 Dependency with regard to top managers or key individuals

Unlike other companies, that 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.

With regard to management, this team is comprised of
- A Corporate Management Committee (CMC) comprising:
  - an Executive Chairman
  - a Chief Financial Officer (the Executive Vice-President in charge of accounts, administration, and finance under French law)
  - Three CEOs (Chief Executive Officer)

- An Operations Committee, comprised of the CMC and 5 COOs.

- Each COO is also Director of a BU; in addition, there are 12 BU Directors.

4.7 Insurance and risk coverage

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

- Coverage of "civil liability" risks for each of the group's companies,
- Coverage of "civil liability" risks for Sword Group's directors,
- 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: €10m
- Professional: bodily, material and immaterial damage, regardless of the cause: €8m

Directors' civil liability: €10m

Cover of material risks: multi-risk cover:
- buildings
- for the vehicle fleet
- for IT equipment

Excess:

€'000	General and professional civil liability	Multi-risk
2011	Excess 150	Excess None

An analysis of the Group's risks does not reveal any significant risk not covered by an insurance contract.

4.8 Extraordinary events and current litigation

Extraordinary events and current 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.

Provisions setup policy
The level of provisions for risks and contingencies is due to the BU management's rigorous approach regarding the risks covered.

Provisions are booked for these risks and contingencies on the basis of the best estimate of likely costs to be borne. The total sum of provisions for risks and expenses stood in consolidated accounts at €2,228,000 as at 31 December 2011.

V – Information regarding the Company

5.1 History and development of the Company

5.1.1 Company name

The Company's name is "Sword Group SE".

5.1.2 Company registration location and number

The Company is registered under number SIREN 438 305 054 at the Lyon corporate register. The Company's APE code is 6420 Z.

5.1.3 Company inception date and lifetime

Sword Group was established as a holding company on 22 June 2001 in the form of a public limited company and for a term of 99 years expiring on 21 June 2100. On 30 August 2001, 144 shareholders of the company Sword SA, formed on 17 November 2000, contributed shares to Sword Group.

The extraordinary General Meeting of Sword Group SE decided, on 30 January 2009, to change this company into a European Company. A Board of Directors held at the end of this meeting pinpointed the final transformation of Sword Group into a European Company.

5.1.4 Company head office, legal form, and governing law

The Company is a European Company with a Board of Directors, governed by the provisions of Rules (EC) n°2157/2001 of the Council of 8 October 2001 regarding the status of European companies, by the provisions of Directive n°2001/86/CE of the Council of 8 October 2001, and by the provisions of articles L221-1 et seq. of the French Commercial Code.
The head office is located 9, avenue Charles de Gaulle - 69771 Saint-Didier-au-Mont-d'Or Cedex. The telephone number is +33 (0)4 72 85 37 40. Its business is not subject to any specific regulations.

The General Meeting convened on 26 March 2012 will be asked to rule on the proposed transfer of the registered office to the Grand Duchy of Luxembourg.

5.1.5 Important events in the development of the Company's business operations

2000: Inception of Sword SA

Sword was set up in December 2000 from the repurchase of the assets of Decan, which was carried out as follows:

- 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 referred to as Sword South Africa,
  - Decan Inc. (100%), a U.S. 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 specializing 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 €9 million 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.

2001: acquisition of DDS Europe and Profiler

On 1 April 2001, Sword SA acquired two companies that enabled it to widen its area of activity and its geographical deployment:

- DDS, renamed DDS EUROPE LIMITED, is based in London and provides consultancy services in change management,
- Profiler, renamed Sword Consulting, specialises in electronic banking and logistics.

2002: IPO and acquisition of Text Solutions and Cronos Technologies

On 13 March 2002, Sword Group was floated on the Nouveau Marché at the Paris Stock Exchange, in the Next Economy section.
On 1 April 2002, Sword acquired Text Solutions, which is based in London and owns Text System. The company Text System, renamed Sword ECM, specialises in change management. Because it originally managed equity interests, Text Solutions does not generate any sales revenue.
On 1 December 2002, Sword acquired the company Cronos Technologies, renamed Sword Technologies, which is based in Luxembourg and Brussels and specialises in data management.

2003: acquisition of Zen & Art and FI System Belgium

On 3 December 2003, Sword acquired the "professional services" activities of Zen & Art, based in New York, which specialises in handling major banking accounts.
On 15 December 2003, the Paris Commercial Court accepted Sword's offer to acquire FI System Belgium, the parent company of ASCII, at 70%; based in Brussels, it specialises in Web Content Management (WCM).

2004: acquisition of Global and Cimage

On 1 April 2004, Sword acquired Global, a London-based company with a subsidiary in the Indian city of Chennai (formerly known as Madras). This company specialises in offshore operations and serves as a production centre for English-speaking countries.
On 1 July 2004, Sword acquired Cimage, a London-based company with a subsidiary in the U.S. city of Boston (Massachussets). This company specialises in Document Management products and edits software for use in highly-regulated sectors (such as pharmaceuticals, for example).

2005: acquisition of Pragma, Harvard, Linkvest, Sword Lebanon and Intech
On 6 April 2005, Sword acquired Pragma and Harvard
- Pragma, a company based in Aberdeen (Scotland). This Company, which specialises in document management and BI services with oil companies, has just completed the Group's offer in that market, Sword being already present in Houston
- Harvard, a company based in London. This Company, which specialises in organisational consulting with banking and financial institutions, is fully complementary with Sword DDS, the Sword subsidiary that specialises in change management and organisational consulting.

On 28 July 2005, Sword acquired Linkvest, a company based in Lausanne (Switzerland). This Company, which specialises in enterprise content management (ECM), provides Sword with a base in Switzerland, where a number of projects are being managed, particularly for Orange Switzerland.
On 1 October 2005, Sword acquired Sword Lebanon, a company based in Beirut, which specialises in offshore development for French-speaking countries. This base complements our Chennai, India operation, which is more focused on British projects.
On 30 November 2005, Sword acquired Intech, a company based in London. This Company, which specialises in products aimed at assisting re-insurance businesses in handling their risks, provides Sword with a new "highly regulated" market, which complements banking market.

2006: acquisition of stakes in Nextech - Acquisition of Stellon and RTE
On 26 January 2006, Sword acquired 10% of the share capital of Nextech, a company based in Belo Horizonte (BRAZIL), interests brought up to 19% in June 2006. Nextech is attractive primarily for its ability to resell Cimage products in South America.
On 29 June 2006, Sword acquired Stellon, a company based in Lausanne (Switzerland), that specialises in Business Intelligence and more specifically in KPIs (*Key Performance Indicators*). This operation enables the Group to integrate that new know-how and is perfectly complementary with Linkvest, which is also based in Lausanne.
On 17 November 2006, Sword acquired RTE, a company based in Glasgow. The presence of the Group in such areas as the oil industry, transport, telecommunications, and energy, is thus significantly enhanced.

2007: acquisition of interests in Lyodssoft - acquisitions of Nextech, Achiever, Apak, Powersoft and CTSpace – creation of Sword Integra and disposal of 2 subsidiaries
On 14th February, Sword Group acquired 3% of the shares of Lyodssoft.
Lyodssoft is a company based in Hong Kong, in charge of reselling the Group's products in China.

On 28 March, Nextech, a leading product development company in Brazil, joined the Sword Group.
Nextech is based in Belo Horizonte, Brazil, and employs 28 people
Through this acquisition, the Group supplemented its strategy initiated in 2006, by consolidating its position in emerging countries.
On 5 April, Achiever, a leading product developer in the UK, became a member of Sword Group. Achiever is based in Alton, UK and employs 25 people.
On 20th July, Apak, a major player in the field of asset management products, became a member of the Sword Group.
Apak is based in Bristol and employs 110 people. Apak manages a site in Dubai that targets the Middle East market.
On 7 November, acquisition of Powersoft, a company based in Switzerland that specialises in Geographic Information Systems.
On 10 November, disposal of the Gent, Belgium subsidiary, Sword Security.
On 20th November, acquisition of an additional 3% of the shares of Lyodssoft. Sword Group thus rose its interests to 6%.
On 23 November, disposal of a Belgian subsidiary specialising in staffing, Sword Services.
On 30 November 2007 Sword UK acquired 100% of the share capital of UK's Blue Tangent. At that same date, Sword UK absorbed Blue Tangent. This entity specialises in documentum technology and posts sales of approximately €0.4m per annum.

On 20 December, acquisition of CTSpace, an international product design company that operates following an SaaS model. CTSpace, whose head office is based in San Francisco, is also based in the UK, France, Germany and Austria. This company, which specialises in GRC Management, markets products designed for the management of large projects for the petroleum market and the civil engineering market.
At the end of 2007, Sword IPR was set up in Wales to host the New information technology Centre set up in partnership with the Welsh Assembly Government; it is expected to enjoy subsidies of £3.6 million.
On 31 December, creation of Sword Integra, that will take over the Belgian public and private contract activities of Sword technologies (Belgium + Luxembourg).
2008: acquisition of Ciboodle (formerly Graham Technology); inception of Sword Energy Ltd and Sword Banking Solutions Ltd; disposal of Sword South Africa; internal restructuring.

On 1st January 2008, two new companies were set up: Sword Energy Ltd and Sword Banking Solutions Ltd, both based in Brentford (UK).
On 1st January 2008, Sword Services (formerly Linkvest), Sword Consulting (formerly Stellon), Powersoft and Sword Switzerland, all based in Switzerland, merged. This operation has no impact on the consolidated financial statements.
In February 2008, the company Sword South Africa was disposed of. In 2008, this company contributed €80,000 to the 2008 consolidated sales and €42,000 to the current operating profit.
On 31 March 2008, Sword Soft acquired Ciboodle (formerly Graham Technology), a company governed by Scottish law and based in Glasgow, Scotland. This CRM (Compliance & Risk Management) company is active in a dozen countries and the leader of CRM products targeted at the call centre market.
On 30 September 2008, UK companies Sword UK and Harvard merged. This operation has no impact on the consolidated financial statements.
On 6 November 2008, Sword SAS was sold to Sword SA.
On 24 December 2008, Sword Group sold all of its shares in Sword Technologies to FI System Belgium and all of its shares in Sword Integra to Sword Technologies.
On 30 December 2008, Sword SA merged with Sword SAS and Sword Solutions.

2009: acquisition of AgencyPort; inception of Sword FircoSoft Ltd et de Sword Général Partners; disposal of Sword Business Technology Solutions to the benefit of Amor Group; disposal of Info Techno Austria; disposal of Nextech Brazil; merger of Sword Atlantique and Sword SA
On 27 March 2009, Sword FircoSoft Limited was set up; it is based in Brentford (UK).
On 8 May 2009, the company Sword General Partner was set up; it is based in Brentford (UK).
On 11 May 2009, Sword UK ltd sold 77.5% of Sword Business Technology Solutions to Amor Group.
On 31 July 2009, Sword Atlantique was dissolved without being wound up in the framework of a complete transfer of assets to Sword SA.
On 24 August 2009, Info Techno Baudatenbank Austria was disposed of.
On 15 October 2009, Nextech Brazil was sold to Nordline, a company incorporated under Swiss law, in which SwordSoft holds 15%.
19 November 2009: acquisition of AgencyPort, a US-incorporated company based in Boston. This company is a leader in software design, enabling insurance companies to handle their agents via Web solutions.
On 31 December 2009, Sword Services sold to Sword Group SE all of its shares in Simalaya holding; today Sword Group holds 9.99% of the capital of Simalaya Holding.

2010: inception of Sword SOL and Sword IF; acquisition of Guangzhou Si Wo Ruanjian Keji Komp. Ltd; opening of a site in Singapore; disposal of interests in Oktopus Consulting SA
On 1st February 2010, Sword Technologies sold all of its interests in Oktopus Consulting SA (i.e. 10% of the capital stock).
On 7 June 2010, Sword SOL was set up. The company, based in Luxembourg, bought back 100% of the shares in Sword SA, in order to isolate Sword SA's business in a more specific organisation, dedicated to "Services".
On 11 October 2010, Sword Group SE acquired 19% of the capital of China's Guangzhou Si Wo Ruanjian Keji Komp. Ltd.
On 15 October 2010, FircoSoft SAS opened a site in Singapore, as part of expanding its business.
On 16 November 2010, Sword IF SA was set up. The Group set up that dedicated organisation, of which it holds 57%, with a partner, after winning the invitation for tenders from UEFA regarding the outsourcing of IT services. The company is based in Switzerland. Sword IF SA is dedicated to International Federations.

2011: restructuring of one of the UK subsidiaries; disposal of Sword FircoSoft France, Inc and Lt; disposal of the Insurance division; disposal of the CTSpace division; inception of Sword Participation SARL.
In **January 2011**, part of the UK subsidiaries were restructured. This can be summarised as follows:
- the business of CTSpace UK (assets and liabilities) was transferred by Sword UK to a new company set up for that purpose, namely CTSpace Ltd, which is a subsidiary of Sword Soft Ltd,
- the ECM, ABS and HLD business (assets and liabilities) of Sword UK was transferred to a new company set up for that purpose, namely Sword Technology Solutions Ltd, which is a subsidiary of Sword Soft Ltd,
- Sword UK changed its corporate identity to become Sword Insurance Europe Ltd.

In **February 2011**:
- inception of Sword Apak Inc, a wholly-owned subsidiary of Apak Group Ltd.

In **May 2011:**
- shares in FircoSoft SAS, Ltd. and FircoSoft Inc. were sold by Sword and Sword Soft Inc.
- Soft Sword bought minority interests in Sword Ciboodle Scotland and Sword Group acquired minority interests in Sword Soft.
- Sword Soft Ltd and Sword Soft Inc sold all of the shares they held in the capital of Sword IPR Ltd, Sword Intech, Sword Insurance Europe Ltd and Agency Port, which made up the "Insurance" division.
- Sword DDS, a French subsidiary of the company, was dissolved following the transfer of all its assets for the benefit of the Company, effective 30 May 2011.

6 July 2011: disposal of Agency Port, Sword Insurance Europe Ltd, Sword Bermuda, Sword IPR, Sword Intech Inc (Insurance sub-group).

In **October 2011:** inception of Sword Sol Inc.

14 November 2011: disposal of the Group's CTSpace division (integrating the companies Buildonline Global, Citadon US, Buildonline Ireland, Sword GmbH, CTSpace France, CTSpace Ltd, Sword Inc).

In December 2011, the shares of the companies where the Company holds majority interests, i.e. Sword Sol, Sword Services SA, FI System Belgium, Sword Solutions Inc., Sword Soft Ltd and Sword Creation Informatique were brought to a special-purpose Luxembourg vehicle, Sword Participations Sarl.

5.2 Investments

5.2.1 Main investments completed during the period 2009 to 2011

The amounts invested are detailed in the table below:

By type of investment (excluding financial and intangible investments)

In €'000	31/12/2011	31/12/2010	31/12/2009
R&D costs	4,797	3,553	1,010
Other intangible fixed assets	469	1,237	1,215
Total	5,266	4,790	2,225

By activity

Solutions (IT Services + Communication Technologies)	1,352	1,395	2,177
Software (Products)	3,914	3,395	48
Total	5,266	4,790	2,225

By geographic area

France	849	1,003	1,436
UK	3,391	2,371	-
Benelux	443	2	4
Other	583	1,414	785
Total	5,266	4,790	2,225

By type of tangible investments

In €'000	31/12/2011	31/12/2010	31/12/2009
Buildings	64	235	-
Transport equipment	127	61	17
Installations, fixtures	4	233	173
Office and IT equipment	994	1,715	1,485
Office furniture	36	1,103	265
Total	1,225	3,347	1,940

By activity

Solutions (IT Services + Communication Technologies)	503	800	1,062
Software (Products)	722	2,547	878
Total	1,225	3,347	1,940

By geographic area

France	288	544	469
UK	508	1,685	981
Benelux	52	70	141
Other	377	1,048	349
Total	1,225	3,347	1,940

Acquisitions completed over the past 3 years

In €'000	Date	Purchase price [1]	Goodwill and business goodwill [1]
AgencyPort	19/11/2009	18,332	28,461
Total		**18,332**	**28,461**

[1]The acquisition price includes price supplements and the impact of the puts on minority interests.

5.2.2 Investments under way

None.

5.2.3 Main commitments to invest

To date, no commitment to significant investment has been made by the management.

VI – Business operations overview

6.1 Main business operations

6.1.1 Sword Group positioning and offering

6.1.1.1 Sword Group positioning

Sword Group is an international IT Products and Services specialist, organized into competence and expertise centres.

Experts in their fields, the Group's 1,280 employees are involved in consulting and integration services for key account customers. 70% of the business is conducted on a flat fee basis.

Positioned in high-tech niches, Sword is now a major player in the growth markets dealing with unstructured information: Documents Engineering (Paperless, EDM, desktop publishing), enterprise portals (Portal, WCM, CMS), Search and information recovery (Text Mining, Semantics), Business Intelligence (Data Warehousing, Business Intelligence, data integration, reporting) and Geographic Information Systems (GIS).

6.1.1.2 Sword Group's offer

The Sword Group's offer is based on two models:
- The "Software" (Product) segment,
- The Solutions segment, composed of the "IT Services" division and the "Communication Technologies" division.

The group's offer revolves around GRC management (Governance, Risk & Compliance) for strongly regulated markets.

Sword based its development on a global, specialist, and industrial approach.

Its staff enjoys a highly dynamic environment, integrating large projects, international career opportunities, and access to very high-level technical know-how targeted at very important clients.

The network of partners and specialised subsidiaries guarantees Sword the ability to remain at the cutting edge of new technologies.

I. Software offer (Products)

A supplier of scalable, complete and customised software products, able to collaborate with its clients following an SaaS model, Sword offers software programmes that are fast deployed and easy to use. These collaborative tools are used by a host of clients and on highly regulated markets.

These software packages enable companies to achieve productivity gains, while minimising their risks and controlling processes and costs.

SW.ACHIEVER
Achiever is a leading risk management and compliance solution that allows for the management of corporate reporting, controls, and measurements, while enabling over 600 clients to optimise their procedures.
Our software meets nearly 40 years of requirements in terms of legislation, regulation, and best practice for risk management and compliance management, and we continue to invest in R&D to ensure that our technology can adjust to our clients' future demands.

SW.APAK
For over 25 years, Apak has been offering financial systems specialising in asset management and retail banking.
Its financing management product offers features and is up to the expectations of the main European financial institutions.
With active references in more than 70 countries, Apak is recognised for its know-how in terms of back- and front office.
The Apak systems, offered under a SaaS model, handle each year more than €15Bn of direct debits and credits.

SW.CIBOODLE
Sword Ciboodle supports the management of interactions between large companies and their clients. Combining a quality risk management and compliance software package, based on the processes and specialist consulting services, it enables its users to better harness their clients while slashing their operating costs. Sword Ciboodle is viewed by many industry analysts as one of the key suppliers of client-oriented IT solutions. More than 200 million consumers around the world are already enjoying Sword Ciboodle solutions.

SW.GREENGIS
Sword developed GreenGIS, an innovative and comprehensive solution for the management of sustainable development issues, targeted at companies and local authorities. Green GIS makes it possible to develop, enhance, and update an environmental geographic steering system including all the regulatory data and the companies' own business data.

II. The Solutions offer (IT Services and Communication Technologies)

The Sword Group is an expert in risk management and compliance solutions for the main markets.

The key skills of our "Solutions" segment (IT Services + Communication Technologies) strengthen our leadership in GRC management:
- Enterprise portal,
- Semantics,
- Interoperability / EAI / SOA,
- Enterprise Content Management,
- Desktop publishing,
- Customer Relationship Management,
- Geographic information system,
- Business Intelligence,
- Enterprise Search,
- Offshore (India – Lebanon) / Nearshore (India - UK - US).

We work in cooperation with our clients to develop solutions that optimise the performance results and effectiveness, slash costs, and ensure governance and compliance.

SC.GOOGLE CONNECTORS
A partner of Google, Sword is a partner in search connectivity applications and offers secure connectivity to the main business content systems.
Our connector GSA (Google Search Application) facilitates Google's search technology by integrating seamlessly with the company's internal management systems. GSA adds value by controlling the content, the processes and the safety, to ensure that the right information is delivered to the right users at the right time. With reinforced access to their assets, organisations optimise their decision making, their information sharing, and their timeframes.

SC.ASCEPTO™
Sword's ACSEPTO™ is an application for performing verbal and figurative trademark searches. Acsepto integrates both types of search into a single operation and manages all types of trademark search including preliminary searches, examination and watching. Automated image recognition makes it possible to optimise the search results.

SC.PTOLEMY™
Sword's PTOLEMY™ software solution is a web-based management tool covering all of the procedures involved in managing Intellectual Property IP rights: examination, publication, opposition, grant/registration, maintenance of the register, cancellation, renewal/annuities and assignments. Within the international IP community, Sword's methodologies and solutions are customized to meet local legislation requirements throughout the world.

SC.DMCO
Sword’s DMCO suite guarantees clients relevant, tried and tested solutions to all aspects of document management with the assurance of rapid application.
This suite is comprised of three software packages:
DMCO Gold for archiving and retrieval; DMCO Capture for indexing and digitising, and DMCO Light, the ultimate document archiving system.

SC.WCM

Sword has been successfully delivering our international WCM solution facilitating the creation and management of content for electronic distribution.

Our solution is used to support a range of internal and external communications including websites and portals. Linguistic support is available to ensure that our solutions are applicable internationally.

We are accredited by the quality standard ISO 9001:2000 and our solution is industry-compliant, in line with the latest guidance from W3C and WCAG, to ensure accessibility of our solutions for every user. By employing Sword's WCM accessibility services, clients can demonstrate an ethical approach towards electronic communication.

SC.SHAREPOINT DATA DEPLOYER

Sword has been developing Microsoft SharePoint projects for the past several years for numerous clients. To solve data migration and initialisation problems, Sword has developed “Sharepoint Data Deployer.” This solution dedicated to MOSS 2007 (Microsoft Office Sharepoint Server) enables to recover data from various sources and integrated them into various MOSS management structures.

SC.FASTAUDIT

Sword Tipik has developed the Fastaudit application to help website authors determine whether or not these sites are accessible. To that end, Fastaudit performs automatic controls on the sites and then generates data both for reading by man and by a program, in Microsoft Word and EARL (Evaluation and Reporting Language) formats. Thanks to a guideline description language in XML grammar, JWAV can carry out various accessibility audits against various different guidelines. The Fastaudit application version (running locally) is written in Java and is accessible itself to users with handicaps). Furthermore, its interface allows website authors to locate identified problems easily and solve them rapidly.

6.2 Main markets

6.2.1 Breakdown of 2011 pro-forma turnover

The turnover breaks down between 2 divisions:
The Software (Products) division
The Solutions division (IT Services + Communication Technologies)

By product line – Breakdown of the Software pro forma turnover - €42.3m (€38.6m in 2010)

	2010	2011
CRM + Other	74.9%	76.1%
Wholesale Finance	25.1%	23.9%

By geographic location – Breakdown of the Solutions pro forma turnover – €80.8m (€72.0m in 2010)

	2010	2011
Benelux	49.5%	43.9%
France	25.0%	25.6%
Switzerland	9.8%	12.1%
Other	15.7%	18.3%

6.2.2 Business environment analysis

6.2.2.1 Sword Group's ten largest customers

Sword Group's ten largest clients account for 23.3% of the pro forma turnover for 2011

Catalyst	US
Directorate General for Justice and Home Affairs	Benelux
Directorate General for Regional Policy	Benelux
Domestic and General Insurance	UK
NICOR	US
Orange Switzerland	Switzerland
Queensland Police	Australia
Scottish Power	UK
Telkomsel	Indonesia
UEFA	Switzerland

The 1st client accounts for 5.6% of the pro forma turnover for 2011.

6.2.2.2. Customer characteristics

The customer loyalty rate is 100%.

The payment time stipulated in the company's terms and conditions of sale is 60 days end of month.

The payment time has risen from 55 days in 2010 to 58 days in 2011.

6.2.2.3 Market and competition

The market
We rely on analyst forecast, which are the following for the coming three years, for each individual technological market:

ECM turnover + 11.4% per annum (Gartner)
CRM turnover + 6.9% per annum (IDC)
WCM turnover + 14.0% per annum (Gartner)
SIG turnover + 9.3% per annum (ARC Advisory Group)

Competition (internal sources, Celent, Forrester, Gartner)

Competition for the Software segment:

Activity	Competitors
GRC MANAGEMENT	Developed countries: additional tools Emerging countries: IBM - MICROSOFT - EMC
ASSET MANAGEMENT	FIMASYS - WHITE CLARKE GROUP - DATASCAN TECHNOLOGIES
CRM	AMDOCS - CHORDIANT SOFTWARE - PEGA SYSTEMS -

Competition for the Solutions segment

Activity	Competitors
ECM PORTAL GEOGRAPHIC INFORMATION SYSTEM	ACCENTURE / AVANADE ATOS BULL CAP GEMINI JOUVE LOGICA SMILE SQLI STERIA THALES

The competitive structure remains extremely stable from one year to the next, but it has completely globalised. The success rate on tenders in 2011 exceeded 50%, which should be weighted compared to the turnover generated by such tenders.

6.3 Exceptional events that would have influenced Sword Group's activities and major markets

None.

6.4 Robust 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-Lotus 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 sales revenue 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 (e.g.: 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 Misys 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:

ABBYY	Integrator
Accenture	Integrator of Sword Group components
Actimize	Integrator
Adobe	"Bronze Partner"
AEG	Reseller

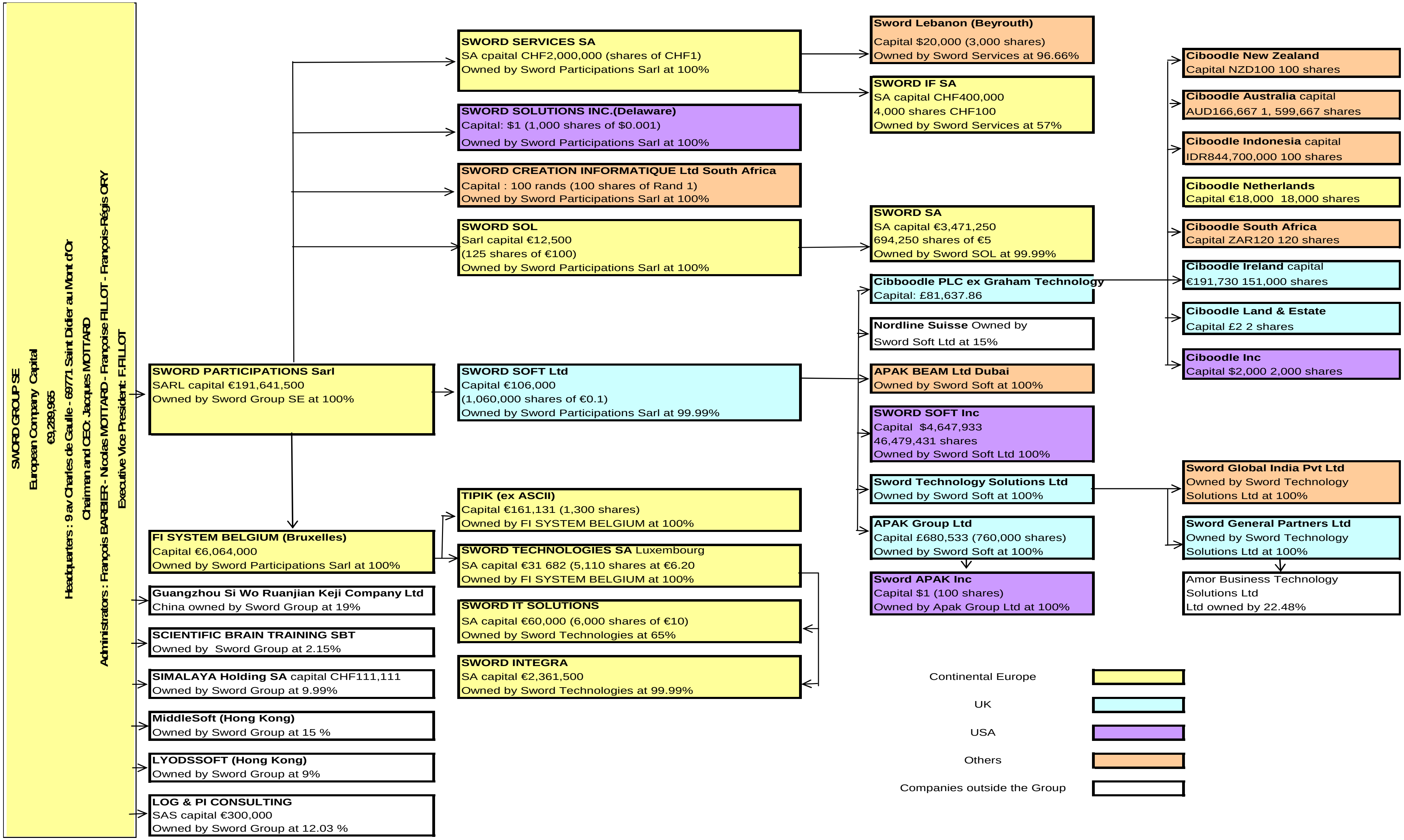
Agilos	Integrator
Alfresco	"gold partner"
Alterian	"Certifed partner"
AMS	Reseller
ANTIDOT	"Partner Integrator"
ARISEM	"Partner Integrator"
Atos Origin	"Certified partner"
ATP	Integrator and reseller
Autodesk	"Development Partner"
Avaya	"Certified partner"
Avnet	Reseller
Avoco	"Certified partner" and reseller
Axciom	Integrator
Bankserv	Reseller
BEA	Integrator
Blue Cod Technologies	Reseller
Bluelon	Reseller
Boston Software	Reseller
Bottomline	Integrator
Business Object	"Silver Partner"
Capita	Commercial agreement
Camilion	Reseller
Cincom	Integrator
Cisco	"Certified partner"
Citrix	"Certified partner"
C-Log	Integrator
Clave link	Reseller
Cognizant	Integrator of Sword Group components
Combined Knowledge	Partner/ reseller/ commercial agreement
Communiqué (DAY)	"Premier partner"
CSC	"Partner"
CSS	"Certified partner"
Cymmetry systems	Reseller
Decillion	Reseller
Dexterra	Partner and integrator
Dimension data	Integrator of Sword Group components
Document services	Commercial agreement
eLoyalty	Reseller
EMC (Documentum)	"Velocity partner"
EMC Captiva	Integrator and reseller
EMC Document Services	Integrator and reseller
ESRI	"Certified Partner"
eSumetch	Reseller
Ever Team	"Partner Integrator"
Evision	Reseller
Expertus	Reseller
Exstream	"Partner"
eZPublish (eZSystems)	"Partner Integrator"
FiServ	"OEM"
Forsk	Integrator
FSC Insurance Solutions	Reseller
Genesys	"Certified partner"
Global knowledge	Commercial agreement
Gmc	Integrator
Google	"Channel partner (Europe)"
Guidewire	Reseller
HP	Partner
IBM	"Certified partner"
IBM-Filenet	"Advanced Partner"
IBM-Lotus	"Certified partner"
ILOG	Integrator

Inquira	"Partner"
Intergraph	Integrator
Inxight	"Certified partner and reseller"
Irdil	Integrator
Itesoft	Integrator
IVANS	Reseller
Kaidera	"Partner"
Kofax	"Partner Integrator"
Laso Peco	Reseller
Logica	Integrator of Sword Group components
Lyodssoft	Reseller
Mentalix	Integrator
Mercury	Integrator
Microsoft	"Gold certified partner"
Misys	"OEM"
Mondeca	"Partner Integrator"
Nouveon	Reseller
NTT Data Getronics	Reseller
Nuxeo	"Partinium Partner"
On demand	Reseller
Oracle	"Certified partner"
PA Consulting	Integrator of Sword Group components
Panorama	Integrator
PostStream Ltd	Integrator of Sword Group components
Price Waterhouse Coopers	Integrator
QAS	Commercial agreement
Radian 6	"Partner"
RiskMeter	Reseller
Safe Banking Systems	"OEM"
SAP	Integrator and reseller – "Certified partner"
SAS	"Certified partner"
Selligent	Integrator
SilverPlume	Reseller
Software Box Limited	Partner/ commercial agreement
Solvis Consulting	Reseller
SSP	Reseller
STAR APIC	Integrator
Stellent	Integrator
Sterci	"OEM"
Steria Suisse	Integration of Sword Group components
StoneRiver	Reseller
Strategic Insurance Software Inc	Reseller
Sybase	Integrator
Temis	"Partner Integrator"
Voluntis	"Partner Integrator"
Web Connectivity	Commercial agreement

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

VII – Group's legal organisation chart

7.1 Organisation Chart at 31 December 2011



7.2 Issuer's subsidiaries

See Note 16 of the appendix to the company accounts.

Sword Group has the following agreements with 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 2,052,656 €.

Regarding the agreements relative to Sword Group and its subsidiaries authorised in the course of financial 2011 and early 2012:

The Board of Directors of 6 May 2011 authorised the Company to the effect of granting a joint and several guarantee for the execution of guarantee and compensation commitments made by Sword Soft Ltd for the benefit of Franinvest ion connection with the sale of shares of FircoSoft SAS, FircoSoft Ltd and FircoSoft Inc.

The Board of Directors of 1 December 2011 authorised the signing of a debt waiver agreement under which Sword Group abandons a portion of the debt it holds in the accounts of Sword Soft Ltd, up to €170 million.

The Board of Directors of 15 December 2011 authorised the Company to the effect of making all the shares it holds in companies Sol Sword, Sword Services SA, Belgium FI, Sword Solutions Inc., Sword Soft Ltd and Sword Creation Computing in favour of the new Luxembourg Company for providing Sword Participations Sarl.

The Board of Directors of 10 February 2012 authorised the Company to the effect of issuing a guarantee to the benefit of Ciboodle Ltd as security for amounts due by Ciboodle Ltd as part of the grant by Scottish Enterprise of a subsidy to its benefit for a total amount or £375,000.

7.3 Statutory Auditors' Special Report on regulated commitments and agreements

General Meeting convened to approve the accounts
for the year ended 31 December 2011

Dear Shareholders,

In our capacity as auditors of your company, we will now present out report on regulated agreements.

It is for us to let you know, based on the information delivered to us, the essential features and conditions applicable to the agreements and commitments of which we have been informed or which we would have discovered in the context of our assignment, without having to express our opinion as to their usefulness or their justification, nor to investigate the existence of other agreements or commitments. It is your responsibility, in accordance with the provisions of article R.225-311 of the Commercial Code, to assess the advantage of establishing these agreements and commitments with a view to approving them.

Besides, it is for us, if applicable, to deliver to you the information provided for in article R. 225-31 of the Commercial Code regarding the performance, over the period elapsed, of the agreements and commitments already approved by the General Meeting.

We have implemented the due diligence measures deemed necessary for this mission as outlined by France's national audit regulatory body, the Compagnie Nationale des Commissaires aux Comptes. These due diligence measures include checking that the information with which we have been supplied is consistent with the original documentation on which it was based.

AGREEMENTS AND COMMITMENTS SUBJECTED TO THE GENERAL MEETING'S APPROVAL

As stipulated by Article L. 225-40 of the Commercial Code, we have been informed of the following commitments and agreements that benefited from your Board's prior approval.

With SWORD SOFT Ltd

Individuals concerned: Jacques Mottard and Françoise Fillot

1. *Nature and purpose*: The Board of Directors of 6 May 2011 authorised your Company to the effect of granting a joint and several guarantee for the execution of guarantee and compensation commitments made by Sword Soft Ltd for the benefit of Franinvest in connection with the sale of shares of FircoSoft SAS, FircoSoft Ltd and FircoSoft Inc.

   Terms: This agreement had no financial impact on the accounts for the year ended 31 December 2011.

2. *Nature and purpose*: The Board of Directors of 1 December 2011 authorised the signing of a debt waiver agreement under which your company abandons a portion of the debt it holds in the accounts of Sword Soft Ltd, up to €170 million.

   Terms: For the financial year ended 31 December 2011, an expense of €170 million was recorded in your company's accounts.

With SWORD PARTICIPATIONS SARL

Individuals concerned: Jacques Mottard and Françoise Fillot

Nature and purpose: The Board of Directors of 15 December 2011 authorised your company to sell all of the shares it holds in SWORD SOL, SWORD SERVICES SA, FI Belgium, SWORD SOLUTIONS Inc., SWORD SOFT Ltd et SWORD CRÉATION INFORMATIQUE to the benefit of the new Luxembourg company, SWORD PARTICIPATIONS SARL.

Terms : For the financial year ended 31 December 2011, this transaction had the following financial consequences:

- proceeds from sale of assets: €269,114,899
- expenses related to the net book values of disposed elements: €110,407,803

With Ciboodle Ltd

Individuals concerned: Jacques Mottard and Françoise Fillot

Nature and purpose: The Board of Directors of 10 February 2012 authorised your company to issue a guarantee to the benefit of Ciboodle Ltd regarding sums due by Ciboodle Ltd as part of the grant by SCOTTISH Enterprise of a subsidy for its benefit worth a total of £375,000.

Terms : This agreement had no financial impact on the accounts for the year ended 31 December 2011.

AGREEMENTS AND COMMITMENTS ALREADY APPROVED BY THE GENERAL MEETING

As per article R. 225-30 of the Commercial Code, we have been informed that the performance of the following agreements and commitments, already approved by the General Meeting in previous fiscal periods, was pursued during the period elapsed.

With Financière Sémaphore SARL (formerly SEMAPHORE INVESTISSEMENTS)

1. *Nature and purpose* : A change to the General Management services contract (overall policy, strategic planning, management of financial resources and market share price) agreed by Sword Group and Sémaphore Investissements was approved by the Board of Directors on 8 May 2008. It was agreed that Financière Sémaphore SARL present an annual bill of €150,000 for the aforementioned services, to be paid with monthly fixed payments, plus €150,000 for entertainment and travel expenses. As of financial 2008, these will be billed together rather than separately, bringing the total invoiced amount to €315,000, with any extra expenses relating to exceptional acquisitions activity billed separately.

   Value of the services provided: The amount paid during fiscal 2011 amounted to €700,000 (€400,000 of costs related to exceptional acquisition assignments).

2. *Nature and purpose:* The Board of Directors of 16 November 2009, having authorised the acquisition of AgencyPort by Sword Group, also noted that the company Financière Sémaphore SARL agrees to repurchase at a specified price AgencyPort shares held by that company's minority shareholders with a commitment for Financière Sémaphore SARL to sell back, at the same price, the AgencyPort shares to a Sword Group company.

   Value of the services provided: During fiscal 2011, the redemption of shares held by minority shareholders resulted in the recognition of a gain of €1,023,221, that was recognised in the accounts by your company.

With APAK GROUP Ltd

Nature and purpose: The Board of Directors held 5 September 2008 authorised the issuance of a guarantee given by your company of the proper performance of the commitments and obligations taken on by Apak Group Ltd under sales contracts signed with Daimler Financial Services AG. The guarantee was signed on 5 September 2008.
Value of the services provided: This agreement had no financial impact on the accounts for the year ended 31 December 2011.

With SWORD TECHNOLOGIES

1. _Nature and purpose_ : Sword Group waived in 2007 a current account of €2.1 million to the benefit of Sword Technologies, under a claw-back clause (in accordance with the authorisation granted by the Board of Directors of 10 December 2007 and 11 March 2008). THE BOARD OF DIRECTORS OF 14 OCTOBER 2008 CHANGED THE CRITERIA FOR THE CLAW-BACK CLAUSE.

   The writing off of a current account advance had been granted under a claw-back clause or in the event of the sale of the majority of the shares of Sword Technologies. The claw-back condition was considered to be met once the net assets after allocation to the deferred earnings of Sword Technologies on the closing date of the last financial year exceed the amount of fully-paid share capital, plus the reserves that law and by-laws allow distributing.

   The criteria for the claw-back clause were changed by an amendment dated 8 October 2008: the repayment of such current account will take place in successive instalments limited to an amount enabling the profit and loss account of Sword Technologies to display at least an after-tax profit of 3%.

   Value of the services provided: The claw-back condition was not applied in 2011.
2. _Nature and purpose_ : The Board of Directors of 26 June 2008 authorised the issuance of a guarantee by your company to the benefit of CIC Lyonnaise de Banque to guarantee the repayment of all the principal, interest, commissions, fees, and auxiliary costs due by Sword Technologies to CIC in the context of the €8 million loan it has taken out.

   Value of the services provided: This agreement had no financial impact on the accounts for the year ended 31 December 2011.

With SWORD UK Ltd

Nature and purpose: The Board of Directors of 4 May 2009 authorised the issuance of a guarantee given by your company for the proper execution of the commitments and obligations subscribed to by Sword UK Ltd in the context of the disposal of the shares of Sword BUSINESS Technology Solutions Ltd to Amor GROUP Ltd.

Value of the services provided: This agreement had no financial impact on the accounts for the year ended 31 December 2011.

With CIBOODLE LAND AND ESTATE Ltd

Nature and purpose: The Board of Directors of 18 June 2009 authorised the issuance of a guarantee by your company to the benefit of CIC Lyonnaise de Banque to guarantee the repayment of a bridging loan by Ciboodle LAND **and Estate** Ltd.

The Board of Directors of 30 December 2009 authorised the amendment of the joint and several guarantee deed granted by your company to CIC Lyonnaise de Banque, to guarantee the commitments of Ciboodle Land and Estate Ltd regarding a bridging loan agreement entered into 29 June 2009.

Value of the services provided: This agreement had no financial impact on the accounts for the year ended 31 December 2011.

Villeurbanne, 2 March 2012

THE AUDITORS

MAZARS

Max Dumoulin

DELOITTE & ASSOCIES

Olivier Rosier

VIII – Property, plants and equipment

8.1 List of facilities

City/Town	Address	Telephone	Premises owners	Surface area of the premises
Atlanta	13010 Morris Road 6th Floor Bldg 1 Alpharetta, Georgia 30004 USA	+ 1 866 275 5902	Regus Management Group, LLC	21 m^2
Beirut	Pôle Technologique Berytech Rue Damas Beirut Lebanon	+961 1 612500 ext 110	Centre Berytech Pole Technologique Berytech Rue Damas Beirut - Lebanon	268 m²
Bristol	Apak House Unit 1, Badminton Court, Station Rd, Yate, Bristol, BS37 5HZ Unit 4 & 5 Badminton Court, Station Road, Yate Bristol, BS37 5HZ Unit 6 Badminton Court, Station Road, Yate, Bristol BS37 5HZ	+44 1454 871 000	R Cureton of Firbank, Knapps Drive, Winscombe, Avon & L Papadopoullos of Tamarind, Fosse Road, Stratton-on-the-Fosse, Bath, Avon Egan Lawson Michael Peter Ford Orchard House, Dyers Lane, Iron Acton, Bristol BS37 9XP	314 m² 297 m² 224 m² 155 m²
Brussels	Avenue de Tervuren 270 B-1150 Bruxelles	+32 (0)2 235 56 70	Cofinimmo Boulevard de la Woluwe 58, 1200 Brussels	2,222 m²
Chennaï	Arthant Nitco Park 90 Dr Radhakrishnan Salai Mylapore Chennai 600,004 017 4th and 5th floor.	+91 66 36 36 36	Watco Chennai Real Estate Pvt Ltd Recondo Compound, Inside Municipal Ashphalt Compound, S.K. Ahire Marg, Worli, Mumbai 400030 Dr,(Mrs),S,Vijayakumari Old No 11G/New No 65 Rajaji Road, Salem 636007 Tamilnadu	547 m^2 547 m^2
Chicago	30 S Wacker Drive Chicago, IL 60606	+1 312 447 5600	TS 125 South Wacker, L.P	288 m2
Dubai	P.O Box 500406 Dubai Internet City Dubai UAE	+971 4367 0375	TECOM Investments FZ LLC, PO Box 73000, Dubai, UAE	166 m²
Geneva	Geneva Business Centre 12, Avenue de Morgines 1213 Petit Lancy	+41 (0) 22 879 96 30	Crédit Suisse AMF CP 8110 Zurich	240 m^2
Galway	Unit 2a Ballybrit Business Park Galway Ireland	+353 (0) 91 70 6000	Iain MacKenzie Graham, Sheena graham and James Hays Pension Trustees Ltd	438 m²
Glasgow	India of Inchinnan, Renfrewshire PA4 9LH	+44 (141) 814 3700	Sword	4,620 m²
Jakarta	Menara Batavia - 26th Floor Jalan KH. Mas Mansyur Kavling 126 Jakarta 10220 Indonesia	+62 (0) 21 5793 0170	PT Manna Labora, Jalan Besar Utara N°6 Jakarta	363 m²

Lausanne	Avenue des Baumettes 19, CH 1020 Renens Lausanne	+41 (0)21 632 90 00	CACIB SA Succession Jacot Guillarmot André	1,017 m2
London	1 000 Great West Road Brentford Middlesex TW8 9DW – 11th & 9th floor	+44 20 8232 2555	Forthright Property Investments Ltd, Suite 6, Audley House, 9 Audley St, London W1K 6ZD	769 m^2
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^{000}
Lyon	9, avenue Charles de Gaulle 69771Saint-Didier au Mont d'Or Cedex	+33 (0)4 72 85 37 40	SNPI 27 Place Bellecour 69002 Lyon	2,968 m^2
Nantes	31, Boulevard Albert Einstein CS 92 378 44323 Nantes Cedex 3	+33 (0)2 99 84 52 62	SCI Moulin des Roches 31 bis, Rue des Renardières 44100 Nantes	270 m^2
New York	30 Broad Street 14th Floor New York, NY 10004	+1 (646) 480 4874	Georgeson Inc, 199 17 State Street 28th Floor New York NY 10004	50 m^2
Paris	37, rue de Lyon 75012 Paris	+33 (0)1 44 67 24 00	Cogifrance 47, rue du Fbg Saint-Honoré 75008 Paris	2,281 m^2
Rennes	8, Rue Jouanet 35 700 Rennes	+33 (0)2 99 84 50 50	SCI Catba, 29 Square Louis Boulanger 35000 Rennes	683 m^2
Sydney	Suite 2802, level 28, 1 Market Street, Sydney NSW 2000	+61 (0) 2 92 649 566	Investa properties Pty Ltd, Level 6, 126 Phillip Street, Sydney NSW 2000	209 m^2

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

8.2 Environmental issues likely to influence the use of premises

None.

IX – Review of the financial situation and earnings

9.1 Review of the financial situation of fiscal 2010, 2009 and 2008

All data relative to the financial situation are detailed in the management report and the appendix to the consolidated financial statements.

9.2 Review of the current operating profit

All data relative to the financial situation are detailed in the management report and the appendix to the consolidated financial statements.

X – Cash and capital

10.1 Short-term and long-term capital

In €'000	31/12/2011	31/12/2010	31/12/2009
Long-term capital	**216,811**	**267,420**	**261,481**
Consolidated shareholders' equity	130,293	161,332	148,101
Short-term financial debt	86,518	106,088	114,951
Short-term capital	**16,646**	**16,542**	**7,479**
Short-term financial debt	16,646	16,542	7,479
Cash and cash equivalents	**111,609**	28,020	41,431
Net debt	**- 8,445**	94,610	81,001
Net debt / Consolidated shareholders' equity	**- 5.44%**	58.64%	54.69%

The decrease in long-term capital results from the capitalisation of the annual result and the interim dividend paid in July 2011.

10.2 Cash flow statement for 2009 to 2011

Consolidated data (In € '000)	**31/12/2011**	**31/12/2010**	**31/12/2009**
Operating cash flow	16,524	26,276	15,553
Cash flow from investments	88,043	-28,839	-5,811
Financing cash flow	-21,704	-11,544	10,019
Impact of the change in currency prices	*1,561*	*-44*	*-3,324*
Change in cash position	**82,862**	**-14,108**	**-19,761**

Operating cash flows primarily comprise the profit for the year, readjusted with the change in working capital requirements.

Investment cash flows correspond to asset acquisitions, minus disposals of property, which primarily consist of sales of subsidiaries.

Financing cash flows are comprised of capital increases, minus the distribution of dividends, and the change in debt.

10.3 Borrowing conditions and loan structure

The conditions governing borrowings and promissory notes are described in § 4.2. of the financial report.
Covenants relative to outstanding borrowings at fiscal 2011 year end, are described in Note 15 to the consolidated appendix. As at 31 December 2011, Sword Group complied with all covenant clauses.

10.4 Restriction to the use of capital

None.

10.5 Funding sources expected for future investments

The funding source expected for future investments is, on the one hand, the use of drawing rights that were unused as at 31 December 2011 for €53,978,000 and, on the other hand, the cash flow released in the course of 2012.

XI – R&D, patents, licences

11.1 R&D

There are 3 sorts of R&D:
1. "Software components" R&D targeted at the "solutions" segment
2. "Corrective" R&D targeted at the "software" segment
3. New software product development R&D

"Software components" R&D is dedicated to 6 ranges of components:

a. COGED: a Document Management range of software components oriented towards Documentum and Filenet technologies,
b. COSIG: a Geographic Information Systems range of software components oriented towards ESRI technologies,
c. GOOGLE CONNECTORS: secure search connector related to the companies' internal management systems,
d. The PTO range: intended for brand and patent offices, the building blocs of an ERP dedicated to that market,
e. The Fastaudit range: intended for website developers, it enables them to determine whether such sites are accessible or not.
f. The Sharepoint Components and Verticals range. The components are accelerators in the implementation of sharepoint for our customers. Verticals are pre-packaged applications that meet a specific requirement. In 2011/2012 Sword provides the vertical "Seek and share", which is a monitoring tool for R&D departments.

"Corrective" and "scalable" R&D are activities whose costs, like those of software components, are charged to the trading account and not considered as fixed assets. This activity is dedicated to all our product ranges.

"New product development" R&D: it aims to be outstanding and is capitalised. For 2011, it relates to the development of Ciboodle products:

- Ciboodle Crowd a Social CRM product the facilitates interaction between companies and their clients on new social software (forums, Facebook Twitter) as well as on traditional communication methods (telephone, etc.),
- Ciboodle 3.5 a new module that facilitates the integration of e-mail accounts within the Ciboodle product instead of requiring users of the CRM system to use E-Mails accounts external to the Ciboodle product.
- Ciboodle 3.7, a new module that allows customers to manage marketing campaigns with clients within the Ciboodle product.

And also Citadon products for which new modules have been created to enable the various Fusion product families, i.e. Fusion Enterprise, FUSION P8 and FUSION Live, to communicate more easily one with another, plus addition of the BPM modules and integration of the CADTOP product with ORACLE UCM in order to be able to tackle that integrator's market.

In terms of quantification, R&D represents an investment of 17.6% of the Software turnover and 4% of the IT Services turnover.

11.2 Patents and licences

Sword Group owns all the trademarks that it needs to use. Indeed, it owns the following trademarks:
- French trademark Sword initially registered under number 520509 on 22 June 1979 in classes 9, 35, 42, renewed on 14 June 1989 under number 1536363, and renewed for the last time on 27 May 1999,
- French trademark Ptolemy,
- French trademark Acsepto,
- European trademark Sword, registered under number 001911809 on 20/10/2000 in classes 9, 16 and 42
- Foreign trademark Sword registered in Germany under number 1111856 on 10 December 1985 in classes 7, 9, 16, 35 and 42,
- Foreign trademark Sword registered in South Africa under number 88/5249 on 29 June 1988 in class 9
- Foreign trademark Sword registered in South Africa under number 88/5250 on 29 June 1988 in class 35,
- Foreign trademark Sword registered in South Africa under number 88/5251 on 29 June 1988 in class 42,
- Foreign trademark Sword registered in Benelux under number 378628 on 4 September 1981 in classes 7, 9 and 16
- Foreign trademark Sword registered in the UK under number 1255025 on 22 November 1985 in class 9,
- Foreign trademark Sword registered in the UK under number 1255026 on 22 November 1985 in class 16,
- Foreign trademark Sword registered in the UK under number 1278695 on 1 October 1986 in class 42,
- Foreign trademark Sword registered in Switzerland under number 318013 in classes 9 and 16
- Trademark Sword registered in Germany under number 39716994.9
- Trademark Sword registered in Austria, Benelux, Denmark, Spain, France, Italy, Hungary, Sweden, Switzerland, under number IR 687758
- Trademark Sword registered in Greece under number 133788
- Trademark Sword registered in Ireland under number 97/2251
- Trademark Sword registered in Argentina under numbers 2088749 and 2088750
- Trademark Sword registered in Brazil under numbers 820325619 and 820325627
- Trademark Sword registered in Chile under numbers 395267 and 395268
- Trademark Sword registered in the USA under number 75/546758
- Trademark Sword registered in Hong Kong under numbers 9042/97 and 9043/97
- Trademark Sword registered in Malaysia under number 97/15145
- Trademark Sword registered in Mexico under numbers 300980 and 300981
- Trademark Sword registered in Taiwan under numbers 86045800 and 86045801
- Trademark Sword registered in Thailand under numbers 343661 and 343662
- Trademark Open Marine registered as a community trademark under number 0006673855 on 5 October 2006,
- Trademark Ciboodle registered with the "Madrid Protocol Countries" under number 915078 on 13 October 2006,
- Trademark Apak registered in the European Union under number 002831002 in classes 9, 38 and 42 on 28 August 2002
- Trademark Aurius registered in UK and in Northern Irlande under number 2392108 in classes 9 and 42 on 17 May 2005.

XII – Information about 2012 trends

12.1 Main trends that have affected sales, costs and selling prices since 31 December 2011

None.

12.2 Elements likely to influence these prospects

None.

XIII - 2012 goals

13.1 Turnover and estimated profit pour 2009

The Group targets turnover growth in 2012, on a like-for-like basis, of around 7%.

XIV – Management and supervisory bodies

14.1 Company managers and directors

Information about the Company's directors and board members are in the management report. None of the board members or corporate officers was sentenced for fraud, was subject to bankruptcy, put under sequestration or liquidation for at least the past five years. It is also pointed out that none of the board members or corporate officers was subject to incrimination and/or an official public sanction pronounced against him by statutory or regulatory authorities (including designated professional organisations). None of the board directors or corporate officers has been prevented by a court from acting in his/her capacity as member of an issuer's administration, management, or supervisory entity, or from becoming involved in the management or the handling of an issuer's business in the past five years at least.

14.1.1 General information regarding the managers and directors

Information contained in the financial report.

14.1.2 Other corporate officers and functions exercised by the Company's directors and officers

Information contained in the financial report.

14.1.3 Other expired terms of office exercised in the past five years

Information contained in the financial report.

14.1.4 Biography of managers and directors

See Chapter 17.1.2. Management team.

14.2 Conflicts of interest within the management and supervisory organs and at the general management level

None.

XV - Remuneration and benefits

15.1 Remuneration of directors and managers

Information contained in the financial report.

15.2 Provisions set up of recorded by the Company for pension payments and other benefits

There are no provisions for pension payments or benefits for the managers and directors, as Mr Jacques Mottard and Ms Françoise Fillot are not salaried employees of Sword Group.

XVI - Operation of the Board of Directors and Executive Committee

16.1 Operation of the Board of Directors, the Executive Committee and the Supervisory Committee

Information contained in the report on internal control and the management report.

16.2 Contracts between the directors and the Company

The Company has not entered into any direct contract with its directors. However, under a services agreement effective 1 January 2007, the remuneration of Mr Jacques Mottard (and his assistant) is billed by the Company to Sémaphore Investissements (see Note 21 of the management report).

16.3 Audit and compensation committees

See paragraph 16.4 below

16.4 Corporate governance

16.4.1 Report on internal control

Dear Shareholders,

We have prepared the Report that covers the preparation and organisation of the work of the Board of Directors, as well as the Company's internal control procedures.

This document lists the relevant guidelines, established in particular by AFEP, MEDEF and ANSA, see in particular the pages:
http://www.medef.fr/main/core.php?pag%20id=11281 and http://www.medef.fr/main/core.php?pag%_id=129601.

The procedures described below cover the parent company and all the subsidiaries it controls.

To start, it would appear useful to discuss generally the organisation of our Group, prior to laying out the main procedures employed, and then moving on to the functioning of our Board.

A. The general operation of Sword Group

1. The Group's management entities

Sword Group is organized to have quick reactions while maintaining a full management structure and consistent controls We feel that the role of five major bodies should first be described.

1.1. The Board of Directors

It is comprised of five members: the Chairman, Nicolas Mottard, Françoise Fillot, François Barbier (appointed 28 April 2010 as substitute for 21 Centrale Partners, whose term of office expired and was not renewed), and François-Régis Ory (appointed 17 May 2011).

To date, the Board has two independent directors, namely François Barbier and Francois-Regis Ory and one female director, namely Françoise Fillot.

The budgets are submitted annually to the Board, which also receives monthly management accounts and quarterly financial statements.

The Board is informed in advance of each projected acquisition; start of an activity, and more generally of all significant financial transactions.

1.2. The Board Management Committee

It determines annual directives, controls activities and defines the long-term strategy. On 31 December 2011, it gathered:
- Jacques Mottard Executive Chairman
- Françoise Fillot Executive Vice-President - CFO
- Three CEOs (Chief Executive Officer) Tony Allen, Juan Arcas, et Mike Hughes

1.3. The Operating Committee

Its task is to set policy for the year, manage the annual budget and control the profit centres, known as "Business Units". It consists of more than five "Directors of Operations":
- Pradeep Banerji
- Anys Boukli
- Philippe Blanchard
- Philippe Le Calvé
- Dieter Rogiers

Each Director of Operations is at the same time the Director of a Business Unit. To date, there are 12 Business Unit Directors.

Hence, only the Executive Chairman and the Executive Vice-President are not directly involved in a profit centre.

1.4. The Executive Committee

It is made up of the Operations Committee enlarged to include all the Business Unit Directors.

The Group's organisational philosophy is based on the avoidance of hierarchies, and it has only two levels: the Director of the Business Unit, and the General Management.

1.5. The Executive Vice Presidents

Ms Françoise Fillot was appointed Executive Vice President for the Executive 's term, i.e. up until the closing of the Ordinary General Meeting convened to rule on the financial statements for the financial year ending 31 December 2013.

Ms Françoise Fillot, a member of the Management Committee, is significantly involved in the definition and implementation of the Company's general management policy.

2. The Business Unit, the profit centre around which the group is organised

The Business Unit is a profit centre run according to principles set down in an internal management manual. The main management principles applied to Business Units are the following:

2.1 Analysis, based on:

- a budget submitted before the start of the year, an analytical report prepared at each end of month and sent to the General Management, which includes a breakdown of activities, a summary of sites, the distribution of activities, an analysis of "work in progress" and "prepayment invoices", as well as an analysis of progress per site,
- feedback to the Business Unit by the General Management on the cost accounts.

2.2. General accounting

- Each entity has its own accounts department, which reports directly to the Administrative and Finance Department.
- The Financial Department ensures the centralised management of the cash requirements of the Group 's various companies: if the cash of one of the subsidiaries serves the financial requirements of another, the holding company handles the remuneration of the lent capital, in order for the company that generates a surplus to perceive interest on its loan.

2.3. Commercial

Each week all the members of any committee whatsoever, complete the same weekly report as Sales Engineers, combined with a report of contacts made during the week, and forward them to their respective superiors.

These reports, consolidated at Group level, facilitate:
- managing activities carried out by various players at the same clients,
- quantifying the number of new projects being quoted, quantifying the number of new contracts signed,
- monitoring the number and value of deals lost, having a clear idea of the persons who have applied for positions, and the number of employment contracts signed.

The Operations Committee is responsible for coordinating all the commercial players, which includes the Business Unit Directors.

2.4. Technical

The Technical Manager has multiple roles at Sword. Strategically, he participates in the elaboration of technology orientations of the Company in direct cooperation with the senior management. As such, he is in charge of part of the technological monitoring via a meshing of technical points of contact within the group. Operationally, his task is split between pre-sales (elaboration of responses, early stage value proposals, etc.), development (providing an external eye on the solutions implemented, after-sales (site and future upgrade follow-up).

Each proposal is prepared by Project Leaders and monitored by the Technical Department for the number of days, and by the Director of the Business Unit from the financial point of view. The Director of the Business Unit is authorised to enter into commitments up to €300,000 (versus €500,000 for the Director of Operations). Beyond, the General Management's approval should be secured.
Each project is run by a Project Leader, who performs the monthly reporting that allows analysis of progress on the project and possible deviations from the initial estimates.

All project follow-up files are monitored by the Technical Department. A summary of the state of progress and of deviations is prepared at Group level, on an operation by operation basis.

All delays (on-site projects) must be immediately attributed. All gains (advances on the initial estimates) are attributed at the end of the project.

Any project which is more than 5% late is subject to an audit by the Technical Department of another operation.

All non-invoiced days by billable parties can only be allocated to one of the following three areas: training, management, subcontracting.
Any increase in the number of non-invoiced days per month in a Business Unit, will be the subject of detailed analysis in order to insure the proper allocation of subcontracting.

3. Reports, meetings, authorisations

3.1. Reporting

A Business Unit prepares:
- its projected payments on the 10th of each month,
- its analysis reports the last working day of each month, before 12 noon,
- the sales situation the evening of the fifth working day of each month,
- report on travel expenses the 5th of each month.

Each Business Unit Director will prepare every half year, with the assistance of the Technical Department, a summary of HR management and of the salaries of its staff, including proposals for salary increases, training or career development for each member of staff, as preparation for the twice-yearly Remuneration Committee.

Each case is reviewed together with the Directors of Operations and the Management Committee.

Each Business Unit Director prepares prior to the 15 November each year a proposed budget for the coming year, which will be examined by the Annual Budget Committee.

3.2. Meetings

Each week the Business Unit Director shall hold a meeting with his sales and technical managers to supervise the management of his profit centre, at the sales, technical and managerial levels, based upon the weekly reports.

Each Director of Operations holds a meeting once a month with his Business Unit Directors, both sales and technical, in order to check the actions taken by each unit, and to coordinate the Business Units.

Every month, the Board Management Committee meets for a day to review all the summaries received, to propose corrective action to the Operations Committee, and to define acquisitions strategy.

Every two months, the Operations Committee and the Board Management Committee meet in order:
- to summarise items transacted between the Board Management Committee and the Operations Committee over the previous two months,
- to check on progress of the Business Units,
- to define strategy for the year and possible corrective action.

Once a year, all Group employees must meet their manager for an in-depth discussion of their career and salary, this being additional to daily exchanges between the Director and staff. Twice a year the Board Management Committee, the Operations Committee and the Executive Committee meet as a "Careers Committee".

Once a year a "Budget Committee" is added to the "Careers Committee".

3.3. Authorisations

- A Sales Engineer is authorized to represent the Company at clients and to sign external assignment contracts that meet Group profitability ratios.
- A Project Leader is authorised to manage his staff from the technical point of view and control the timeline progress of each project, without interfering with the trading results.
- A Technical director manages the Project Leaders, and personally manages major projects (over €300,000).
- A Business Unit Manager has the authority to recruit, within the limits of his budget and in accordance with the Group procedure, to incur the expenses provided for in his budget, and to sign contracts with clients for up to €300,000. If these expenses do not fall within his allocated budget, these authorisations are taken away from him until the situation returns to normal. He must ask the Board Management Committee for permission, before undertaking any expenses or recruitments.
- A Business Unit Director cannot undertake investment expenses, for which a purchase requisition must be submitted to the Management Committee, nor commit to expenses that may have a long-term impact, such as rent, for which an equivalent procedure with the senior management exists.
- A Director of Operations may commit the Company on contracts up to a limit of €500,000, and has the authorities previously awarded to Business Unit Directors if they lose their authorisations.

In general, no one may decide to commit to expenses and at the same time arrange for their payment: the profit centre manager signs his approval on supplier manufacturers, while it is the Finance Department that deals with payments.

3.4. Staff Committees

An employee is recruited in accordance with a specific procedure (profile definition, interviews with two separate persons, tests). New employees are inducted on their first day, and the secretary of the unit gives them the welcome booklet and the management manual.

That is followed by the Project Leader and/or Technical Director, who in due course must provide an opinion on their development potential.

Each quarter, employees attend a unit meeting, to provide them with information on the Company. Each half-year his/her case is reviewed by the "Careers Committee". Once a year, at the least, he/she has a formal interview.

B. <u>Actual internal control</u>

1. Definition of internal control - nature of the information provided

We would remind you that the purposes of the internal control procedures in force in our company are:
- to monitor that management, the implementation of operations and the behaviour of staff are in accordance with the guidelines for businesses as laid down by the company's managing bodies, by the applicable laws and regulations, and by the values, standards and internal rules of the company;
- and to verify that the accounting, financial and managerial information provided to the company's managing bodies truly reflects the activities and the position of the company.

This internal control system relies on the AMF's reference framework targeted at mid and small caps.

One of the purposes of the internal control system is to prevent and control risks that arise from the business's activities, and risks from errors or fraud, particularly in the accounting and financial areas. As with all control systems, it cannot provide a total guarantee that such risks are totally eliminated.

We point out that the information contained in this report is purely descriptive.

We would also point out that it is for the Auditors to prepare an additional report, specifically on the internal controls in respect of the preparation and processing of financial and accounting information.

2. Summarised description of the control processes in place

2.1. Internal control procedures in respect of the preparation and processing of financial and accounting information.

The most relevant procedures in this regard are:

Setting up of a year-end schedule:

Objectives	Produce financial information in due course
Principles	Monitoring of the timeline helps meet deadlines for the market listing of the Company (escalation of local consumption packages, publication in the Bulletin of Legal and Official Announcements, provision of the Financial report, issue of the work completion letter, publication of quarterly turnover, provision of the half-yearly financial report, issue of legal documents, Ordinary/Extraordinary General Meeting, SFAF meeting, etc.).
Implementation	Quarterly accounts by the Administrative & Finance Department and Senior Management, assisted by external consultants
Persons and departments involved	Administrative & Finance Department Senior Management Auditors who only review the half year (limited review) and annual (audit) accounts

Financial statements overview:

Objectives	To ensure the comparability of financial statements over time, the company is required to submit accounts and financial statements that comply with the principles of prudence and consistency of accounting methods from one year to another.
Principles	Guarantee of the relevance of the published pro forma information (if applicable), sectoral information, benchmark used, implementation or non-implementation of industry standards
Implementation / Types of controls	Compliance with industry standards Review of the pro forma accounts, if applicable
Persons and departments involved	Administrative & Finance Department Senior Management Auditors who only review the half year (limited review) and annual (audit) accounts

Monthly reporting:

Objectives/Principles	Retain control of the operational progress of contracts, and the recording at the accounting and financial level of the results of progress on contracts
Implementation	Preparation of analytical reporting, including - breakdown of activities - summary by site - summary of work in progress and of advance invoicing - analysis of progress per site Drawing up of a monthly analytical report that is identical throughout the Group's entities. All BU reports are received at the head office on the last business day of the month before noon or according to a schedule. Three days before the last business day of the month, the head office receives the draft internal invoices to the Group's "customer BUs". Five days before the last business day of the month, the assistant should receive her associate's monthly balance sheet.

Control over proper implementation	Monthly control by the Management Committee with feedback to the Business Unit Directors.
Persons and departments involved	Business Unit Directors, Senior Management and Administration & Finance Department

Monitoring of holdings:

Objectives/Principles	Maintain control of the activities and results of subsidiaries. Subsidiaries can be made up of one or several Business Units. Monitoring of holdings works largely through the monitoring of the Business Units, and thus through control by reporting
Implementation	Preparation of analytical reports (cf. Reporting) Reporting of general management prepared by the Administrative and Financial Department
Control over proper implementation	Monthly control of Business Unit analytical reports by Senior Management, with feedback to the Business Unit Creation of monthly/quarterly accounts
Persons and departments involved	Directors of Business Units / subsidiaries Accountants of subsidiaries Administrative & Finance Department Senior Management

Procedure for preparing consolidated accounts:

Objectives	To produce consolidated financial statements, which reflect the true economic situation, are correct and provide a reliable view of the Group.
Principles	In line with international accounting standards (IFRS) as per European Regulation Nr.1606/2002 of 19 July 2002
Implementation	Quarterly accounts by the Administrative & Finance Department and Senior Management, assisted by external consultants The company uses the FCRS consolidation software package (CEGID-CCMX). In each branch the Accounting Manager records the consolidation package for the consolidated subsidiaries, using its own accounting software, and consolidation is conducted at the headquarters. The software programme is set up to bring out the anomalies relating to intercompany accounting and any accounting errors are detected automatically The software programme makes it possible to confirm that the balance sheet is well balanced and to produce the cash flow table
Control over proper implementation	Control by the Auditors
Persons and departments involved	Administrative & Finance Department External consultants Senior Management The Auditors, who only check the half-yearly (limited check) and annual (audit) accounts, in accordance with correct legal requirements for listed companies

Procedure for tracking off-balance sheet commitments:

Objectives/principles	Track off-balance sheet commitments by type of contractual obligation, commercial commitments, commitments or sureties received, etc.
Implementation	Preservation of contracts in a secured location Identification of the general commitment clauses Assessment of commitments Planning of the commitments (kick-off, cancellation) Conditions of existence and implementation Summary of commitments

Control over proper implementation	Twice-yearly verification, by the Financial Department, of the proper application of the tracking procedure Twice-yearly verification conducted by the Auditors: - through a review of documents - through circularisation (if applicable, annual receipt by the banks of the surety information slip Annual review of bank covenants
Persons and departments involved	General Management Financial Department External consultants Auditors (issuance of certificates relating to compliance with covenants, if applicable)

Intangible assets tracking procedure:

Objectives/principles:	Ensure that the intangible assets are not over-valued
Implementation / control of proper implementation:	Detection of a sign of impairment when the book value exceeds the recoverable amount. Qualification of leases as per IAS 17 when signing new contracts. Inventory of assets when management identifies a line of business that is intended to be sold or discontinued in accordance with IFRS 5. Confirm that the assets qualify for IFRS 5 when closing each individual balance sheet.
Persons and departments involved:	General Management Financial Department External consultants Auditors

2.2. Other internal control procedures

The following procedure is also important in respect of our business.

Personnel:

Objectives/Principles	Organisation of the "Personnel" function, as part of the objectives set by the Senior Management, facilitating in particular: - control of the timeliness of staff requirements - control of recruitment procedures as being suitable for the requirements - control and monitoring of individual files - control of payment of salaries - compliance with legal and regulatory provisions
Implementation	Requests from Business Unit Directors, monitored by the Senior Management Definition of profiles, personal interviews, tests Periodic evaluation of staff Wage scales set by Business Units Salaries fixed by the HR Department Pension obligations (defined benefit plans) are determined by an external consultant
Control over proper implementation	Control by the Administrative & Financial Department and by Senior Management. Reduced risk of error with almost systematic recourse to specialised external firms for payroll in the French and foreign subsidiaries
Persons and departments involved	Opportunity of requirements: Senior Management Recruitment procedure: Business Unit Director and Senior Management Review of individual files: Administrative & Financial Department and Senior Management Review of salaries: HR Department and the Administrative & Financial Department Legal & regulatory provisions: HR Department and Senior Management

Customers:

Objectives/Principles	Minimize the risk of non-recovery of receivables. Limit dependency vis-à-vis a client.
Implementation	Recognition of turnover, of deferred revenue and invoices to be issued using the monthly tables of analytical reporting. Upstream detection of risks of non-recovery The Group works mainly with large corporations. This limits its exposure.
Types of controls / Verification of proper implementation	Monthly monitoring of overdue invoices Monitoring of the clearance of receivables from one quarter to another.
Persons and departments involved	General Management Financial Department BU Directors Sales Assistants

Cash:

Objectives/Principles	Organisation of the "Treasury" function, as part of the objectives set by the Senior Management, facilitating in particular: - optimisation of group cash as part of dynamic cash management. - monitoring of liquidity risks, currency risk, interest rate risks - ensuring the actual separation between functions - paying suppliers only after approval of their invoices and actual recording to the books.
Implementation / Type of controls	- The supplier invoices subsidiaries are approved by the BU Managers as part of their Budgets. All other invoices (CAPEX or overhead requests) require the approval of the Senior Management. - Supplier invoices involved with analytical monitoring are reconciled. - Senior Management monitors bank covenants, rate swaps, and foreign exchange positions. Management has also established a monitoring of net positions by currency. - Review of available credit lines against the amounts used. - Monitoring of the maturities of commercial paper and other bank loans - Review of authorisations based on signatures for each bank account
Control over proper implementation / Persons and departments involved	General Management Financial Department Auditors

Taxes and duties:

Objectives/Principles	Ensure the proper calculation of the tax expense. Ensure the proper presentation of financial statements (as per IAS 12), particularly regarding the territorial economic contribution (CET) and the research tax credit (CIR) Approve the breakdown of deferred tax
Implementation	Determination of income tax expenses. The structure of the tax expense is split between current tax and deferred tax. A reconciliation table between the theoretical tax and the actual tax is drawn up, with a breakdown of differences by nature (final differences between accounting profit and taxable profit, permanent differences between consolidation entries, foreign exchange rate differences with foreign subsidiaries, non-activation of the proceeds from income tax on tax deficits, use of tax deficits not recognised at year start, tax credit, others, etc.) The change in net deferred tax is made through reprocessing with a reconciliation table between N and N-1. The change is also broken down depending on whether the impact is recorded as profit, as shareholder's equity, or results from a currency effect.
Types of controls:	Review of the methods used for calculating deferred taxes (confirmation of the bases and income tax rates used) Review of the budget assumptions that justify the continuation of deferred tax assets by legal entity.

Control over proper implementation / Persons and departments involved	Review by the local Accounting departments within the foreign subsidiaries. Control by local auditors as part of "agreed upon procedures", particularly in Anglo-Saxon countries. Determination of taxable income by the chartered accountant within the French subsidiaries. Control by the Group's Auditors

C. <u>Preparations for, and organisation of, the Board's work</u>

1. Composition – representation of women on the Board

The by-laws of your company provide for a Board of Directors comprised of three to eighteen members. Currently, it is comprised of the following members:

Name	Date first appointed	Expiry date	Main function in the Company
Jacques Mottard	22/06/2001 Reappointed on 26/04/2004 and 28/04/2010	31/12/2013	Executive Chairman
François Barbier	Appointed 28/04/2010	31/12/2013	Board member
Nicolas Mottard	22/06/2001 Reappointed on 26/04/2004 and 28/04/2010	31/12/2013	Board member
Françoise Fillot	01/07/2004 Reappointed on 28/04/2010 30/01/2009 Reappointed on 28/04/2010	31/12/2013 31/12/2012	Executive Vice President Board member
François-Régis Ory	17/05/2011	31/12/2014	Board member

The list of other terms of office held in other companies by the board members is detailed in the management report (paragraph 19).

Within the meaning of Article 8.4 of the AFEP/MEDEF Corporate Governance Code of December 2008, François Barbier and Francois-Regis Ory (appointed by the General Meeting of 17 May 2011 in preparation for formalising the Audit Committee) are "independent directors". None of the above holds any significant holding in the capital of clients or suppliers of Sword Group, or in its subsidiaries.

The Board of 4 March 2011 discussed, pursuant to Article L.225-17 of the Commercial Code, as amended by Act No. 2011-103 of 27 January 2011, the balanced representation of women and men on the Company's Board of Directors. We remind you also that this law now requires:

- on the one hand, to seek a balanced representation of women and men on company boards,
- secondly, to maintain a proportion of directors of each gender that cannot be less than 20% after the first general meeting following 1st January 2014 and 40% after the first general meeting following 1st January 2017.

The Board of Directors of 4 March 2011, then composed of four members, including Ms. Françoise Fillot, felt that the representation of women and men within it was sufficiently balanced and that the composition of the Board met such diversity requirements.

The Board of Directors of 15 December 2011, in accordance with the provisions of Article L.225-17 as amended by Law No. 2011-103 of 27 January 2011, deliberated again on the Company's policy with regard to equal work and pay. The Board was then composed of five members, including Françoise Fillot (a proportion of women of 20%). Therefore, it considered that its composition, to date, still met that gender equality requirement.

No member of the Board is pending ratification of co-option by the General Meeting. There is no Director elected by the employees.

With respect to the Company's size and in order to enhance the effectiveness of the board decisions, the functions of Chairman and CEO are not separated.

2. Board meeting - Audit Committee

The Board meets, carries out its work and adopts resolutions in compliance with applicable legal and regulatory provisions, and with the by-laws of your company: as of today, the Company has its internal regulations. There is no censor.

In the absence of an employees' joint consultative committee, no representative of the employees of the company or the group attends the board meetings on a regular basis.

The Board receives the budgets once a year, management accounts monthly, and financial statements quarterly. In addition, the Board is informed in advance of each projected acquisition, creation of an activity, and more generally of all financial transactions.

Prior to each Board of Directors meeting, its members are sent the documents necessary regarding the agenda. The board members may request, at any time of the year, the information they consider useful regarding the business conducted by the Company.

Regarding the establishment of an Audit Committee, we remind you that the Board of 18 December 2009 created a Commission, composed of the Chairman and Ms Françoise Fillot, in charge of considering the setting up of an Audit Committee and a Nominations and Remunerations Committee. The said Commission submitted a report on its work to the Board that met on 20 December 2010. The report states that Mr François Barbier, in his capacity as independent board member, pursuant to the departure of Mr Heath Davies, wanted the Board to reflect on the practical operating rules of the Audit Committee. In that context, the Board unanimously adopted the principle of setting up an Audit Committee and entrusted Mr François Barbier with the task of expressing recommendations as to the operating mode of the said Committee, in order for it to become operational in the course of September 1011. In the course of February 2011, Mr François Barbier turned in to the Board a report on his assignment.

Following this work, the Board of 3 November 2011 decided to formalise the creation of an Audit Committee. It set the composition and operating procedures of such Committee (see Article 8 of this report).

During the 2011 financial year, the Board met 17 times. The attendance rate stood at 68.23%.

We make use of our legal counsel to call board meetings and to assist the Chairman in the preparation of minutes.

3. Board of Directors' assessment

The Board of Directors, in its session of 15 December 2011, proceeded to its assessment, in accordance with Article 9 of the AFEP/MEDEF corporate governance code. Given the assessment made by the Chairman and after deliberating, the Board considered that its current mode of operation still enabled it to fulfil his mission under good conditions. Further, the Board considered that significant efforts in terms of governance had been made during fiscal 2011, insofar as, on the one hand, a second independent board member had been appointed and, on the other hand, the Company's Audit Committee had been formalised.

4. Duration of board members' term of office

To date, each board member's term of office is 4 years, it being pointed out that the General Meeting of 28 April 2010 decided to amend Article 13 of the by-laws and to reduce the length of the board members' terms of office from 6 to 4 years, in accordance with the recommendations of Article 12 of the AFEP/MEDEF Corporate Governance Code. For historic reasons related to the composition of the board, the board members' terms of office are not staggered over time.

5. Remuneration of the management and administration entities

The corporate officers are remunerated based on their experience and skills, in the European and worldwide context.

If and when share subscription options are granted, the Board of Directors determines the performance criteria and the number of shares resulting from the options that should be kept by the corporate officer until the end of his/her term of office.

The remunerations of corporate officers are detailed in paragraph 20 of the management report.

6. Shareholders' participation in the General Meeting

The shareholders are invited to attend the general meetings in accordance with legal and statutory provisions. Article 19 of the by-laws relates to shareholder meetings.

7. Information demanded by Article L.225-100-3 of the French commercial Code

In accordance with the provisions of Article L. 225-37 paragraph 9 of the French Commercial Code, below is the information referred to in Article L.225-100-3 of the French Commercial Code.

- Structure of the Company's share capital:

Forename-Surname	**Situation at 31/12/2011**		
	Number of shares	% of capital	% vote
Jacques Mottard and Financière Sémaphore	1,706,281	18.37	26.95
Françoise Fillot	86,395	0.93	1.63
Nicolas Mottard	1,395	NA	NA
Treasury shares	77,887	0.84	NA
Employees and miscellaneous registered shareholders	172,088	1.86	3.16
Floating stock	7,245,919	78,00	68.26
TOTAL	9,289,965	100	100

- Statutory restrictions to the exercise of the voting rights and to share disposals: none,
- Direct and indirect interests in the Company's issued capital: see the table above,
- List of holders of any security bearing special control rights: in accordance with the provisions of Article 19 E 3 of the Company's by-laws, a double voting right is assigned to all the shares entirely paid out for which an individual registration can be evidenced for at least two years in the name of one same shareholder.
- Control mechanisms provided in a personnel shareholding system, if applicable: not applicable,
- Shareholder agreements of which the Company is aware and that may result in restrictions to share transfers and to the exercising of voting rights: None,
- Rules applicable to the appointment and replacement of board members and to the amendment of the Company's by-laws: the Company applies the rules set out in the French Commercial Code,
- Powers of the Board of Directors, in particular the issuance or redemption of shares: the Board of Directors has the powers set out by law. Paragraph 16 of the management report describes the current power delegations.
- Agreements entered into by the Company that are modified or lapse in case of a change of control of the Company: None.
- Agreement that sets out indemnities for Board Members if they resign or are dismissed: None.

8. Corporate governance code

The Board of Directors of Sword Group decided, on 30 January 2009, to adopt most of the AFEP / MEDEF recommendations of October 2008.

Thus, as per the provisions of Article L. 225-37 of the French Commercial Code, Sword Group refers to and implements the AFEP / MEDEF corporate governance code, subject to the following exceptions:

- **Independent directors:**

The Board has two independent members within the meaning of Article 8.4 of the Code of Corporate Governance, namely Mr Francis Barbier, appointed 28 April 2010 and Mr François-Regis Ory, appointed 17 May 2011. Independent board members thus account for 40% of the directors.

- **Board committees:**

Regarding the establishment of a Nominations and Remunerations Committee, it was decided not to establish such a Committee within the Company, as it is not justified given the size of the Company.

Regarding the Audit Committee, the Board of Directors of 3 November 2011 formalised the creation of the Company's Audit Committee and decided to set its composition and operating procedures as follows:

- in accordance with Article L 823-20 4 of the Commercial Code which exempts from the creation of an Audit Committee those companies that have an administrative body that fulfils the functions of the specialised committee, subject to identifying such body and publicising its composition, the Board exercises the function of Audit Committee, in which those board members who exercise no management functions, take part;

- Board members engaged in the tasks assigned to the Audit Committee are entitled to reimbursement, against receipts, of the expenses incurred in connection with their duties,

- the points of contact of the members of the Audit Committee are Ms Françoise Fillot, Executive Vice President, the auditors of the Company and such other persons as Council members participating in the Committee consider appropriate to hear or to invite to its meetings;

- as part of its function of Audit Committee, the Board is responsible, under the provisions of Article L 823-19 of the Commercial Code, for the following issues relating to the preparation and control of accounting and financial information, including:

    - monitoring the elaboration of financial information,
    - monitoring the effectiveness of the internal management and risk management systems,
    - monitoring the legal verification of the annual accounts and consolidated financial statements by the auditors,
    - monitoring the independence of the auditors and issuing a recommendation regarding the auditors suggested for appointment by the General Meeting,
    - handling any other issue relative to the elaboration and verification of the accounting and financial information as the Board will judge appropriate.

The Chairmanship of the Committee was entrusted to Mr Francis Regis Ory.

The Audit Committee has issued a report in the context of the financial statements for the year ended 31 December 2011 which was presented to the Board meeting on 10 February 2012.

9. Improvement of the "corporate governance" processes

In line with the Company's adoption, in January 2009 of the MEDEF/AFEP corporate governance code, financial 2010 was marked by the further improvement of the Corporate Government procedures.

Thus, the Board of Directors formalised:
- a governance charter,
- an ethical charter.

These documents will supplement those that already exist, i.e.:

- a management manual that sets out all of the Group's internal control procedures, a welcome manual for each employee, detailing his/her rights, obligations, and position in the operations of the Company,

- an IFRS accounting principles manual, drafted by an independent consultancy,
- one technical manual per country, that includes all applicable quality standards (CMM, ISO or ISOPRO method).

The Company, in the context of the strengthening of the governance rules, establishes a set of ethical rules for its Board members, as well as internal rules that specify the mode of operation of the Board of Directors and the Board members' obligations in the context of their term of office, particularly their ethical obligations.

In addition, as mentioned, the Company has created an Audit Committee through deliberations by the Board on 3 November 2011

Consequently, the rules of the Board of Directors have been completed with those elements specific to the Audit Committee, namely its composition, its operating procedures, and its procedural rules of meeting and decision making.

Limitations to the Executive Chairman's powers

The powers of the Executive Chairman are not limited.

The Chairman

16.4.2 Auditors' report drawn up in accordance with the last paragraph of Article L.225-235 of the French Commercial Code on the on the report drafted by the Chairman of the Board of Sword Group SE

Financial year ended 31 December 2011

Dear Shareholders,

In our capacity as Auditors of Sword Group SE and in accordance with the provisions of article L. 225-235 of the Commercial Code, we hereby present to you our report on the report prepared by the Chairman of your Company in accordance with the provisions of Article L. 225-37 of the Commercial Code for the financial year ended 31 December 2011.

It is for the Chairman to draw up and submit for the Board of Directors' approval a report giving an account of the internal control and risk management procedures set up within the company, and giving any other information required under Article L.225-37 of the Commercial Code with particular reference to corporate governance issues.

It is for us to:

- inform you of such observations as are called for by ourselves, in respect of the information given in the Chairman's Report concerning the internal control and risk management procedures for the preparation and processing of accounting and financial information and,
- certify that this report includes the other information required by Article L.225-37 of the Commercial Code, it being specified that it is not for us to verify the sincerity of this other information.

We have carried out our work in accordance with the professional standards in use in France.

Information regarding internal control and risk management procedures relating to the drawing-up and processing of accounting and financial information.

Standards governing professional practice require that due diligence procedures be carried out to assess the honesty of information regarding internal control and risk management procedures relating to the drawing up and processing of accounting and financial information contained in the Chairman's report.

These careful evaluations largely consist of:

- familiarising ourselves with the internal control and risk management procedures for the drafting and processing of the accounting and financial information behind the information presented in the Chairman's report and other existing documentation;
- familiarising ourselves with the work on which existing information and documentation is based;
- ascertaining whether appropriate information on serious lapses in internal controls regarding the drafting and processing of accounting and financial information which we may have found within the scope of our mission are appropriately included in the Chairman's report.

Based upon the work done, we have no observations to make concerning the information and declarations in respect of the company's internal control and risk management procedures for the preparation and processing of accounting and financial information, as contained in the Chairman's Report, prepared in accordance with the last paragraph of article L 225-37 of the Commercial Code.

Other information

We attest that the Chairman of the Board of Directors' report includes the other information required under Article L.225-37 of the Commercial Code.

Villeurbanne, 2 March 2012

THE AUDITORS

MAZARS	**DELOITTE & ASSOCIES**
Max Dumoulin	Olivier Rosier

XVII – Staff

17.1 Group head count

17.1.1 Head count

Head count at 31 December 2011 by activity

Head count	Billable head count			Non billable head count	Total
	Staff	Subcontractors	Sub-Total		
Solutions					
IT Services	469	84	553	65	618
Communication Technologies	100	116	216	7	223
Software (Products)	351	14	365	75	440
Total	**920**	**214 (1)**	**1,134**	**147**	**1,281 (2)**

(1) 101 FTE (full time equivalent)
(2) 1,203 FTE (full time equivalent)

Head count at 31 December 2010 by activity

Head count	Billable head count			Non billable head count	Total
	Staff	Subcontractors	Sub-Total		
Solutions (Services)	469	231	700	70	770
Software (Products)	726	175	901	174	1,075
Total	**1,195**	**406 (1)**	**1,600**	**244**	**1,845 (2)**

(1) 236 FTE (full time equivalent)
(2) 1 675 FTE (full time equivalent)

Head count at 31 December 2009 by activity

Head count	Billable head count			Non billable head count	Total
	Staff	Subcontractors	Sub-Total		
Solutions (Services)	608	286 (1)	894	68	950
Software (Products)	666	1	667	156	813
Total	**1,274**	**287**	**1,561**	**224**	**1,785**

(1) including freelancers: 144

Analytically, these can be broken down as follows:

1. Solutions (IT Services + Communications Technologies) :
    - Daily average billing rate: €490 per day

2. Software (Products):
    - TJM "Professional Services: €793 per day
    - TJM Support: €931 per day

17.1.2 Management Team
Management - Operational Organisation Chart at 31/12/2011

Sword Group / Jacques Mottard - CEO / Françoise Fillot - Executive Vice-President

Finance

Françoise Fillot - Acting as Group CFO

- Phil Norgate - UK/US
- Rob Johnson - Sword Apak - UAE/UK /US
- Alan Porter - Sword Ciboodle - Australia/Indonesia/UK/US
- Lalitha Balakrishnan - India
- Acting as CV Consulting - Lebanon/Switzerland
- Acting as PME Expertise - Benelux

Software Division (Products)

Sword Achiever - Jacques Mottard: acting and Managing Director

Sword Achiever - London
- Manager, ABS (London): Deborah Young

Sword Apak - Tony Allen: General Manager

Sword Apak - Bristol
- Acting as Manager, APK1: Tony Allen

Sword Apak Atlanta
- Acting as Manager, APK3: Doriene Viera

Sword Apak Dubai - Jacques Mottard: acting and Managing Director
- Manager, APK2: Jeff Luff

Sword Ciboodle - Mike Hughes: Executive Chairman

Sword Ciboodle Australia (Sydney) - Brian Donn: "Chief Operational Officer"
- Acting as Manager, GTAZ: Brian Donn

Sword Ciboodle Indonesia (Jakarta) - Brian Donn: "Chief Operational Officer"
- Acting as Manager, GTIN: Brian Donn

Sword Ciboodle UK - Mike Hughes acting as "Chief Operational Officer"
- Manager, GTUK (Glasgow): Kenny Bain

Sword Ciboodle US - Mike Hughes acting as "Chief Operational Officer"
- Manager, GTUS: Richard DeFrancisco

Solutions Division (IT Services + Communication Technologies)

Sword France
Sales Director, France: Pierre Gachon
Technical Director, France: Jean-Louis Vila

Sword France - Philippe Le Calvé: "Chief Operational Officer" (Lyon-Paris)
Manager, CMP (Paris): Alain Broustail / Technical Manager Fabian Collard
Manager, IDL (Lyon-Paris) Olivier Leblanc / Acting as Sales Director: Pierre Gachon
Manager, SIG (Lyon-Paris) Laurent Fromont / Sales Director: Maxime Grinfeld
Acting as Manager, SWL (Lyon-Paris): Philippe Le Calvé / Acting as Technical Director: Jean-Louis Vila

Sword France - Philippe Blanchard: "Chief Operational Officer" (Rennes/Nantes-Paris)
Acting as Manager, SWO (Rennes/Nantes-Paris): Philippe Blanchard / Technical Director: Laurent Dreuillat

Sword other operations - Jacques Mottard acting as "Chief Operational Officer"
Manager, SWP (London/New-York/Paris/Sydney): Fabrice Lienart / Technical Directors: Sylvain Cauchy - Françoise Draperi

Sword Switzerland
Technical Directors: Jean-François Ballif - Jörg Schorr

Sword Switzerland / Lebanon - Anys Boubli: "Chief Operational Officer"
Acting as Manager, SUI (Lausanne - Geneva): Anys Boukli / Commercial Director: Philippe Demay / Technical Director: Adrien Billet
Acting as Manager, IF (Lausanne): Anys Boukli / Acting as Technical Director: Jörg Schorr
Manager, BEY (Lebanon): Nasser Hammoud

Sword Benelux - Dieter Rogiers: "Chief Operational Officer"
Sales Director: David Travers / Technical Director: Michel Bonvoisin

Acting as Manager, LUX (Luxembourg): Michel Bonvoisin / Technical Director: Stephan Walch
Acting as Manager, BXL (Benelux): Dieter Rogiers / Technical Director: Dimitri Veny
Acting as Manager, FPB (Benelux): Dieter Rogiers / Acting as Technical Director: Dimitri Veny
Acting as Manager, TMB (Benelux): Dieter Rogiers / Acting as Technical Director: Dimitri Veny

Sword India/UK/US - Pradeep Banerji: "Chief Operational Officer"
Manager, ECM (London): Terry Coyne / Technical Director Tony Howard
Acting as Manager, SNE (New-York): Pradeep Banerji / Sales Director: Carolyne De Rose
Acting as Manager, GIN (Chennai): Pradeep Banerji / Site Manager: Lalitha Balakrishnan

Communication Technologies - Benelux - Juan Arcas - Managing Director
Manager, TPK (Benelux): Guy De San / Sales Director: Emmanuel Stark

The Management

Jacques Mottard, 59 years old, Executive Chairman
Between 1989 and 1999, Jacques Mottard founded and developed Decan, until the friendly takeover by the Metamor group in February 1999. He held 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 holds degrees in both science and management (Montpellier ESTP (Grande école for public works engineering) and IAE (company administration institute).

Françoise Fillot, 52 years old, CFO / Executive Vice President / Board Member
Before joining Sword, Françoise Fillot had served as administrative and financial director for 9 years at the Decan Group. She has a degree in management/accounting.

Tony Allen, 45 years old, CEO, "WFS Product Line", UK
After obtaining his Master's Degree of science, with a major in information systems in 1989, Tony Allen joined Apak as a software engineer; there he gained experience in all aspects of the software development cycle, especially in solutions targeted at asset-based finance and the banking sector. Tony has participated in the development of WFS, a leading product in the market leader and in providing this product in the ASP hosting model. Tony was appointed to the Board of Apak in 2007, before that company was acquired by Sword. Tony still heads the company as it expands globally within the Sword Group.

Juan Arcas, 49 years old, CEO Benelux / "Communication Technologies"
Juan Arcas, a Spanish citizen, spent most of his life in Belgium, where he held positions as consultant and development directof for European institutions since 1992. In 2005, he was appointed Manager of ASCII (now TIPIK), the communication company acquired by Sword Group. Since then, he was appointed Director of Operations in 2007. Juan holds a degree in applied and theoretic linguistics.

Pradeep Banerji, 58 years old, Offshore COO
Pradeep Banerji has over 30 years' experience in offshore software. After 12 years spent at TCS India, he founded a software services company in the United Kingdom with its own offshore subsidiary in India. He was particularly involved in the management and implementation of solutions with key customers such as IBM, the Medical College of Wisconsin, Crédit Agricole, Citibank, Dunlop and the Royal Bank of Canada in the following countries: United States, UK, France, Belgium, Switzerland and India. These activities included technologies such as MVS, Unix, Oracle, Java and Microsoft. Today, Pradeep leads work on robust solutions based on a model of onshore-offshore services, for large insurance groups and other service companies. Pradeep holds a degree in computer science from Columbia University (USA) and is a member of the Institute of Directors (United Kingdom).

Philippe Blanchard, 52 years old, COO France (West + Paris)
Philippe Blanchard began his career in IT within the Cap Gemini Group as project manager and director of the Brest Service Centre. He then took his position as engineer before joining Transiciel as Regional Director for Brittany. Philippe Blanchard joined the group in late 2007 to head the Rennes and Nantes entities. Since 2009, he has also been in charge of the finance and telco sectors in Paris. He holds a DEST from CNAM at Marseille.

Anys Boukli, 42 years old, COO Switzerland / Lebanon
Anys Boukli was the partner for the EMEA region within Cambridge Technology Partners / Novell before joining Bedag Informatique as Head of the French-speaking Swiss market and board member. Prior to that, he held various management positions in the Consulting and IT industries in Europe. Anys speaks five languages fluently. He holds a State Engineering degree in IT, as well as several Management and Leadership degrees from the International Institute for Management Development (IMD) in Lausanne and the Malik Institute in St-Galles.

Mike Hughes, 50 years old, CEO CRM
Mike Hughes began his career as a researcher into ADA compilation and artificial intelligence solutions at the Turing Institute and the University of Paisley.
In 1986, he joined Graham Technology (Sword Ciboodle) to set up a development team. Mike then spent several years in Jakarta working in operations development and creation for Graham Technology in Asia before returning to the UK in 2005. He was then made group CEO. In 2008, Sword Group purchased Graham Technology. Mike Hughes holds a degree in IT.

Philippe Le Calvé, 47 years old, COO France (South + Paris)
Philippe Le Calvé steered several projects at Sword. In particular, he developed several service centres within our organisation. He began his career at Decan as consultant specialising in the development of large integration projects in the telecom and nuclear fields. He then was in charge of developing a service centre specialising in electronic document management in Lyon in synergy with our Parisian activities. Philip then took responsibility for the development of the Business Unit that specialises in the health and enterprise portals sector.
Philippe studied Computer Science at university. He then continued to earn a degree in computer engineering at INSA Lyon.

Phil Norgate, 38 years old, Administrative and Financial Director, "Software"
In 2004, Phil Norgate joined the finance team of Sword, and eventually became Chief Financial Officer. He holds a degree in Business Administration and French. Phil is also a chartered accountant. A finance specialist in both the UK and France, he previously worked for Deloitte and Touche as well as Merant Software Solutions before joining Sword.

Dieter Rogiers, 40 years old, COO Benelux
Dieter Rogiers holds a Master's degree in economics from the University of Leuven. He made his debut at Siemens in the UK and Esso / Exxon in the Netherlands. Dieter began his career in the ICT sector as a major accounts manager at Getronics (formerly Olivetti) in 1997. In 2005, Dieter joined Sword Technologies, first as Sales Director for European institutions and the financial and governmental sector, then as of 2006 as Sales Director in charge of global sales. In June 2010, Dieter was appointed board member of Sword Technologies for Belgium, Luxembourg and Greece.
With a rich experience in the general management of sales, Dieter specialises in the strategic sales, at executive levels, of complex IT solutions to large European accounts. Dieter is a business leader focused on results and recognised by his customers, partners and colleagues for his leadership, market knowledge, reliability and for his dynamism and enthusiasm. Multilingual and diplomatic, Dieter plans and manages activities so as to maximise results in the short and long term.

17.2 Interests and stock options held by members of the Management Team

At the time of publication of this report, except for Mr Jacques Mottard, some of the above-mentioned directors hold company stock options (see paragraph 26.2).

The Company’s shareholders are shown in paragraph 21.1.7.1.

17.3 Employee shareholdings

None.

XVIII – Main shareholders

18.1 Significant shareholders not represented at the Board of Directors

By letter dated 15 April 2011, FMR LLC (USA) reported having exceeded the threshold of 10% of the Company's voting rights and holding 10.74% of voting rights. FMR LLC owns at 15/04/2011, 1,151,565 shares in Sword Group representing as many voting rights or 12.40% of capital and 10.74% of the Company's voting rights. The same aforementioned statement of intention was also repeated.

That same letter expressed the following intention:
"The acquisition of securities in Sword Group by FMR LLC is part of its normal portfolio management business conducted without intent to implement a particular strategy with respect to Sword Group nor to exercise, as such, a specific influence on the management of the latter. FMR LLC is not acting in concert with a third party and does not intend to take control of Sword Group nor to request its appointment or that of one or several individuals as board members, management board members or supervisory board members. "

By letter received 3 May 2011, supplemented by a letter received 5 May 2011, the Luxembourg limited liability company Financière Sémaphore (105, route d'Arlon L-8009 Strassen, Luxembourg), controlled by Mr Jacques Mottard, informed the AMF of the transfer of 1,706,280 Sword Group shares previously held individually by Sémaphore Investissement company which it controlled to his advantage.
This transfer results from the complete transfer of assets (TUP) of Sémaphore Investissement the benefit of Financière Semaphore, effective 30 April 2011, which was the expiry date of the opposition period for creditors.

Financière Semaphore said that it held, on 1 May 2011, 1,706,280 Sword Group shares representing 2,861,105 voting rights, or 18.37% of the capital and 26.69% of the voting rights of that company.

By letter received 6 June 2011, Eximium (48, avenue des Allobroges, 26100 Romans), controlled by Mr Michel Baulé, stated that it had exceeded, on 3 June 2011, the threshold of 5% of the capital of Sword Group and held 482,963 Sword Group shares representing as many voting rights or 5.20% of the capital and 4.50% of the voting rights of that company.
This crossing of threshold came about as a result of the acquisition of Sword Group shares on the stock market.

By letter received 27 June 2011, Eximium (48, avenue des Allobroges, 26100 Romans), controlled by Mr Michel Baulé, stated that it had exceeded, on 24 June 2011, the threshold of 5% of the capital of Sword Group and held 542,599 Sword Group shares representing as many voting rights or 5.84% of the capital and 5.06% of the voting rights of that company.
This crossing of threshold came about as a result of the acquisition of Sword Group shares on the stock market.

By letter received 5 August 2011, Natixis (30, avenue Pierre Mendès-France) controlled by BPCE, stated that it had exceeded, on 3 August 2011, the threshold of 5% of the capital of Sword Group and held 474,694 Sword Group shares representing as many voting rights or 5.11% of the capital and 4.43% of the voting rights of that company.
This crossing of threshold came about as a result of the off-market acquisition of Sword Group shares as part of the "trading" activity for their own account.

By letter received 19 August 2011, Natixis (30, avenue Pierre Mendès-France) controlled by BPCE, stated that it had crossed downwards, on 17 August 2011, the threshold of 5% of the capital of Sword Group and held 374,694 Sword Group shares representing as many voting rights or 4.03% of the capital and 3.49% of the voting rights of that company.
This crossing of threshold came about as a result of the disposal of Sword Group shares on the stock market.

By letter received 31 January 2012, supplemented by a letter received on 1 February 2012, Mr Michel Baulé stated that he had exceeded, on 27 January 2012, directly or indirectly, through the joint stock company Eximium (48 avenue des Allobroges, 26100 Romans) and the *société civile* Trefolia (30 rue Francis Chirat, 26100 Romans) which he controls, the threshold of 10% of the capital of Sword Group and held 963,107 Sword Group shares representing as many rights vote, or 10.37% of the capital and 8.98% of the voting rights of that company, broken down as follows:

	Shares	% capital	Voting rights	% voting rights
Eximium	942,877	10.15	942,877	8.79
Michel Baulé	11,335	0.12	11,335	0.11
Trefolia	8,895	0.10	8,895	0.08
Total Michel Baulé	**963,107**	**10.37**	**963,107**	**8.98**

On this occasion, Eximium crossed the same threshold individually.
These crossings of threshold came about as a result of the acquisition, by Eximium, of Sword Group shares on the stock market.
That same letter expressed the following intention:
"Monsieur Michel Baulé states that:
- Eximium acquired shares on the stock market using its shareholders' equity;
- he acts alone, via the companies Eximium and Trefolia, which he controls, and that he contemplates continuing his purchased based on market conditions;
- he does not contemplate taking control of Sword Group;
- he does not contemplate changing the strategy of Sword Group;
- he does not contemplate the operations listed in Article 223-17 6° of the General Rules of the AMF;
- he does not intend to apply for a position as board member of Sword Group;
- he has not entered into any leasing agreement regarding the shares and/or voting rights of Sword Group. "

At 31 December 2011, the members of the Board of Directors (Nicolas Mottard, Jacques Mottard– including the holding of Sémaphore Investissements - Françoise Fillot) hold jointly 19.30% of the capital and 28.58% of the voting rights.

18.2 Voting rights of main shareholders

See paragraph 21.1.7.2.

18.3 Control of the Company

See paragraphs 18.1 and 18.2 above.

18.4 Agreements that might involve a change of control

None.

XIX - Related-party transactions

Related-party transactions are described in paragraph 7.3 of this document and in Note 24 of the Appendix to consolidated financial statements.

XX – Financial information about the assets, financial situation and results of the Company

20.1 Corporate accounts at 31 December 2011

Income statement at 31 December 2011

€'000	**31/12/2011**	**31/12/2010**
Turnover	6,517	2,816
Capitalised production	-	-
Other income	0	1
OPERATING INCOME	**6,518**	**2,818**
Purchased consumables	-	-
Other purchases and external charges	7,014	3,335
Taxes and duties	75	47
Personnel expenses	137	178
Depreciation and provisions charges	8	8
Other operating expenses	155	150
OPERATING EXPENSES	**7,390**	**3,717**
OPERATING PROFIT (LOSS)	**-872**	**-899**
FINANCIAL EARNINGS	**6,742**	**-1,882**
CURRENT EARNINGS BEFORE CORPORATE INCOME TAX	**5,870**	**-2,781**
EXTRAORDINARY EARNINGS	**-10,603**	**762**
Corporation tax	11	3
NET EARNINGS	**-4,744**	**-2,022**

Balance sheet at 31 December 2011

Assets

€'000	31/12/2011			31/12/2010
	Gross	Depreciation provisions	Net	Net
FIXED ASSETS				
Intangible fixed assets	10		10	10
Tangible fixed assets	25	23	2	10
Financial fixed assets	199,172	1,747	197,426	112,255
TOTAL FIXED ASSETS	**199,207**	**1,770**	**197,437**	**112,275**
SHORT-TERM ASSETS				
Clients and apportioned accounts	19		19	15
Other receivables and accruals.	28,178		28,178	195,319
Other marketable securities	56,432	4	56,428	0
Bank and cash	17,274		17,274	2,198
TOTAL CURRENT ASSETS	**101,903**	**4**	**101,899**	**197,532**
GRAND TOTAL	**301,110**	**1,774**	**299,337**	**309,807**

Balance sheet at 31 December 2011

Liabilities

€'000	31/12/2011	31/12/2010
Share capital	9,290	9,290
Additional paid-in capital	100,909	100,909
Legal reserve	929	929
Other reserves	1,734	1,734
Retained earnings	1,916	26,141
Net income	-4,744	-2,022
SHAREHOLDERS' EQUITY	**110,034**	**136,981**
Other shareholders' equity		
TOTAL INVESTED CAPITAL	**110,034**	**136,981**
Provisions for risks and charges		
Debt	100,556	112,759
CREDITORS		
Suppliers and apportioned accounts	1,196	446
Other accounts receivable and accruals	87,550	59,621
TOTAL CURRENT LIABILITIES	**189,302**	**172,826**
GRAND TOTAL	**299,337**	**309,807**

20.2 Appendix to the company balance sheet and income statement of Sword Group SE at 31 December 2010

The appendix presented in the annex to the balance sheet before appropriation of profit for the year ended 31 December 2011 whose total is €299,336,658.56 and in the income statement for the year, presented in list form, and generating a net loss of €4,743,615.81.

The financial year lasts 12 months and covers the period from 01/01/2011 to 31/12/2011.

Sword Group's activity is 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: KEY HIGHLIGHTS FOR THE PERIOD

Holdings

- On 1 March 2011, Sword UK was sold for €73,935k to Sword Soft, the sale not generating any capital gains or losses from disposal.
- On 30 May 2011, the complete transfer of assets of Sword DDS France in Sword Group was achieved.
- On 14 November 2011, Sword Group sold Sword Inc. for an amount of €3,550k, generating a capital loss from disposal of €2,481k (before transfer expenses).
- On 21 October 2011, Sword Sol Inc. was created and is wholly-owned subsidiary of Sword Group. The amount of Sword Group's interests in that company stands at €1,302k.
- On 22 December 2011, Sword Participations SARL, a company based in Luxembourg, was created through the contribution, by Sword Group, of FI System Belgium, Sword Services SA, Sword Soft Ltd, Sword Sol, Sword Création Informatique and Sword Sol inc. equity securities. It is a wholly-owned subsidiary of Sword Group. The amount of Sword Group's interests in that company stands at €191,641k.

NOTE 2: EVENTS SUBSEQUENT TO YEAR END

As part of discussions held by the Board of Directors of the Company to strengthen the Group's integration and to improve its organisation and its competitiveness, it is proposed to transfer the registered office in the Grand Duchy of Luxembourg. This project was filed with the registry of the Commercial Court of Lyon on 20 January 2012 and was the subject of a notice in the BALO of 23 January 2012, corrected 25 January 2012. This is subject to the approval of the General Meeting of 26 March 2012.

NOTE 3: 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.

3.1. Intangible fixed assets

The intangible fixed assets concern the trademark SWORD purchased earlier.

3.2. Tangible fixed assets

Fixed assets are valued at their acquisition cost (purchasing price plus auxiliary fees).

Depreciation provisions are calculated on a straight-line basis, based on the expected useful life.
- Videoconference equipment 3 years
- Computer hardware 3 years

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

3.3. 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 of the equity interests is estimated on the basis of the net assets plus potential unrealised capital gains on intangible assets. This estimate of the intangible assets is appreciated according to the following criteria:

The existence of an international, national or regional market share
A recognised positioning
Recurring customers

This estimate is confirmed by an expert's assessment conducted each year.
The value of the securities in Sword Group's annual financial statements cannot be significantly greater than the value of the subsidiary in the consolidated financial statements.

The costs involved for acquiring equity interests are attached to the assets concerned.

3.4. 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 recognised when a risk that these accounts may not be recoverable appears in the inventory.
Operating accounts receivable in currency are valued on 31 December 2011 at the closing rate.

3.5. Own shares

Sword Group holds for €927k of own shares, of which €745k as part of a share repurchase programme and €182k as part of a liquidity agreement.
Treasury shares held through a share repurchase programme authorised by the general meeting of shareholders are recorded as financial fixed assets.
Own shares held within the scope of the liquidity agreement are recorded as marketable securities.
Own shares are subject to a depreciation allowance when the share price on the balance sheet date is lower than the historical purchase price.

3.6. Provisions for risks and charges

As per the provisions of the CRC 2000-06 regulations, a provision is recorded when the company has a commitment whose amount can be estimated in a reliable manner, and of which it is certain or likely that it will cause a disbursement of cash to the benefit of the third party, with no counterpart at least equivalent being expected from the latter.

3.7. 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.

NOTE 4: INCOME STATEMENT

4.1 Payroll expenses

Payroll expenses stand at €137,402 and break down as follows:

(in €)	31/12/11 (12 months)	31/12/10 (12 months)
Gross wages	78,894	123,531
Social contributions	58,508	53,968
Stakes and interests		
Total	***137,402***	***177,499***

Head count:	31/12/11 (12 months)	31/12/10 (12 months)
Executives.	2	1
Non-executive		
Total	***2***	***1***

4.2. Net reserve allocations for operational depreciation and provisions.

(in €)	31/12/11 (12 months)	31/12/10 (12 months)
Net reserve allocation for tangible and intangible fixed assets	8,175	7,711
Reserve allocation for accounts receivable		
Reserve allocation for other provisions for risks and expenses		
Total	***8,175***	***7,711***

4.3. Breakdown of expenses and income for related companies

(in €)	Operating expenses	Revenues from operations
Total	7,389,826	6,517,510
Of which related companies	453,175	6,474,833

(in €)	Financing costs	Financial revenues
Total	14,360,483	21,102,588
Of which related companies	2,284,803	11,890,077

Financière Sémaphore surrendered €1 million to Sword Group, related to the unwinding of the guarantee operation for the selling price granted by Financière Sémaphore to minority shareholders of Agency Port. Income and expenses resulting from this operation vest in Sword Group pursuant to the minutes of the Board of 16 November 2009 and are recorded at 31 December 2011 as extraordinary items.

4.4. Financial result

(in €)	31/12/11 (12 months)	31/12/10 (12 months)
Financial allocations for depreciation and provisions	529,510	10,816
Interest on current accounts	2,284,803	1,921,517
Bank interest	3,788,999	3,321,712
Mali on own shares	1,416	
Negative exchange rate differences	7,755,755	4,453,805
Forgiveness of current accounts		
Other financial expenses		
Total financial expenses	***14,360,483***	***9,707,850***
Reversal of financial allocations for depreciation and provisions	74,219	5,967
Financial revenue from equity interests	6,764,960	-
Revenue from marketable securities	41,685	626
Interest on current accounts	5,125,651	4,802,117
Short-term interest	572,798	
Bonuses on own shares	5,229	
Exchange rate differences	8,518,046	3,012,140
Other financial items (SWAP)	-	5,343
Total financial items	***21,102,588***	***7,826,193***
Financial result	***6,742,105***	***-1,881,657***

4.5. Extraordinary profit

Extraordinary profit can be broken down as follows:

(in €)	31/12/11 (12 months)	31/12/10 (12 months)
Net profit from sale of own shares		761,779
Net profit from sale of assets	158,707,096	
Forgiveness of current accounts	- 170,000,000	
Other expenses or extraordinary earnings	690,074	
Extraordinary profit	**- 10,602,830**	**761,779**

Capital gains from disposal are detailed in Note 7.

Moreover, €170 million current account waiver was granted to Sword Soft Ltd.

It should also be noted that Financière Sémaphore surrendered €1 million to Sword Group, related to the unwinding of the guarantee operation for the selling price granted by Financière Sémaphore to minority shareholders of Agency Port. Income and expenses resulting from this transaction should vest in Sword Group pursuant to the minutes of the Board of 16 November 2009.

4.6. Gross cash flow margin

(in €)	31/12/11 (12 months)	31/12/10 (12 months)
Earnings	- 4,743,616	-2,021,871
Depreciation	8,175	7,711
Provisions	455,292	4,848
Gross cash flow margin	***- 4,280,149***	***-2,009,312***
Disposal of assets	158,707,096	-
Operating cash flow	***- 162,987,245***	***-2,009,312***

4.7. Income tax breakdown

(in €)	Before tax	Corresponding tax	After tax
Current profit	5,869,788	4,969	5,864,819
Extraordinary profit	- 10,602,830	5,605	- 10,608,435
Employee profit-sharing	-	-	-
Accounting profit	- 4,733,042	10,574	- 4,743,616

4.8. Reductions of future tax debt

(in €)	Amount
Reduction of future debt	
- Uncertain, non-deductible provision for risks	
- Non-deductible provision the year of their posting	
- Organic	3,798
- Underlying appreciation of marketable securities	5,231
- Deferrable losses	2,679,984
Total reduction of future debt	***2,689,013***

There is no growth in future tax debt to note.

NOTE 5: INTANGIBLE FIXED ASSETS

5.1. Item details

	31/12/2010		
(in €)	**Gross values**	**Depreciation**	**Net values**
Trademarks and patents	10,000		10,000
Total	**10,000**		**10,000**

	31/12/2011		
(in €)	**Gross values**	**Depreciation**	**Net values**
Trademarks and patents	10,000		10,000
Total	**10,000**		**10,000**

5.2. Movements for the period

(in €)	01/01/11	Acquisitions	Disposals	Reclassification	31/12/11
Trademarks and patents					
Gross values	10,000				10,000
Depreciation	-				-
Net	10,000				10,000
Total	**10,000**				**10,000**

NOTE 6: TANGIBLE FIXED ASSETS

6.1. Item details

	31/12/2010		
(in €)	**Gross values**	**Depreciation**	**Net values**
Equipment and tools	19,294	12,952	6,342
Computer hardware	5,500	1,833	3,667
Total	**24,794**	**14,785**	**10,009**

(in €)	31/12/2011 Gross values	Depreciation	Net values
Equipment and tools	19,294	19,294	-
Computer hardware	5,500	3,667	1,833
Total	**24,794**	**22,961**	**1,833**

6.2. Movements for the period

(in €)	01/01/11	Acquisitions	Disposals	Reclassification	31/12/11
Equipment and tools					
Gross values	24,794				24,794
Depreciation	(14,785)	(8,176)			(22,961)
Net					
Total	**10,009**	**(8,176)**			**1,833**

NOTE 7: INVESTMENTS

7.1. Item details

(in €)	31/12/10 *Gross value*	*Provisions*	*Net*
Equity holdings	113,943,174	1,859,243	112,083,931
Deposits and sureties	171,385		171,385
Other financial fixed assets			
Total	**114,114,559**	**1,859,243**	**112,255,316**

(in €)	31/12/11 *Gross value*	*Provisions*	*Net*
Equity holdings	198,254,782	1,746,580	196,508,202
Deposits and sureties	172,491		172,491
Other financial fixed assets	744,843		744,843
Total	**199,172,116**	**1,746,580**	**197,425,536**

Financial fixed assets mainly consist of equity interests.

7.2. Movements for the period

(in €)	01/01/11	Acquisitions	Merger	Disposals	31/12/11
Equity holdings					
Gross values	113,943,174	195,337,706	(618,295)	(110,407,803)	198,254,782
Provisions	(1,859,243)	(451,316)	563,979		(1,746,580)
Net	112,083,931	194,886,390	(54,316)	(110,407,803)	196,508,202
Deposits					
Gross values	171,385	1,106			172,491
Provisions					
Net	171,385	1,106			172,491
Other financial fixed assets					
Gross values	-	744,843			744,843
Provisions					
Net	-	744,843			744,843
Total	**112,255,316**	**195,632,339**	**(54,316)**	**(110,407,803)**	**197,425,536**

Acquisitions of equity interests over the financial year relate to:

- The acquisition of minority shares in Sword SOFT for €1,899k,
- Participation in the creation of Sword Participations SARL for 100% of the securities created for an amount of €191,64k, by contribution of equity securities following:
    - Sword Création informatique for €30k, generating a capital loss from disposal of €77k.

- Sword Soft for €161k, generating a capital gain from disposal of €145,873k.
- Fi System for €5,031k, generating a capital gain from disposal of €2,031k.
- Sword Services for €17,877k, generating a capital gain from disposal of €6,984k.
- Sword Sol Lux for €6,389k, generating a capital gain from disposal of €6,376k.
- Sword Sol Inc for €1,302k, generating no capital gain or loss from disposal.

It should be noted that these movements are presented in the disposals column.

- Participation in the inception of Sword Sol Inc for 100 % of the shares created, for an amount of €1,302k.
- Contribution to the capital increase of Sword Inc., for €495k.

Disposals of equity interests over the financial year relate to:

- The disposal of Sword UK for an amount of €73,935k to Soft Sword, which generated no capital gain or loss from disposal.
- The disposal of Sword Inc for an amount of €3,550k, which generated capital loss from disposal of €2,481k (not inclusive of transfer expenses).

The merger of equity warrants results from:

- The complete transfer of assets of Sword DDS France into Sword Group.

NOTE 8: OPERATING ACCOUNTS RECEIVABLE

Item details

(in €)	31/12/10		
	Gross values	**Provisions**	**Net values**
Trade and operating receivables	14,625		14,625
Other debtors	195,291,123		195,291,123
Deferred charges	28,095		28,095
Total	**195,333,843**		**195,333,843**
Of which related companies			
Trade and operating receivables	14,625		14,625
Other debtors	194,728,159		194,728,159
Deferred charges			
Total	**194,742,784**		**194,742,784**

(in €)	31/12/11		
	Gross values	**Provisions**	**Net values**
Trade and operating receivables	18,628		18,628
Other debtors	28,136,653		28,136,653
Deferred charges	41,498		41,498
Total	**28,196,779**		**28,196,779**
Of which related companies			
Trade and operating receivables	17,910		17,910
Other debtors	27,586,368		27,586,368
Deferred charges			
Total	**27,604,278**		**27,604,278**

Other receivables are made up mainly of amounts left on current accounts to the benefit of the Group's subsidiaries. Their amount declined mainly as a result of the current account waiver to the benefit of Sword Soft, for an amount of €170k. These claims are due within less than one year, except for the frozen current accounts (€126,547 within more than 5 years).

NOTE 9: SHAREHOLDERS' EQUITY

(in €'000)	31/12/2010	Earnings appropriation	Profit for the period	Dividends paid	31/12/2011
Share capital	9,290				9,290
Paid-in cash	100,909				100,909
Legal reserve	929				929
Other reserves	1,734				1,734
Retained earnings	26,141	(2,022)		(22,203)	1,916
Earnings	(2,022)	2,022	(4,744)		(4,744)
TOTAL	**136,981**	**-**	**(4,744)**	**(22,203)**	**110,034**

Issued capital and securities giving access to the capital

- ***Issued capital***

At 31 December 2010, capital stock totalled €9,289,965, divided into 9,289,965 shares with a face value of €1.

The Board of Directors on 7 July 2011 decided to distribute an interim dividend of €1.70 per share, being a total interim dividend of €15,792,940 paid 19 July 2011.

The amount of dividends available for distribution at the Annual General Meeting of 26 March 2012 amounts to €2.39 per share, representing a total distribution of €22,203,016, including the interim dividend effected on 7 July 2011 of €1.70 per share, against €0.69 per share in 2010, being a total distribution of €6,410,076.

Stocks options

Sword Group

Plans N°1 and N°2 of 30 January 2009
As at 30 January 2009, the Extraordinary General Meeting of Sword Group permitted the Board of Directors of 30 January 2009 to grant options entitling their holders to subscribe up to 150,000 Sword Group shares. This authorisation has been granted for 38 months. As at 30 January 2009, the Board of Directors used the permission that was given and granted 150,000 share subscription options to the benefit of the employees and/or corporate officers. Messrs. Heath Davies and Jean-Marc Sonjon having left the company, 110,000 options lapsed and only part of the plan No. 2 is still active with 40,000 options.
The subscription price of new shares was set to the average of listed prices for the 20 stock market days preceding the decision to assign the options and stood at €10.60.

At 31 December 2011, the number of shares exercisable as of 30 January 2012 stood at 40,000.
At 31 December 2011, no options were exercised.

The shares acquired pursuant to the exercise of the options are non disposable, non marketable, non convertible to the bearer and cannot be rented or leased for a period of 12 months beginning on the date on which they are exercisable for the first time.

Plans N°1, 2, 3 and 4 of 6 October 2011
As at 17 January 2011, the Extraordinary General Meeting of Sword Group permitted the Board of Directors to grant options entitling their holders to subscribe Sword Group shares. This authorisation has been granted for 38 months. As at 6 October 2011, the Board of Directors used the permission that was given and granted 188,000 share subscription options to the benefit of the employees and/or corporate officers.
The subscription price of new shares was set to the average of listed prices for the 20 stock market days preceding the decision to assign the options and stood at €12.115.

At 31 December 2011, the number of exercisable options stood at:
- from 6 October 2014 at 101,000 (Plans N°1, 3 and 4)
- from 6 October 2015 at 87,000 (Plan No. 2).

At 31 December 2011, no options were exercised.

Shares acquired upon the exercise of the option will be transferable and tradable.

Plan of 16 December 2011
The Board of Directors held 16 December 2011, in accordance with the permission granted by the Combined General Meeting of Shareholders of the Company held 17 May 2011, granted, under the provisions of Articles L 225-177 et seq. of the Commercial Code, options entitling their holders to the subscription of 9,000 new shares of the Company.
The subscription price of the new shares was set to €12.40.

At 31 December 2011, the number of shares exercisable as of 1 January 2015 stood at 9,000.
At 31 December 2011, no options were exercised.

NOTE 10: NET DEBT

10.1. Item breakdown by type

(in €)	**31/12/11**	**31/12/10**
Other borrowings	100,500,000	112,250,000
Current accounts	87,222,352	58,058,690
Current banking facilities	56,249	508,593
Total gross debt	***187,778,601***	***170,817,283***
Financial current accounts (debit side)		
Marketable securities	56,428,456	
Cash and cash equivalents	17,274,055	2,197,831
Total net debt	***114,076,090***	***168,619,452***

The main loans have been taken out at an interest rate of euribor + 1 %.

Three fixed-rate paying SWAP covers expired during the period.

Sword Group promises to maintain, in accordance with the covenant clauses:
- Net consolidated debt / consolidated EBITDA less than 3.5 or 3, depending on the agreement
- Net consolidated financial debt / consolidated shareholders' equity less than 1.

Should Sword Group fail to comply with the above covenants, lending banks will be able to accelerate the reimbursement of the outstanding loan, worth €100,500k as at 31 December 2011.
At 31 December 2011, Sword Group complied with such covenants.

10.2 Breakdown of borrowings by maturity

(in €)	**31/12/11**	**31/12/10**
Maturity date		
< 1 year	14,857,000	14,250,000
1 year < X > 5 years	85,643,000	98,000,000
> 5 years		
Total	***100,500,000***	***112,250,000***

Other debts and current banking facilities are due within less than one year.

NOTE 11: OPERATING DEBTS

(in €)	31/12/11	31/12/10
Advance payments received		
Suppliers and other operating creditors	1,196,012	446,438
Income tax and social security liabilities	88,309	25,963
Group current accounts	87,222,352	58,058,690
Other creditors	239,300	1,537,243
Deferred revenues		
Total	**88,745,873**	**60,068,334**
Of which related companies		
Advance payments received		
Suppliers and other operating creditors		
Income tax and social security liabilities		
Group current accounts	87,222,352	58,058,690
Other creditors	239,200	
Deferred revenues		
Total	**87,461,552**	**58,058,690**

Operating debts are due within less than one year.

NOTE 12: ACCRUALS

(in €)	31/12/11	31/12/10
Clients and apportioned accounts		
Other debtors	83,500	-
Deferred charges	41,498	28,095
Total	**124,998**	**28,095**

(in €)	31/12/11	31/12/10
Loans and debts from credit organisations	56,196	508,456
Suppliers and other operating creditors	543,329	251,018
Income tax and social security liabilities	49,528	5,615
Non-current assets related borrowings		
Other creditors	239,200	
Deferred revenues		
Total	**888,253**	**765,089**

NOTE 13: OFF-BALANCE SHEET COMMITMENTS

Details by type

(€'000)	31/12/11	31/12/10
Financial guarantees offered		
Sureties on future rents		
Other sureties	5,912 (1)	6,040
Guarantees on foreign contracts		
Guarantee on foreign payment		
Security	17,958(3)	
Commitments received		
Sureties received		
Other commitments received	2,100 (2)	2,100 (2)

(1) Sureties concern bank balances of €1,900K for Sword Technologies and of €1,500K for Tipik, unused at 31 December 2008, and a bank loan taken out by Sword Technologies for €8M, of which €2,512k had been used at 31 December 2011.
(2) Sword Group received a commitment regarding the forgiveness of a current account with Sword Technologies with claw-back provisions for €2.1 million.
(3) The Sword Group has issued a commitment to pledge the deposit account with GBP15 million, as part of the loan agreement taken jointly with Sword Technology Solutions, from the Caisse d'Epargne et de Prévoyance de Rhône Alpes on 22 December 2011.

Besides, Sword Group has given its guarantee for the proper performance of the commitments and obligations subscribed by Apak Group Ltd in the context of the signing of selling contracts with Daimler Financial services AG.

NOTE 14: REMUNERATION OF MANAGERS AND DIRECTORS

The members (2 people) of the management and operations committees together received during the 2011 financial year a gross remuneration of €79k. The directors' fees paid to members of the Board come out to €155k.

NOTE 15: OTHER INFORMATION

Sword Group, as the head of the group, draws up the consolidated statements. As for itself, it is not consolidated into a larger group, through full consolidation.

NOTE 16: LIST OF SUBSIDIARIES AND HOLDINGS

(in €)	Share Capital In €	Shareholders' equity excluding the issued capital In €	Share of capital held, in percentage	Value of the securities In € Gross	Value of the securities In € Net	Advance loan granted by the company and not yet paid back In €	Turnover In €	Profit for last period ended In €	Dividends cashed In €	Comments Year end
1 - Subsidiaries (over 50% of equity held)										
Sword Participation SARL 105 Route d'Arlon L-8009 Strassen Luxembourg	191,641,500	-	100	191,641,500	191,641,500	-	-	(7,021)	-	31/12
2 - Interests held (10% to 50% of equity held)										
SIMALAYA	324,000	114,164	10	1,173,365	1,173,365		1,702,219	(8,888)	NONE	31/12
MIDDLESOFT			15	369,240	189,240				NONE	31/12
LOG & PI CONSULTING (data as at 31/12/2009)			12	135,113	70,113		702,619	118,852	NONE	31/12
GUANGZHOU			19	3,000,000	3,000,000					

	Share Capital In €	Shareholders' equity excluding the issued capital In €	Share of capital held, in percentage	Value of the securities In €		Advance loan granted by the company and not yet paid back In €	Turnover In €	Profit for last period ended In €	Dividends cashed In €	Comments Year end
				Gross	Net					
3 – General information about other subsidiaries and interests (less than 10% of equity held)										
SBT			3.06	322,589	147,319				NONE	31/12
LYODSSOFT			9	1,045,776	0				NONE	31/12

20.3 Pro-forma financial information

This is detailed in paragraph 1.3 of the consolidated financial statements below.

20.4 Consolidated financial statement 2011

Consolidated income statement at 31 December 2011

(In €'000)	Annex note	31/12/2011	31/12/2010
Turnover	**6**	**156,193**	**185,323**
Purchased consumables		-3,771	-5,385
Other purchases and external charges		-50,480	-53,011
Taxes and duties		-2,048	-1,822
Wages and social contributions	**7.1**	-76,971	-88,793
Depreciation and provisions charges	**7.2**	-2,864	-2,557
Other operating income and expenses	**7.4**	2,967	249
EBIT		**23,025**	**34,005**
Earnings on disposals and impairment of assets	**7.5**	20,853	-86
Other non-current operating income and expenses	**7.6**	-7,693	-314
Provisions for impairment of goodwill	**8.0**	-25,000	
Operating profit		**11,185**	**33,605**
Income from cash and cash equivalents	**7.7**	3	1
Financial expenses	**7.8**	-2,230	-2,084
Net interest expenses		**-2,227**	**-2,084**
Other financial income and expenses	**7.9**	-2,470	2,138
Pre-tax earnings		**6,487**	**33,660**
Corporation tax	**7.10**	-5,066	-10,425
Total net consolidated profit		**1,421**	**23,235**
Of which Group share		1,313	23,230
Of which minority interests		108	5

Earnings per share	**7.11**	0.15	2.50
Diluted earnings per share	**7.11**	0.15	2.48

Total profit/loss at 31 December 2011

(In €'000)	31/12/2011	31/12/2010
Total net consolidated profit	**1,421**	**23,235**
Other components of total profit/loss		
• Assets revaluation reserve		
- Change in the assets revaluation reserve	-	-
- Reclassification adjustments on the change in the assets revaluation reserve	-	-
- Tax on the change in the assets revaluation reserve	-	-
• Actuarial differences		
- Actuarial differences	-	-
- Reclassification adjustments on actuarial differences	-	-
- Tax on actuarial differences	-	-
• Translation gains and losses in the subsidiaries' financial statements in foreign currency		
- Foreign currency translation in the subsidiaries' financial statements	3,563	8,421
- Reclassification adjustments on foreign currency translation gains and losses in the subsidiaries' financial statements	-	-
- Tax on foreign currency translation gains and losses in the subsidiaries' financial statements	-	-
• Gains and losses relative to the revaluation of investments held for sale		
- Gains and losses relative to the revaluation of investments held for sale	74	-5
- Reclassification adjustments on gains and losses relative to the revaluation of investments held for sale	-	-
- Tax on gains and losses relative to the revaluation of investments held for sale	-	-
• The effective portion of gains and losses on cash flow hedging instruments		
- The effective portion of gains and losses on cash flow hedging instruments	1,897	900
- Reclassification adjustments on the effective portion of gains and losses on cash flow hedging instruments	-	-
- Tax on the effective portion of gains and losses on cash flow hedging instruments	-782	-316
Share of other components of total profit/loss of related companies	-	-
Overall total profit/loss	**6,174**	**32,236**
Of which Group share	5,498	32,029
Of which minority interests	676	207

Consolidated balance sheet at 31 December 2011
Assets

(In €'000)	Annex note	31/12/2011			31/12/2010
		Gross	**Depreciation prov**	**Net**	**Net**
NON CURRENT ASSETS					
Goodwill	**8**	115,377	25,000	90,377	187,347
Other intangible fixed assets	**9**	9,417	2,899	6,518	7,276
Tangible fixed assets	**10**	13,343	10,445	2,897	6,638
Long-term investments	**11.1**	777		777	7,676
Securities held for sale	**11.2**	6,646	1,747	4,899	14,335
Other long-term assets	**11.1**	3,904	2,972	932	3,337
Deferred tax assets		1,117		1,117	1,438
TOTAL OTHER LONG-TERM INVESTMENTS		**150,580**	**43,063**	**107,518**	**228,047**
SHORT-TERM ASSETS					
Assets held for sale	**14**	25,306	1,073	24,233	7,170
Clients and apportioned accounts	**12**	44,842	410	44,432	69,859
Other current assets	**13**	14,338	777	13,561	22,307
Cash and cash equivalents	**15**	111,643	34	111,609	28,020
TOTAL CURRENT ASSETS		**196,129**	**2,296**	**193,834**	**127,356**
TOTAL ASSETS		**346,709**	**45,358**	**301,351**	**355,403**

Consolidated balance sheet at 31 December 2011
Liabilities

(In €'000)	Annex note	31/12/2011	31/12/2010
CONSOLIDATED SHAREHOLDERS' EQUITY			
Share capital	**16**	9,290	9,290
Additional paid-in capital	**16**	100,909	100,909
Reserves - Group's share	**16**	19,345	24,853
Group's share of net profit		**1,313**	**23,230**
GROUP'S SHARE OF EQUITY		**130,857**	**158,281**
Minority interests		-565	3,051
TOTAL CONSOLIDATED SHAREHOLDERS' EQUITY		**130,293**	**161,332**
NON CURRENT LIABILITIES			
Retirement provision	**17**	200	184
Other non-current provisions	**17**	1,839	179
Long-term financial debt	**15**	86,518	106,088
Earnout due			
Other long term liabilities		1,290	1,816
TOTAL NON-CURRENT LIABILITIES		**89,847**	**108,267**
CURRENT LIABILITIES			
Liabilities held for sale	**14**	23,178	2,440
Current provisions	**17**	389	
Suppliers and apportioned accounts	**18**	12,253	15,634
Income tax due	**19**	5,034	10,431
Other current liabilities	**19**	23,712	40,757
Short-term financial debt	**15**	16,646	16,542
TOTAL CURRENT LIABILITIES		**81,212**	**85,803**
TOTAL LIABILITIES		**301,351**	**355,403**

Change in consolidated shareholders' equity at 31 December 2011

	Share capital	Share premium	Consolidated reserves	Own shares	Profit for the period	Conversion reserves	Total shareholders' equity - Group's share	Total shareholders' equity - Minority interests	Total shareholders' equity
Balance at close of accounts 31/12/2009	**9,290**	**100,909**	**28,609**	**-96**	**21,724**	**-13,905**	**146,531**	**1,570**	**148,100**
- Total profit/loss for the period							0		
. Net income					23,230		23,230	5	23,235
. Translation gains and losses						8,220	8,220	202	8,421
. investments held for sale			-5				-5		-5
. Cash flow hedging instruments			584				584		584
- Own share transactions				1,238			1,238		1,238
- Payment in shares							0		0
- Stock option transactions			-62				-62		-62
- Earnings appropriation			21,724		-21,724		0		0
- Dividends paid by the parent			-6,050				-6,050		-6,050
- Change in consolidation scope and miscellaneous			-11,747				-11,747	-491	-12,238
- Adjustments on previous losses			-1,738				-1,738	-154	-1,892
- Reclassification of minority interests / group			-1,919				-1,919	1,919	0
Balance at close of accounts 31/12/2010	**9,290**	**100,909**	**29,396**	**1,142**	**23,229**	**-5,686**	**158,281**	**3,051**	**161,332**
- Total profit/loss for the period							0		
. Net income					1,313		1,313	108	1,421
. Translation gains and losses						2,996	2,996	567	3,563
. investments held for sale			74				74		74
. Cash flow hedging instruments			1,115				1,115		1,115
- Own share transactions				-923			-923		-923
- Payment in shares							0		0
- Stock option transactions			76				76		76
- Earnings appropriation			23,229		-23,229		0		0
- Dividends paid by the parent			-22,203				-22,203		-22,203
- Change in consolidation scope and miscellaneous			-9,871				-9,871	-4,291	-14,162
Balance at close of accounts 31/12/2011	**9,290**	**100,909**	**21,816**	**219**	**1,313**	**-2,690**	**130,858**	**-565**	**130,293**

Expenses and income directly recorded as reserves (changes in translation differentials, capital gains from the disposal of treasury shares and revaluation of securities held for sale) stood at: €74k in 2011 and €503k in 2010.

Cash flow statement at 31 December 2011

(in €'000)	*Annex note*	31/12/2011	31/12/2010
Cash flows from operating activities			
Total net consolidated profit		**1,421**	**23,235**
Expense (income) with no impact on cash			
• Depreciation allowance		4,596	3,113
• Other provision allowance / reversals		28,192	110
• Capital gains or loss from the disposal of non-current assets		-20,853	86
• Compensation paid in shares		76	-62
Net interest expenses		2,227	2,084
Taxes and duties (due and deferred)	**7.10**	5,066	10,425
CASH FLOW		**20,726**	**38,990**
Tax Company payed		-8,016	-8,442
Interest paid		-2,227	-2,084
Change in working capital requirements.	**22**	6,041	-2,188
OPERATING CASH FLOWS		**16,524**	**26,276**
Investment operations			
Disbursement on acquisitions			
• intangible fixed assets		-5,266	-4,790
• tangible fixed assets		-1,231	-3,347
• investments		-409	-12,760
Income from disposals			
• intangible fixed assets		0	0
• tangible fixed assets		58	58
• investments		8	601
Impact of changes in consolidation scope	**22**	94,883	-8,602
NET CASH FLOW ON INVESTMENTS		**88,043**	**-28,839**
NET OPERATING CASH FLOW AFTER INVESTMENTS		**104,567**	**-2,563**
Income from financial transactions			
Dividends paid by the parent company		-22,203	-6,050
Dividends paid to minority interests		0	-5
Net funds received by:		0	0
• Capital and additional paid-in capital increase		0	0
• Subscription of the long-term loan		46,460	17,211
Redemption / disposal of own shares		-923	0
Long-term debt reimbursement		-45,038	-22,700
TOTAL FINANCING CASH FLOWS		**-21,704**	**-11,544**
TOTAL CASH FLOWS		**82,862**	**-14,108**
Net cash at year-end (A)		111,532	27,109
Opening cash position (B)		27,109	41,261
Impact of the change in currency prices		-1,561	44
Change in cash (B)-(A)		**82,862**	**-14,108**
Cash and cash equivalents		111,638	28,047
Creditor banking facilities		-106	-938
Net cash (1)		111,532	27,109

(1) off which Graham Land and Estates classified in accordance with IFRS 5 for €29k as at 31/12/2011.

20.5 Appendix to the consolidated balance sheet and income statement at 31 December 2011

All the information stated herein is in thousands of euros, unless stated otherwise.

This Appendix is an integral part of the consolidated financial statements for the year ended 31 December 2011. The consolidated financial statements were approved by the Board of Directors on 10 February 2012.
These accounts will only be finalised following approval by the Shareholders' General Meeting on 26 March 2012.

Sword Group is a French limited liability company located at 9 Avenue Charles de Gaulle, Saint Didier au Mont d'Or. Sword Group is subject to all the laws and regulations governing commercial companies in France, and in particular the provisions of the Commercial Code. The Group's business activities are described in Note 2.6. "Segment information".

NOTE 1: HIGHLIGHTS OF THE PERIOD AND EVENTS SUBSEQUENT TO YEAR END

1.1. Highlights of the period

The main events during the past financial year have been:

- On 27 May 2011, shares in FircoSoft SAS, FircoSoft Ltd, and FircoSoft Inc were sold by Sword Soft and Sword Soft Inc. The transfer price stands at €32.2m for 100% of the securities. The disposal generated a consolidation gain of €25,074k before disposal costs.

Main aggregates of sold companies

In €'000	27/05/2011	31/12/2010
Turnover	5,055	11,002
EBIT	1,879	3,808
Net income	1,391	2,774
Total assets / liabilities	-	9,885

- Sword Soft redeemed the minority interests of Ciboodle Scotland for €1,338k.

- Sword Group SE redeemed the minority interests of Sword Soft for €1,899k.

- In January 2011, the UK arm was reorganised:
    - the business of CTSpace UK (assets and liabilities) was transferred by Sword UK to a new company set up for that purpose, namely CTSpace Ltd, which is a subsidiary of Sword Soft Ltd,
    - the ECM, ABS and HLD businesses (assets and liabilities) were transferred to a new, specially-created company, Sword Technology Solutions Ltd, a subsidiary of Sword Soft Ltd,
    - Sword UK changed its corporate identity to become Sword Insurance Europe Ltd.

- On 30 May 2011, the complete transfer of assets of Sword DDS France into Sword Group was achieved, with no repercussions on the consolidated financial statements as at 31 December 2011.

- On 6 July 2011, Agency Port, Sword Insurance Europe Ltd, Sword Bermuda, Sword IPR, Intech Inc (Insurance subgroup) were disposed of by Sword Soft and Sword Soft Inc. The transfer price stands at $113m for 100% of the securities. The disposal generated a capital gain from consolidation of €19,312k.

Main aggregates of the disposed company

In €'000	06/07/2011	31/12/2010
Turnover	19,189	51,090
EBIT	3,307	8,783
Net income	4,406	6,428
Total assets / liabilities	-	107,419

- On 14 November 2011, Sword Inc, CTSpace Ltd, Buildonline Global, Buildonline Ireland, Sword Gmbh, Citadon inc and CTSpace France were disposed of by Sword Soft, Sword Soft Inc and Sword Group. The transfer price stands at £11.58m for 100% of the securities. The disposal generated a capital loss from consolidation of €8,360k.

Main aggregates of the disposed company

In €'000	14/11/2011	31/12/2010
Turnover	10,848	12,437
EBIT	1,698	1,846
Net income	-60	1,433
Total assets / liabilities	-	30,898

- On 21 October 2011, Sword Sol Inc was set up by Sword Group. Its share capital stands at $1,772k.

- On 22 December 2011, Sword Participations SARL, a company based in Luxembourg, was created through the contribution, by Sword Group, of FI System Belgium, Sword Services SA, Sword Soft Ltd, Sword Sol, Sword Création Informatique and Sword Sol inc. equity securities. It is a wholly-owned subsidiary of Sword Group. The amount of Sword Group's interests in that company stands at €191,641k.

- In February 2011, Sword Apak Inc was set up.

- A goodwill impairment of €25 million on cash-generating unit Nr. 1 (Products) was recorded for the period. This Impairment was approved by the Board of 10 February 2012.

- The Group has decided to dispose of General Partners. Consequently, the assets and liabilities of the company, as well as the loan taken out by Sword Technology Solutions (which was intended to fund General Partners and should be paid back by the potential buyer of General Partners), are recorded as assets and liabilities held for sale, in accordance with IFRS 5.

1.2. Events subsequent to year-end

As part of discussions held by the Board of Directors of the Company to strengthen the Group's integration and to improve its organisation and its competitiveness, it is proposed to transfer the registered office in the Grand Duchy of Luxembourg. This project was filed with the registry of the Commercial Court of Lyon on 20 January 2012 and was the subject of a notice in the BALO of 23 January 2012, corrected 25 January 2012. This is subject to the approval of the General Meeting of 26 March 2012.

1.3. Pro forma financial information for 2011

On 27 May 2011, shares in FircoSoft SAS, FircoSoft Ltd, and FircoSoft Inc were sold by Sword Soft and Sword Soft Inc.

On 6 July 2011, Agency Port, Sword Insurance Europe Ltd, Sword Bermuda, Sword IPR, Intech Inc (Insurance subgroup) were disposed of by Sword Soft and Sword Soft Inc.
On 14 November 2011, Sword Inc, CTSpace Ltd, Buildonline Global, Buildonline Ireland, Sword Gmbh, Citadon inc and CTSpace France were disposed of by Sword Soft, Sword Soft Inc and Sword Group.

The pro forma consolidated balance sheets are established as at 31 December 2011 and 31 December 2010 in thousands of euros and reflect the consolidated figures of Sword Group as if the sales had occurred 31 December 2009.

The pro forma consolidated balance sheets are established as at 31 December 2011 and 31 December 2010 in thousands of euros and reflect the consolidated figures of Sword Group as if the sales had occurred 31 December 2009 for each period under review. The pro forma financial statements presented are also restated after taking into account the impact of the discontinuation of the Intelligis and Powersoft projects. The pro forma adjustments are based on available information and certain assumptions deemed reasonable.

The pro forma consolidated financial information are presented for illustrative purposes only and are not an indication of the financial position of the consolidated company allegedly obtained at 31 December 2010 if the sales had occurred as at 31 December 2009.
They are no more indicative of the results of operations or of the future financial condition of the company.

The pro forma consolidated financial information was prepared on the basis of:
- the audited IFRS consolidated financial data of Sword Group at 31 December 2010

- the audited IFRS consolidated financial data of Sword Group at 31 December 2011.

Pro forma consolidated income statement at 31 December 2011

€'000	31/12/2011	31/12/2010
Turnover	**123,154**	**110,552**
Purchased consumables	-2,324	-2,505
Other purchases and external charges	-43,531	-39,789
Taxes and duties	-1,856	-1,482
Wages and social contributions	-58,567	-50,084
Depreciation and provisions charges	-2,317	-1,530
Other operating income and expenses	1,582	134
EBIT	**16,141**	**15,296**
Earnings on disposals and impairment of assets	-998	-86
Other non-current operating income and expenses	-7,046	-208
Provisions for impairment of goodwill	-25,000	
Operating profit	**-16,904**	**15,002**
Income from cash and cash equivalents	3	1
Financial expenses	-127	0
Net interest expenses	**-124**	**1**
Other financial income and expenses	-2,314	2,032
Pre-tax earnings	**-19,342**	**17,034**
Corporation tax	-2,052	-6,255
Total net consolidated profit	**-21,393**	**10,779**
Of which Group share	-21,104	10,940
Of which minority interests	-289	-161

Pro format balance sheet at 31 December 2011
Assets

€'000	31/12/2011 Gross	31/12/2011 Depreciation prov	31/12/2011 Net	31/12/2010 Net
NON CURRENT ASSETS				
Goodwill	115,377		115,377	96,028
Other intangible fixed assets	9,417	2,899	6,518	4,627
Tangible fixed assets	13,343	10,445	2,897	3,083
Long-term investments	777		777	7,557
Securities held for sale	6,646	1,747	4,899	12,627
Other long-term assets	3,904	2,972	932	3,330
Deferred tax assets	1,117		1,117	1,501
TOTAL OTHER LONG-TERM investments	**150,580**	**18,063**	**132,518**	**128,753**
SHORT-TERM ASSETS				
Assets held for sale	25,306	1,073	24,233	7,170
Clients and apportioned accounts	44,842	410	44,432	34,736
Other current assets	14,338	777	13,561	146,608
Cash and cash equivalents	111,643	34	111,609	20,037
TOTAL CURRENT ASSETS	**196,129**	**2,296**	**193,834**	**208,551**
TOTAL ASSETS	**346,709**	**20,358**	**326,351**	**337,305**

Pro format balance sheet at 31 December 2011
Liabilities

€'000	31/12/2011	31/12/2010
CONSOLIDATED SHAREHOLDERS' EQUITY		
Share capital	9,290	9,290
Additional paid-in capital	100,909	100,909
Reserves - Group's share	66,763	51,751
Group's share of net profit	**-21,104**	**6,042**
GROUP'S SHARE OF EQUITY	**155,857**	**167,992**
Minority interests	-565	746
TOTAL CONSOLIDATED SHAREHOLDERS' EQUITY	**155,293**	**168,738**
NON CURRENT LIABILITIES		
Retirement provision	200	155
Other non-current provisions	1,839	154
Long-term financial debt	86,518	105,691
Earnout due		
Other long term liabilities	1,290	1,213
TOTAL NON-CURRENT LIABILITIES	**89,847**	**107,214**
CURRENT LIABILITIES		
Liabilities held for sale	23,178	2,440
Current provisions	389	
Suppliers and apportioned accounts	12,253	9,321
Income tax due	5,034	5,239
Other current liabilities	23,712	27,810
Short-term financial debt	16,646	16,542
TOTAL CURRENT LIABILITIES	**81,212**	**61,353**
TOTAL LIABILITIES	**326,351**	**337,305**

NOTE 2: ACCOUNTING METHODS

2.1. Accounting standard

As per European Regulation n° 1606/2002 of 19 July 2002 regarding international accounting standards, the consolidated accounts of Sword Group at 31 December 2011 and the comparative accounts for financial 2010 were established by applying the IFRS (International Financial Reporting Standards) standards, as adopted by the European Union. The standards and interpretations applied are those published in the OJEU (Official Journal of the European Communities) before 31 December 2011, whose implementation was mandatory on that date.
This reference document is available on the website of the European http://ec.europa.eu/internal_market/accounting/ias and includes the standards approved by the International Accounting Standards Board (IASB), i.e. the IFRS standards, the international accounting standards (IAS) and the interpretations from the International Financial Reporting Interpretations Committee (IFRIC) or from the Standing Interpretations Committee (SIC).

2.1.1. Standards, amendments to standards and interpretations applicable as of the financial year started 1 January 2011

The Group implemented for the first time the standards and interpretations whose enforcement was mandatory as of 1st January 2011:

- IAS 24 revised – Related-party disclosures
- Amendment to IAS 32 on the classification of rights issues
- Annual improvement of IFRS (May 2010) including on revised IFRS 3, IFRS 7 (clarifying Disclosures), IAS 1 (clarification on the presentation of the statement of changes in equity), IAS 34 (presentation of events and transactions).
- IFRIC19 - Extinguishing Financial Liabilities with Equity Instruments
- Amendment to IFRIC14 - Prepayments of a minimum funding requirement

These amendments are mainly applicable to periods beginning on or after 1 January 2011.

These new standards have no significant impact on the accounts drawn up as at 31 December 2011.

2.1.2. Standards and interpretations that were published but are not yet applicable

TEXTS ADOPTED BY THE EUROPEAN UNION AT YEAR END.
Amendment to IFRS 7 "Financial Instruments" - Disclosures – Transfers of investments (effective 1 July 2011)

The Group has not applied this amendment in advance and does not anticipate any significant impact on its financial statements.

TEXTS NOT ADOPTED BY THE EUROPEAN UNION AT YEAR END.
Amendment to IAS 1 (subject to adoption by the European Union, this amendment is mandatory for annual periods beginning on or 1 July 2012).
Subject to final adoption by the European Union, standards, amendments to standards and interpretations issued by IASB and presented below, are mandatory after 31 December 2011:
Amendment to IAS 1 – Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2013);
Amendment to IAS 12 – Deferred Tax: Recovery of Underlying Assets (applicable to the annual periods starting as of 1st January 2012);
Amendment to IAS 19 - Employee Benefits: Accounting for defined benefit pension plans (applicable for annual periods beginning on or after 1 January 2013);
Amendment to IFRS 7 – Presentation - Offsetting investments and financial liabilities (applicable for annual periods beginning on or after 1 January 2013);
Amendment to IAS 32 – - Compensation for investments and liabilities (applicable to the annual periods opened on or after 1 January 2014);
IFRS 9 - Financial Instruments: Classification and measurement (applicable to the annual periods starting as of 1st January 2015);
IAS 10 – Consolidated Financial Statements (applicable to the annual periods starting as of 1st January 2013);
IFRS 11 - "Joint Arrangements" (effective for annual periods beginning on or after 1 January 2013);
IFRS 12 - Disclosure of interests in other entities (effective for annual periods beginning on or after 1 January 2013);
IFRS 13 - Fair Value Measurement (effective for annual periods beginning on or after 1 January 2013);
IAS 27 revised – Consolidated and Separate Financial Statements(applicable to the annual periods starting as of 1st January 2013);
Revised IAS 28 - Investments in associates and joint ventures (applicable for annual periods beginning on or after 1 January 2013).

The Group has not applied any of these new standards or interpretations in advance and does not anticipate any significant impacts resulting from the first application of these new texts.
The Group does not anticipate any material impact on its financial statements.

2.2. General rules concerning the presentation of the set of accounts

The consolidated balance sheet is presented according to the criterion of distinguishing between "current" and "non-current" as defined in standard IAS 1. Thus borrowings, provisions and investments are broken down into that part which is over one year into "Non-Current" and under one year into "Current".

The consolidated income statement is presented by nature, in accordance with the model proposed by the CNC (National Accounting Board) in Recommendation 2009-R-03, highlighting the EBIT.

The Group uses the indirect presentation method for cash flow movements, in accordance with the format in CNC Recommendation 2009-R-03.

2.3. Consolidation methods

Companies that are wholly controlled by the Group are fully consolidated.
Wholly controlled is the power, whether direct or indirect, to direct a company's financial and operational policies in order to obtain advantages from its business operations. It is assumed when the Group holds over 50% of the voting rights.
All consolidated companies are wholly controlled by the Sword Group and are accordingly fully consolidated.
Under the statutory agreement of Sword Soft, the earnings for the period go entirely to Sword Group. On that basis, the entire earnings (loss) are allocated to Sword Group in the breakdown between group and minority interests.

Intra-group company balances and transactions are removed in the consolidation.

The list of consolidated companies is provided in Note 25.

2.4. Directors' estimates

Certain accounting principles imply that the directors have made a number of estimates regarding, in particular, three aspects:
- the determination of the revenue level recorded, according to the advancement method, regarding fixed-price contracts (cf 2.16.) (IAS 11)
- the appreciation of the ability to record certain development expenses as fixed liabilities, according to the criteria defined by IAS 38 (cf 2.10.1.)
- the assessment of goodwill.

2.5. Directors' estimates

The preparation of consolidated financial statements in accordance with IFRS rules implies that management has made a number of estimates and has used certain assumptions that have an impact on the book value of certain assets, liabilities, income, expenses, as well as on the information provided in the Appendix.
The estimates and assumptions are regularly reviewed, at the very least at the end of each financial year. They can change if the circumstances upon which they were based change, or pursuant to new information. The actual results may be different than these estimates.
The main estimates made by management when the financial statements are prepared apply mainly to the assumptions used for calculating the value of goodwill and debts for earnout, the assessment of these provisions and of payments in shares (IFRS 2).

2.6. Segment information

An analysis of the criteria in the IFRS 8 standard facilitates determining business activity and geographical sectors (organisational structure and degrees of independence, type of products and processes, types of client, regulatory environment, etc.). This has led to the identification of a first level of segment information linked to sectors of business activity, which break down as follows:

- The Solutions segment, specialising in systems integration in the field of IS content management.
  This activity mainly targets regulated markets and therefore works at the compliance management level.
  That department bases its strategy on software components that can be:
  - technical (document management, geographic information systems, etc.)
  - core-business oriented (trademark and patent office management, local communities, etc.)

- The Products segment, which covers:
    - anti-money laundering, software to fight against dirty money, targeted at the global market.
    - GRC (Governance Risk and Compliance management) products
    - this area covers purely GRC activities, document management activities, and large project management activities.
    - products that initially targeted reinsurance, and now insurance and healthcare. The initial strategy mainly targeted the UK and has now extended to continental Europe, Ireland, the US and Bermuda.
    - Asset Management products with, as their main vector, vehicle leasing companies. As for the previous activity, aside from the UK market, these products also target the markets of continental Europe and the Middle East.

The Group is not organised into geographical areas (there are no regional managers or regional reporting, etc.).

2.7. Conversion of financial statements of foreign companies

Sword Group's consolidated financial statements are established in the currency in use in France, i.e. the euro.

The operating currency of the Group's foreign subsidiaries is the applicable local currency. The Group has no subsidiaries in countries suffering from hyper-inflation.

Conversion of the financial statements of foreign subsidiaries whose operating currency is not the euro is done as follows:

- All assets and liabilities (excluding shareholder equity items), are converted using the exchange rate in force on the date of financial year end,
- Revenue and costs (including depreciation and provisions) are converted using the average rate for the period,
- Shareholders' equity items are converted at their historic exchange rates,
- Exchange rate differences, in respect both of opening capital items and the income for the period, are accounted for in shareholders' capital under "Conversion reserve", included in the Group's share of the reserves.
- The conversion reserve is recorded as profit/loss following the disposal of a subsidiary.

2.8. 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.
Exchange rate differences between the original rate and the settlement rate are accounted for in the income statement.
At year end, any accounts receivable and debts in foreign currency are converted at the closing exchange rate. Conversion differences are posted onto the income statement. Exchange rate differences on inter-company receivables and payables are retained in the consolidated financial statements.

Exchange rate differences in the income statement are applied to the applicable item in the operating accounts if they apply to commercial transactions (purchases, sales, etc.) and to the cost of borrowing if they apply to investments or borrowings.

Latent exchange rate differences in respect of borrowings that are an integral part of net investments in a foreign subsidiary and whose payment is not planned, probable or predictable in the near future are attributed directly to the conversion reserves. They are stated in the income statement when a subsidiary is sold or a loan is repaid.

The Company has not made use of currency hedge instruments.

2.9. Goodwill

Businesses acquired prior to the transition to IFRS, are treated as goodwill where their nature, in the meaning of standard IAS 38, cannot be shown.

The consolidation of companies after 1 January 2004 was accounted for using the acquisition method. This method involves the evaluation of assets and liabilities of companies acquired by the Group at their fair value, in accordance with the rules provided for by standard IFRS 3.

Business combinations carried out as of 1st January 2010 are recorded as per the IFRS 3 revised standard, Business Combinations, and IAS 27 amended, Consolidated and Separate Financial Statements. The implementation of these revised standards is prospective.

Goodwill for foreign companies is posted in the operating currency of the company purchased.

At time of acquisition, goodwill is applied to a cash-generating unit in line with the synergies expected by the Group.

Goodwill is subject to impairment tests carried out every year, in accordance with the general principles defined in Note 2.14 as per the IAS 36 standard. Impairment cannot be taken into the income statement prior to disposal of the cash-generating unit to which the goodwill is attached.

2.10. Intangible fixed assets

2.10.1. Research and development costs

Research costs are stated in expenses.

Development costs are capitalised when they meet the following criteria in IAS 38:
- the technical feasibility,
- the intention to complete the intangible asset and to use or sell it,
- the ability to use or sell it,
- proof that the asset will generate probable, future economic advantages,
- the current or future availability of resources to carry out the project,
- the ability to measure reliably the costs related to this asset during the development stage.

Development costs that meet the above criteria are treated as assets up to the level of the direct costs attributed to the project. They are depreciated from the sales stage of the project for the project's expected period of usefulness. In accordance with IAS 36, "Impairment of assets", when events or changes in market circumstances indicate a risk of loss of value of such intangible assets, they undergo a detailed review (cf. Note 2.14.) to determine if their net book value is lower than their recoverable value. Impairment tests are carried out annually as defined in Note 2.14. Impairment is determined when the book value is higher than the recoverable value.

2.10.2. Other intangible fixed assets

These are mainly software.

Intangible fixed assets are stated at cost of acquisition, ancillary costs included.

All intangible assets have a set lifetime, and accordingly are amortised linearly over the expected useful lifetime, on a straight line basis for 3 years. Impairment is determined, if applicable, when the book value is higher than the recoverable value (cf. Note 2.14).

2.11. Tangible fixed assets

Assets are shown on the balance sheet at their acquisition cost, to which is added ancillary expenses and other costs directly attributable to the asset.

Tangible assets have a fixed lifetime, with exception of land.

Amortisation is linear in accordance with the useful lifetime expected by the Group.

The main lifetimes used for calculations are as follows:

- Transport equipment	5 years
- Office equipment	3 to 5 years
- Computer hardware	3 years
- Office furnishings	10 years

Depreciation methods are rechecked each year. Changes are posted prospectively where the impact is significant.

Impairment is determined, if applicable, when the book value is higher than the recoverable value (cf. Note 2.14).

Given the nature of tangible assets, component-based recording is not applicable.

The Sword Group does not own any investment properties.

2.12. Leasing contracts

Lease contracts are capitalised when they are classified as finance leases, namely when the result is to transfer to the Group effectively the full risks and advantages inherent in ownership of the leased items. Classification of a contract is done in accordance with the criteria specified in IAS 17 (e.g.: automatic transfer of ownership, existence of an attractive purchase option, etc.). Finance leasing contracts are stated in assets and are amortised in accordance with the rules to the type of item, with the other entry in borrowings. Lease charges are broken down between that part linked to repayment of the loan, stated as a reduction in borrowing, and the part linked to finance costs, reclassified as net cost of borrowing.

Operating lease contracts are not restated as assets. Leasing charges are retained in operating costs.

2.13. Activities held for sale or to be discontinued

In accordance with standard IFRS 5, "Non-current assets held for sale and discontinued operations", non-current assets immediately available for disposal, for which there is a disposal plan and the necessary steps to find a buyer have been undertaken and whose sale within less than a year is highly probable, are classified as "assets held for sale" In accordance with IAS 27, receivables and liabilities for these activities with the rest of the group continue to be eliminated. Assets and liabilities held for sale are measured at fair value less costs of sale.

2.14. Impairment tests

Impairment tests are carried out annually for all non-amortised assets (assets with an indeterminate economic lifetime) and for amortised assets where loss of value indexes exist. Assets with an indeterminate economic lifetime apply only to goodwill.

An analysis of impairment is carried out for assets tested, either per individual asset or per cash-generating units (the smallest identifiable group of assets generating cash flows substantially independent of those generated by other groups). Goodwill is thus tested at the CGU level, corresponding to operating areas (cf. Note 2.6.).

Impairment is determined when the recoverable value of an asset or group of assets is lower than its book value. The recoverable value is equal to the higher value between fair value net of disposal costs when it can be reliably measured and the value in use.

Value in use is determined annually for each cash-generating unit (CGU) by an expert, in accordance with IAS 36: it is the value accreted for estimated future cash flows that are expected from the continuous use of the assets and from their exit at end of use as forecast by the company. It does not take into account the impact of the financial structure, the effects of tax, or restructuring not undertaken.

Impairment determined in a cash-generating unit is applied in priority order to goodwill, then to the value of other components of the unit, up to the limit of their recoverable value. Impairment changes the amortisable base. Impairment of goodwill is irreversible.

The breakdown of the activity between the various CGUs was revised in 2007 to better reflect the generation of independent cash flows related to the evolution of the Group's lines of business. Besides, the implementation of IFRS 8 has not put this breakdown into question.
The Products segment is now divided into two cash-generating units, the first one (CGU1) for companies whose products are sold or leased under a SaaS model and the second one (CGU2) for companies that market products that can be sold off the shelf (that CGU was sold in the course of financial 2011).
The Solutions segment comprised on CGU (CGU 3), which concerns companies that specialise in the systems integration in information systems content management.

The main parameters used are summarised below:

Forecast horizon: 3 years,
- Taking into account a final value calculated using a normative, accreted cash flow and an infinite growth rate, per each area of operational activity,
- Discount rate for each area of operational activity. The discount rate is based on the rate without risk (average 10-year Euroswap: 4 %), plus a 6% market risk premium for the eurozone, a beta coefficient specific to the line of business and a specific risk premium to take the size of the entities into account. The discount rate stood at 11.99% for CGU1 and 11.73% for CGU3.
- The cash flow growth rate chosen beyond the budget period is at 2%.

These impairment tests led to the recognition of a goodwill impairment of €25 million.

2.15. Long-term investments

Long-term investments are made up mainly of:

- deposits and guarantees treated as assets using the cost price method (cf. Note 2.22 concerning financial instruments)
- and shares in companies over which the Company does not have control or special influence, which are accounted for as investments held for sale, namely valued at fair value; change in the value of assets held for sale is posted to shareholders' equity.

Impairment is determined when expected cash flows are lower than the book value.

2.16. Receivables and other current investments, and the rules for determining sales revenue

Receivables are initially recorded at their original face value. They are discounted when they become older than one year.
Impairment is determined when expected cash flows at year-end are lower than the book value. Risk analysis takes into account such criteria as age of debt, whether or not there is litigation, and the client's financial situation.

Turnover is determined when the main risks and advantages are transferred to the client, when the income and associated costs can be reliably determined, and when the economic benefits of the transaction will go to the company.

The business operations of Sword Group and its subsidiaries break down into two major categories that display different revenue generation characteristics:

Sale of software and related services

The sale of software and related services concern, on the one hand, the sale of software and, on the other hand, the performance of installation, maintenance, and training services.

The generating fact of the sale of software is the electronic delivery of the software; for certain applications complex adaptation is required, in which case the sale is considered to have been carried out when the software is installed at the client.

Related services are recorded as turnover as they are performed.

Engineering and consulting services

These services are monitored by project and are recorded as turnover based on progress, when the criteria in the standard are met (reliable valuation of the income, margin and stage of progress).

Deferred income is stated up to the level of the sums billed in advance.

Besides, in accordance with IAS 18.20, the services performed are recognised as turnover when they meet the following criteria:
- likelihood that the economic benefits resulting from the transaction will go to the company,
- reliable assessment of the income,
- reliable assessment of the progression,
- reliable assessment of the costs incurred.

2.17. Cash and cash equivalents

The Cash and cash equivalents item breaks down mainly into bank balances, very liquid investment securities whose maturity date is generally less than 3 months from date of purchase and that hold no risk. It is made mainly of funds denominated in euros.

Investment securities are valued at fair value. Variations on fair value are stated in income from cash and cash equivalents.

2.18. Benefits to staff

Short-term benefits

Short-term benefits (salaries, social payments, paid holidays, etc.) are stated in the expenses of the financial year in which the services were provided by the employees. Amounts unpaid at year-end are shown in Other Current Liabilities.

Post-employment benefits

Defined contribution schemes:
The Group's commitment is limited to the payment of contributions: these are for mandatory and supplementary pension schemes. The contributions are stated as costs in the financial year in which the services were provided by the employee. Amounts unpaid at year-end are shown in Other Current Liabilities.

Defined services schemes :
the Group is obliged to pay the level of services agreed to members of its staff working and to previous members of staff, with the actuarial risks falling on the Group: these are retirement commitments as defined in collective agreements or company-wide agreements. The commitment is calculated using the projected credit units method, taking into account actuarial assumptions (mortality rate, employee churn rate, discount rate and rate of salary increase, etc.). Details of the actuarial assumptions used are shown in Note 17.1.

Due to the small sums involved, the Group has opted to account immediately for actuarial variations in the current income statements.

The commitment is shown in the balance sheet in Non-Current Liabilities, for the entire amount of the commitment adjusted for the cost of deferred past services. The cost of past services, related to changes in the schemes is shown immediately in the current income statement for the part already acquired and deferred over the average acquisition period for rights for the part not yet acquired.

The reduction or cancellation of a benefits scheme subsequent to employment causes the immediate retraction in the income statement of commitments previously accounted.

The Sword Group does not subcontract the management and financing of retirement payments to an outside fund.

The change in provision for the period is stated in the income statement under operating costs, and the breakdown of the expense between its component parts is provided in the Appendix (cost of services provided, finance cost, retirement payments made, actuarial variations, etc.).

Other long-term benefits

The only long-term benefits are employees' profit sharing. They are posted to Non-Current (long-term) Liabilities for that part that is over one year.

Compensation for termination of employment contract

Compensation for termination of employment contract (e.g.: severance pay) is accounted for when a procedure is implemented.

Transactions remunerated by payment in shares and similar (subscription options, etc.).

Payments made in cash:
For the award of subscription options whose payment is based on shares that are paid for in cash, the company values the services rendered by the employees at the date of award of the plan. The valuation is made using the Black & Scholes approach.
The fair value of the benefit is stated in Personnel Costs for the period of acquisition of the rights, in Current or Non-Current Liabilities, depending upon maturity.
The initial fair value is updated at each year-end during the plan's lifetime, with variations in fair value being posted to Personnel Costs.

Payments made in shares:
For the award of options whose payment is based on shares and which are treated in shareholders' capital instruments, the Group values the fair value of the instruments at date of allocation. The valuation is made using the Black & Scholes approach.

The fair value is frozen at date of allocation, is accounted for in Personnel Costs for the period of the acquisition of the rights, set against a specific reserves account. The amount posted takes into account the number of beneficiaries and the opening assumptions. The charge is recalculated at every year-end, having updated the beneficiaries and the opening assumptions, with variations on the cumulative cost for the previous period being stated in Personnel Costs.

At the end of the acquisition period, the sum of accumulated benefits accounted for is retained in reserves, whether the options are exercised or not.

2.19. Provisions (excluding retirement commitments), contingent assets and liabilities

A provision must be made if:
- the Group has a current, legal or implicit obligation resulting from a past event, which exists independently of future actions of the Group,
- it is probable that resources representing economic benefits will have to be expended to meet the obligation,
- the amount of the obligation can be reliably estimated.

Provisions are made up mainly of:
- Provisions for site risks, linked to claims on contracts. They are determined on a case-by-case basis on their estimated risk. They are determined on a case-by-case basis on their estimated risk..
- provisions for risks in dispute, referring to litigation following consolidation of a company. Provisions are set based upon the company's estimate of the risk,
- Provisions for claims in industrial tribunals.

Provisions are broken down into Current and Non-Current Liabilities, depending upon their expected maturity. Provisions for maturity at over one year are updated if the impact is significant.

Information is provided in the Annex on contingent assets and liabilities, if the impact is significant, unless the probability of occurrence is very low.

2.20. Income tax

Tax due
Tax due is calculated for each entity according to the fiscal rules applying to it.
Tax due is shown separately in Current Liabilities.

Deferred taxes
Deferred taxes are calculated using the forecast tax rates method, using the latest tax rates in force at each year-end, applicable to the expected payment period.

Deferred taxes are accounted for all timing differences between taxable and book values in consolidation of consolidated assets and liabilities, excepting goodwill, and to undistributed profits of consolidated companies (unless the distribution can be foreseen in accordance with the definition in IAS 12). Similarly, deferred taxation is posted to the reconciliation accounts of the corporate and consolidated financial statements.

Deferred tax credits in respect of carried forward tax losses are only accounted for if they can be allocated to future taxable deferments, or where there exists a reasonable probability of realisation or recovery by applying to future profits.

To appreciate the Group's ability to recoup these assets, the following items in particular are taken into account:
- forecasts of future tax results,
- Share of non-recurring charges that will not reoccur in the future included in past losses,
- history of taxable profits for prior years,
- and, if applicable, tax strategy such as the proposed disposal of undervalued assets.

Deferred taxation and tax credits are set off per tax unit, whatever their maturity, when the tax unit is entitled to set off tax credits and tax due, and that the deferred tax credits and taxes due in question are handled by the same tax authority.

Deferred tax credits and tax due are posted to Non-Current Assets and Liabilities.

Deferred taxes calculated directly on items in shareholders' equity are posted to shareholders' equity.

Deferred tax credits and tax due are not updated.

2.21. CET income tax

The finance act for 2010, voted on 30 December 2009, eliminated the *taxe professionnelle* for French fiscal entities as of 2010, and replaced it with the *Contribution Economique Territoriale* (C.E.T) which includes two new contributions, the processing of which is specified below:

- The C.F.E., whose amount depends on the rental value of land and may, if applicable, be limited to a percentage of the added value, is quite similar to the professional tax, and will therefore be recognised in 2011 as the latter, i.e. as operating expenses (accounting identical as at 31 December 2010);

- The C.V.A.E., which the Group analyses as a tax on profit as described in IAS 12.2 ("Income taxes"). To conduct its analysis, the Company took into consideration the decisions to reject of the topic to its agenda expressed by IFRIC in March 2006 and May 2009 on the issue of the scope of application of IAS 12 "Income taxes". IFRIC actually pointed out that, to enter the scope of application of IAS 12, a tax should be calculated on the basis of a net amount of income and expenses, and that such a net amount can differ from the net accounting profit/loss. The Group considered that the C.V.A.E. met the characteristics mentioned in that conclusion, insofar as the added value represents an intermediary level of earnings/loss that systematically serves as a basis, according to French taxation rules, for determining the amount due as C.V.A.E.

As per the provisions of IAS 12, the qualification of the C.V.A.E. as income tax has led to recognising differed taxes relative to time differences existing at that date, against a net expense in the income statement for the period, the finance law having been voted in 2009. This deferred tax expense is displayed under "Income tax". The total amount of the current and deferred tax relative to the C.V.A.E. appears on that same line.

The impact of recognising the C.V.A.E. as a tax stands at €318k at 31 December 2011.

2.22. Financial instruments
Financial instruments are investments, financial liabilities and derivatives.

The accounting and valuation rules for financial instruments are determined by the following classification, which does not match headings in the consolidated balance sheet:

- Assets and liabilities recorded at amortised cost: this item includes receivables, payables, deposits and guarantees and other commercial claims. These instruments are initially accounted at fair value, which is effectively close to their face value. They are valued at year end at their original cost, minus amortisation in capital determined using the effective rate of interest method and adjusted if applicable for impairment in the event of loss of value. For assets and liabilities whose maturity is within 12 months, the original face value is considered equivalent to the amortised cost value. The detailed valuation rules are shown above in the specific notes.

- Assets and liabilities designated as "fair value based on earnings": these only include marketable securities such as UCITS (French *SICAV*) or mutual funds (French *FCP*) that are assessed at their net book values at each year end, as well as derivatives. The net book values are adjusted on the fair values at year end, fair value differences being recorded as earnings (losses).

Investments held to their maturity: not applicable within the Group.

Investments held for sale:
- non-consolidated minority stakes in listed companies (securities held for sale). These securities are estimated at their fair listed value at year-end. The change in fair value compared to the initial value is recorded directly in shareholders' equity. When a reduction in the fair value of a financial asset held for sale has been recorded directly as equity or there is an objective indication that this asset has been impaired, the total loss recorded directly as equity should be taken out of equity and recorded as earnings.
- non listed non-consolidated equity interests, valued at their cost, as their fair value cannot be estimated in a reliable manner. Impairment tests are conducted at each year end, compared to the securities' utility value. Impairments, if applicable, are recorded as earnings and can be reversed by earnings only upon the disposal of the securities.

Note 20 below, specific to financial instruments, provides the following information regarding each category of financial instruments presented above:
- positioning and value within the balance sheet assets and liabilities
- fair value at year-end
- impact on the income statement for the period and the equity
- sensitivity to the various risks: market risk (rate, currency), liquidity risk, and credit risk,

2.23. Turnover

Turnover is recorded in accordance with the rules specified in Note 2.16 above. It includes the result of sales-related foreign exchange operations.

Discounts for immediate payment are subtracted from the turnover.

Income recorded into individual financial statements that are not a counterpart of a service provided to third parties (self-constructed assets, change in finished product inventories, expense transfers, etc.) are subtracted from the corresponding expenses.

2.24. Other operating income and expenses

Other operating income and expenses include other income and expenses such as cancelled trade receivables, and miscellaneous management income and expenses.

2.25. Non-current operating elements

Non-current operating elements comprise items such as "Income from disposal and depreciation of assets" and "Other non-current operating income and expenses". They correspond to unusual or rare income or expenses, of a significant amount, other than income from disposed activities, including:

- income from goodwill disposal or amortisation, depreciation of tangible or intangible assets meeting that definition,
- Income from the disposal of consolidated companies,
- other significant impairments.

2.26. Cost of the net financial debt and other financial income and expenses

The cost of the net financial debt includes:

- The cost of the gross financial debt, which covers interest on the consolidated financial debt (borrowings, debt on lease contracts, etc.),
- minus income from cash and cash equivalents.

Other financial income and expenses include:

- Dividends received from non-consolidated interests,
- Disposals of non-consolidated securities,
- The effect of the discounting of trade receivables and payables,
- The effect of foreign exchange on inter-company financial transactions eliminated as a result of consolidation.

2.27. Earnings per share

The base earnings per share is calculated by dividing the Group's share of net profit by the average weighted number of ordinary shares outstanding over the period, except for own shares.

The diluted earnings per share is calculated by dividing the Group's share of net profit by the average weighted number of ordinary shares outstanding, plus all potential diluting ordinary shares (subscription options, warrants, etc.), readjusted with own shares. Their number is determined by applying the share repurchase method.

A share plan is considered to have a diluting effect when it results in the issue of ordinary shares at a price that is less than the average market price for the period.

2.28. Cash flow movement table

The cash flow movement table is established according to the indirect method. Thus, it distinguishes between cash flow from ordinary operations and cash flow from investment and finance operations.

The effects of changes in perimeter are presented for a net amount in the investment flows. They correspond to the price actually paid during the year, adjusted by the active / passive cash acquired, as detailed in Note 22.

Cash flow from ordinary operations is the cash flow that generates income and does not meet the criteria of investment or financing flows. The Group has chosen to classify into that category the dividends received and the interests paid.

The cash flow is calculated by adjusting the net result of depreciation and provision expense (excluding changes in current asset depreciations), income from disposals, and calculated expenses (income and expenses directly recorded against reserves, such as benefits related to payments in shares that materialise as shares).

The cash flow from investment operations is the cash flow from acquisitions and disposals of long-term assets and other assets not classified as cash equivalents, net of fixed asset supplier payables. The interest received is included into this investment cash flow.

Finance operations are operations that result in a change in the significance or nature of the company's shareholders' equity or liabilities. Capital increases for the period, dividends paid, and issues or reimbursements of borrowings, are included in that category.

Increases in assets and liabilities that have not generated cash flow are offset. Thus, goods paid through a lease during the period, are not included in the investments for the period; the share of rents relative to capital reimbursements is included in reimbursements of borrowings for the period.

NOTE 3: CHANGE IN CONSOLIDATION SCOPE

The main changes to the consolidated scope in 2011 are described in paragraph 1.1.

- Acquisitions

No companies were acquired in 2011 that were newly-consolidated.

- Disposals

Companies disposed of and their main aggregates of companies sold are detailed in paragraph 1.1.
The main changes that took place in the course of 2010 regarding the consolidation scope, result from the following events:

- In June 2010, Sword SOL (SARL, with capital of €12.5k), a Luxembourg-based company, was set up. It is wholly-owned by Sword Group SE.
- Sword Group SE redeemed the minority interests of Sword Soft, a consolidated company, for €9,039k.
- Sword Soft redeemed the minority interests of FircoSoft, a consolidated company, for €3,726k.
- In November 2010, Sword IF (SA, with capital of CHF400k), a Switzerland-based company, was set up. It is 57% owned by Sword Services.
- On 11 October 2010, Sword Group SE acquired 19% of the capital of China's Guangzhou Si Wo Ruanjian Keji Komp. Ltd.

NOTE 4: Additional INFORMATION REGARDING THE ACQUIRED COMPANIES

No companies were acquired in 2010 or 2011 that were newly-consolidated.

NOTE 5: RATE USED FOR CONVERTING ELEMENTS IN FOREIGN CURRENCY

The table below displays the euro against foreign currency rates used in the consolidation process:

	Average rate 31/12/2011	Average rate 31/12/2010	Closing rate 31/12/2011	Closing rate 31/12/2010
GBP	0.867776	0.860408	0.8353	0.8608
US Dollar	1.391709	1.326808	1.2939	1.3362
Swiss Franc	1.239829	1.38225	1.2156	1.2504
South African rand	10.092956	9,713,542	10.482949	8.8625
Indian rupee	64.86767	60.631833	68.714354	59.758
Australian dollar	1.348158	1.444175	1.2723	1.3136
Hong Kong dollar	10.834	10.307692	10.050958	10.3856
New Zealand dollar	1.760182	1.839833	1.6737	1.72

NOTE 6: SEGMENT INFORMATION

Segment information by line of business

(€'000)	Solutions		Software		Other activities		Consolidated	
	2011	2010	2011	2010	2011	2010	2011	2010
Turnover	80,820	81,912	75,373	103,411			156,193	185,323
Operating profit current	7,110	12,302	15,915	21,703			23,025	34,005
Non-current operating revenue and expenses (including disposals)	- 4,515	-55	- 29,230	12	21,905	-357	- 11,840	-400
Financial expenses (1)					4,698	-55	4,698	-55
Taxes					5,066	10,425	5,066	10,425
Net income	2,595	12,247	-13,315	21,715	12,141	-10,727	1,421	23,235
Segment assets	110,861	94,238	62,300	223,998			173,161	318,236
Head office assets and other non-allocated assets					128,190	37,167	128,190	37,167
Total consolidated assets	110,861	94,238	62,300	223,998	128,190	37,167	301,351	355,403
Segment liabilities	110,861	94,238	62,300	223,998			173,161	318,236
Head office liabilities and other non-allocated liabilities					128,190	37,167	128,190	37,167
Total consolidated liabilities	110,861	94,238	62,300	223,998	128,190	37,167	301,651	355,403
Investments	1,855	2,194	4,637	3,245	5	5	6,497	5,444
Depreciation allowance	1,376	1,229	1,403	1,876	13	8	2,792	3,113
Net expenses calculated without depreciation	873	68	26,793	42	526	-	28,192	110

(1) Total of the net financial debt and other financial income and expenses.

NOTE 7: INCOME STATEMENT

7.1. Wages and social contributions

Payroll expenses break down as follows:

(in €'000)	12/11	12/10
Short-term benefits / gross wages	64,144	74,281
Short-term benefits / social contributions	12,390	13,930
Benefits related to payments in shares	76	(62)
Long-term benefits (incentive and profit-sharing)	104	426
Other benefits	257	218
Total	76,971	88,793

The net expense from retirement commitments is specified in Note 17.1.

Average consolidated workforce

	12/11	12/10
Billable count	1,054	1,195
Non billable head count	195	244
Total	1,249	1,439

7.2. Depreciation and provisions

Depreciation and provisions included in operating expenses break down as follows:

(in €'000)	12/11	12/10
Depreciation of intangible and tangible assets	2,792	3,113
Impairment of trade and other receivables	(362)	(666)
Net provisions	434	110
Total	2,864	2,557

7.3. Research and development costs

(in €'000)	12/11	12/10
Total expenses incurred	(9,759)	(20,550)
Activated R&D costs (Note 9)	4,797	3,553
Non-activated costs [(1)]	(4,962)	(16,997)
Depreciation of previously activated development costs (Note 9)	1,811	78
Total	(3,151)	(16,919)

[(1)] recognised as other purchases and external purchases and as salaries and wages

R&D costs cover:
- the development of software components designed for the "services" segment,
- the corrective and minor maintenance of products,
- the development of new products.

7.4. Other operating income and expenses

These are mainly waived debts of a business nature and directors' fees.

7.5. Income from disposals and impairment of assets

(in €'000)	12/11	12/10
Disposal costs	(14,175)	(157)
Income from the disposal of non-consolidated securities		47
Income from the disposal of the FircoSoft subgroup	25,074	
Income from the disposal of the Insurance subgroup	19,312	
Income from the disposal of the CTSpace subgroup	(8,360)	
Impairment of tangible assets	(1,000)	
Income from the disposal of tangible fixed assets	2	24
Total	20,853	(86

7.6. Other non-current operating income and expenses

Other non-current operating income and expenses include the following amounts:

(in €'000)	12/11	12/10
Head office transfer costs	(83	
Writing off of receivables		(327)
Tax adjustment		
Compensation for termination of contract		
Customer disputes	(3,607)	
R&D impairment	(1,805)	
Other non-current expenses	(3,227)	(185)
Other non-current revenues	1,029	198
Total	(7,693)	(314)

7.7. Income from cash and cash equivalents-

(in €'000)	12/11	12/10
Financial income from non-consolidated interests		
Income from investments	3	1
Total	3	1

7.8. Cost of gross debt

(in €'000)	12/11	12/10
Interest on lease finance contracts		
Interest on borrowings and other debt	(3,777)	(3578)
Other financial expenses		
Other financial items	1,547	1,494
Total	(2,230)	(2,084)

7.9. Other financial income and expenses

(in €'000)	12/11	12/10
Foreign exchange loss on financial operations	(12,919)	(10,851)
Financial allowance on non-consolidated securities and receivables	(3,497)	
Other financial expenses	(287)	(228)
Foreign exchange gain financial operations	12,948	12,949
Other financial items	1,285	268
Total	(2,470)	2,138

Foreign exchange losses and gains on financial operations represent the outcome of intragroup foreign exchange operations that have been eliminated by the consolidation process (current account advances, etc.).

7.10. Analysis of income tax expenses

7.10.1. Structure of the income tax bill

(in €'000)	12/11	12/10
Current tax (Note 7.10.1.A)		
Income tax on ordinary operations	5,335	10,445
Deferred taxes		
Deferred taxes for the period	(269)	(20)
Miscellaneous		
Total	5,066	10,425

A. Current taxes
The current tax burden is equal to the income tax due to the tax authorities for the period, in accordance with the rules and taxation rates applicable in the various countries.

B. Deferred taxes
The deferred tax burden is determined according to the accounting method set out in Note 2.20.

The base income tax rate applicable to companies in France is 33.33%.

7.10.2. Actual tax rate

(in €'000)	12/11	12/10
Profit from consolidated companies before tax	6,487	33,660
Average tax rate in force in France	33.33%	33.33%
Expected tax	2,162	11,219
Impact		
▪ Final difference between profit before tax and taxable profit	(55,958)	(449)
▪ Permanent differences on consolidation entries	55,121	10
▪ Tax rate difference on the disposal of equity interests		
▪ Exchange rate difference for foreign subsidiaries	(243	(936)
▪ Non-activation of income tax for tax deficits (prudence principle)	2,297	743
▪ Use of tax deficits not taken into account at the start of the year	(144)	(618)
▪ Tax credits		
▪ Miscellaneous	1,831	456
Actual assessed tax	5,066	10,425
Actual tax rate	78.09%	30.97%

7.10.3. Deferred taxes recorded to the balance sheet

Balances	2010	2010
Deferred tax assets		
- deferred taxes that can be activated	1,119	1,438
- of which, not recognised		
Recorded deferred tax assets	1,119	1,438
Deferred tax liabilities	- 1,290	-1,784
Net deferred taxes	- 171	-346

The change in deferred taxes recorded to the balance sheet is detailed below by balance sheet item:

- i.e.,for financial 2011

In €'000	31/12/10	Impact on profit	Impact on net position	Change	Scope	Other	31/12/11
Provisions	36	15			-8		43
Intangible and tangible fixed assets	-852	-99		35	452		-464
Temporary differences generated on other balance sheet items	-30	852	-782	54	156		250
Deferrable losses and taxes	500	-500					0
Deferred gross assets and liabilities	-346	268	-782	89	600		-171

- i.e., for financial 2010

In €'000	31/12/09	Impact on profit	Impact on net position	Change	Scope	Other	31/12/10
Provisions	45	-9					36
Intangible and tangible fixed assets	-585	-59	-168	-40			-852
Temporary differences generated on other balance sheet items	572	-411	-148	-43			-30
Deferrable losses and taxes		500					500
Deferred gross assets and liabilities	32	21	-316	-83			-346

7.11. Earnings per share

The method for calculating the base earnings per share and the diluted earnings per share have been specified in Note 2.27.

In €	12/11	12/10
Undiluted net earnings per share		
▪ Total average number of shares	9,289,965	9,289,965
▪ Total net profit	1,421,485	23,234,985
▪ Undiluted net earnings per share	0.15	2.50
Net diluted earnings per share		
▪ Total average number of shares	9,289,965	9,289,965
▪ Number of shares related to the stock options	31,892 (share equivalent)	61,493 (share equivalent)
▪ Number of shares attached to the BSAs	0 (share equivalent)	0 (share equivalent)
▪ Total number of securities	9,321,857	9,351,458
▪ Total net profit	1,421,485	23,234,985
▪ Net diluted earnings per share	0.15	2.48

NOTE 8: GOODWILL

The item has changed as follows in 2011:

(in €'000)	12/10	Acquisitions - Depreciations	Earn-out adjustments on previous acquisitions	Other adjustments	Disposals	Foreign exchange rate effect	12/11
GOODWILL							
Gross values	187,347				70,396	- 1,574	115,377
Impairments		(25,000)					(25,000)
Net	187,347	(25,000)			70,396	-1,574	90,377

The item has changed as follows in 2010:

(in €'000)	12/09	Acquisitions - Depreciations	Earn-out adjustments on previous acquisitions	Other adjustments (1)	Disposals	Foreign exchange rate effect	12/10
GOODWILL							
Gross values	181,389	417		-3,109		8,650	187,347
Impairments							
Net	181,389	417		-3,109		8,650	187,347

(1) This adjustment concerns the recognition of tax against deferrable losses, not activated and used.

Goodwill breakdown by cash-generating unit is as follows at 31 December 2011 and 31 December 2010:

(€'000)	31/12/2011	31/12/2010
CGU1: Products sold as a service (SaaS)	49,295	145,455
CGU2: Products sold on an "as is" basis		4,668
CGU3: Services	41,082	37,224
Consolidated total	90,377	187,347

The implementation of impairment tests by an expert, in accordance with the procedure described in Note 2.14 above, has led to the recognition of an impairment of €25M on CGU1 (Products). This impairment is justified by expectations of a major crisis in the very near future.
The sensitivity tests that were carried out on the discount rates and on the infinite growth rate (+/- 1 point) have not led to the recognition of additional impairments.

		CGU1 Terminal growth				
		1.0%	**1.5%**	**2.0%**	**2.5%**	**3,0%**
WACC	**11%**	67,172	70,141	73,440	77,128	81,277
	11,5%	64,081	66,749	69,697	72,974	76,637
	12 %	61,271	63,680	66,329	69,259	72,514
	12.5%	58,706	60,890	63,283	65,915	68,824
	13 %	56,354	58,343	60,513	62,890	65,505

		CGU3 Terminal growth				
		1.0%	**1.5%**	**2.0%**	**2.5%**	**3,0%**
WACC	**10.7%**	51,802	54,059	56,575	59,396	62,582
	11.2%	49,456	51,478	53,720	56,219	59,021
	11.7%	47,327	49,149	51,158	53,385	55,866
	12.2%	45,387	47,036	48,845	50,841	53,053
	12.7%	43,612	45,110	46,748	48,545	50,528

NOTE 9: INTANGIBLE FIXED ASSETS

Item details and changes for 2011

(in €'000)	12/10	Acquisitions-Depreciations	Disposals	Foreign exchange rate effect	Changes in scope	12/11
R&D costs						
Gross values	5,759	4,797	(520)	76	(3,240)	6,872
Depreciation and amortisation	(792)	(1,811)	520	15	739	(1,329)
Net	4,967	2,986	-	91	(2,501)	5,543
Other intangible fixed assets						
Gross values	3,693	469		(17	(1,600)	2,545
Depreciation and amortisation	(1,384)	(726)		554	(14)	(1,570)
Net	2,309	(257		537	(1,614)	975
Total	7,276	2,729	-	628	(4,115)	6,518

Item details and changes for 2010

(in €'000)	12/09	Acquisitions-Depreciations	Disposals	Foreign exchange rate effect	Changes in scope	12/10
R&D costs						
Gross values	2,143	3,553		63		5,759
Depreciation and amortisation	(698)	(78)		(16)		(792)
Net	1,445	3,475		47		4,967
Other intangible fixed assets						
Gross values	2,300	1,237	(4)	160		3,693
Depreciation and amortisation	(790)	(556	4	(42)		(1,384)
Net	1,510	681	-	118		2,309
Total	2,955	4,156	-	165		7,276

The implementation of depreciation tests on current R&D costs has not revealed any depreciation.

NOTE 10: TANGIBLE FIXED ASSETS

Item details and changes for 2011

(in €'000)	12/10	Acquisitions-Depreciations	Disposals	Merger	Reclassification
Land					
Gross values					
Depreciation					
Net					
Buildings					
Gross values	1,361	64			
Depreciation	(390)	(176)			
Net	971	(112)			
Transport equipment					
Gross values	318	127	(85)		
Depreciation	(210)	(61	48		
Net	108	66	(37)		
Fixtures-installations					
Gross values	2,653	4			
Depreciation	(1,958)	(221)			
Net	695	(217)			
IT and office equipment					
Gross values	18,503	994	(282)		
Depreciation	(15,667)	(1,266)	262		
Net	2,836	(272)	(20)		
Office furniture					
Gross values	6,433	36	(23)		
Depreciation	(4,405)	(331)	23		
Net	2,028	(295)	-		
Tangible fixed assets					
Gross values	29,268	1,225	(390)		
Depreciation	(22,630)	(2,055)	333		
Net	6,638	(830)	(57		
Total	6,638	(830)	(57		

Item details and changes for 2010

(in €'000)	12/09	Acquisitions-Depreciations	Disposals	Merger	Reclassification	Foreign exchange rate effect	Scope changes	12/10
Land								
Gross values								
Depreciation								
Net								
Buildings								
Gross values	879	235			193	54		1,361
Depreciation	(329)	(50)				(11)		(390)
Net	550	185			193	43		971
Transport equipment								
Gross values	364	61	(135			28		318
Depreciation	(230)	(70)	105			(15)		(210)
Net	134	(9)	(30			13		108
Fixtures-installations								
Gross values	2,398	233	(6)		(116)	144		2,653
Depreciation	(1,574)	(252)	6		(23)	(115)		(1,958)
Net	824	(19)	-		(108	29		695
IT and office equipment								
Gross values	17,227	1,715	(1,297)		(4)	862		18,503
Depreciation	(14,545)	(1,660)	1,294		4	(760)		(15,667)
Net	2,682	55	(3)		-	102		2,836
Office furniture								
Gross values	5,618	1,103	(479)		(53)	244		6,433
Depreciation	(4,238)	(447)	478		(1)	(197)		(4,405)
Net	1,380	656	(1)		(85)	47		2,028
Tangible fixed assets								
Gross values	26,486	3,347	(1,917)		20	1,332		29,268
Depreciation	(20,916)	(2,479)	1,883		(20)	(1,098)		(22,630)
Net	5,570	868	(34)		-	234		6,638
Total	5,570	868	(34)		-	234		6,638

No guarantees have been given regarding acquired tangible assets.

NOTE 11: NON-CURRENT INVESTMENTS, SECURITIES HELD FOR SALE AND OTHER NON-CURRENT ASSETS

11.1. Long-term investments and other non-current assets

Non-current investments consist mainly of paid and recoverable guarantee deposits posted by Sword Group, Sword SA, Global India and Sword Inc.

The other non-current assets are comprised of receivables due within more than one year. They include, in particular, the advance to Nordline for €2,972k, which was 100% impaired.

11.2. Securities held for sale

The securities held for sale correspond to:

- The interests held in SBT. At 31 December 2011, Sword Group held 37,296 shares in that company. The average acquisition price stands at €8.65 and the fair value at 31 December 2011 at €147k. The change in fair value was recognised as shareholders' value.

- The interests held in various other companies, including: Lyodssoft (a non-listed company), Middlesoft (a non-listed company) Simalaya (a non-listed company) and Guangzhou (a non-listed company) for a total of €6,324k of gross value and €4,752k of net value.

€'000					
Securities held for sale	Year start (at fair value)	Acquisition	Change (at fair value)	Reclassification (1)	Year end (at fair value)
AMOR (formerly BTS)	8,977			(8,977)	-
SBT	73		74		147
Guangzhou	3,000				3,000
Miscellaneous	2,285	(7)	(526)		1,752
Total	14,335	(7)	(452)	(8,977)	4,899

(1) The BTS equity securities were reclassified as per IFRS 5 (assets held for sale), in the context of the proposed sale of General Partners.

At 31 December 2011

(in €'000)	Dividends	Later evaluation			Income from disposal
		Change in fair value	Foreign exchange rate effect	Impairment	
Shareholders' equity	-	74	-	-	-
Earnings	-	-	-	(526)	-
Total	-	74	-	(526)	-

At 31 December 2010

(in €'000)	Dividends	Later evaluation			Income from disposal
		Change in fair value	Foreign exchange rate effect	Impairment	
Shareholders' equity	-	(5)	-	-	-
Earnings	-	-	-	-	-
Total	-	(5)	-	-	-

NOTE 12: RECEIVABLES

(in €'000)	12/11	12/10
Gross receivables	44,842	71,245
Impairments	(410)	(1,385)
Net values	44,432	69,859

Trade receivables are due within less than one year.
There is no claims disposal contract.

NOTE 13: OTHER CURRENT ASSETS

(in €'000)	12/11	12/10
Tax credits	2,557	4,306
Other tax and social contribution credits	2,554	3,594
Deferred charges	5,519	7,951
Other current assets	3,708	6,460
Total gross values	14,338	22,311
Impairments	(777)	(5)
Total	13,561	22,307

Other receivables are due within less than one year.

NOTE 14: ASSETS AND LIABILITIES HELD FOR SALE

Assets and liabilities held for sale relate to Ciboodle Land and Estates Ltd, on the one hand, and General Partners, on the other hand.

- Assets and liabilities of Ciboodle Land and Estates Ltd. consist primarily of the building and the corresponding loan. The sale was delayed by independent circumstances. However, there is sufficient evidence to justify maintaining that entity as assets and liabilities held for sale.
- The assets and liabilities that relate to the business of General Partners are composed primarily of securities of the company Amor (formerly BTS) and the claim on that company and the loan taken out by Sword Technology Solutions to fund General Partners, which shall be repaid by the potential buyer of General Partners.

(in €'000)	12/11	12/10
Assets	24,233	7,170
Ciboodle Land and Estates Ltd	6,349	7,170
General Partners	17,884	
Liabilities	23,178	2,440
Ciboodle Land and Estates Ltd	4,886	2,440
General Partners (including the STS loan)	18,292	

Ciboodle Land and Estates Ltd belongs to the Products segment.

NOTE 15: NET DEBT

(excluding earnout)

Item breakdown by type

(€'000)	12/11	12/10
Medium- and long-term borrowings	86,518	106,088
Short-term financial debt	16,540	15,984
Current banking facilities	106	558
Total gross debt	103,164	122,630
Marketable securities	56,286	24
Cash and cash equivalents	55,323	27,996
Total net debt	(8,445)	94,610

Cash and cash equivalents are primarily made up of bank accounts, which are risk-free.

Net cash (cash and cash equivalents, net of current bank facilities) stood at €111,503k at 31 December 2006 and €27,462k at 31 December 2010.

Most borrowings are denominated in euros.

Breakdown of loans by maturity date

(€'000)	12/11	12/10
Short-term financial debt (< 1 year)	16,646	16,542
1 year < X > 5 years	86,518	106,088
> 5 years	0	0
Long-term financial debt (> 1 year)	86,518	106,088
Total	103,164	122,630

Non-current financial debts as at 31st December 2011 include, up to €85,643k versus €98,000k as at 31st December 2010, variable rate pool credits subject to drawdowns by Sword Group in the form of promissory notes due within 1 to 6 months. For the classification as non-current debt (> 1 year) of outstanding promissory notes at period end, the following aspects have been considered:

- Ability for the company, without opposition on the part of the banks that granted the loans, to renew the drawdowns for a period of at least one year (all credit openings valid at 31 December 2011 can't be reduced by the banks within a period of 12 months).
- Company's desire to turn to that form of funding within the coming 12 months.

Breakdown of borrowings by interest rate and rate coverage:
The main loans have been taken out at an interest rate of euribor 3 months + 1%. Three fixed-rate paying SWAP covers expired during the period.

Bank covenants
Sword Group promises to maintain, in accordance with the covenant clauses:

- Net consolidated debt / consolidated EBITDA less than 3.5 or 3, depending on the agreement
- net consolidated financial debt / consolidated shareholders' equity less than 1.

Should Sword Group fail to comply with the above covenants, lending banks will be able to accelerate the reimbursement of the outstanding loan, worth €100,500k as at 31 December 2011 (versus €112,250k at 31 December 2011).
At 31 December 2011, Sword Group complied with such covenants.

Guarantees on borrowings
Cf Note 23.

Credit lines available at 31 December 2011

In €'000	31/12/11	Less than one year	Between 1 and 5 years	Older than 5 years old
Outstanding amount authorised	154,536	19,508	130,163	4,865
Outstanding amount used	103,058	16,540	86,518	0
Credit available	53,978	2,968	43,645	4,865

Credit lines available at 31 December 2010

In €'000	31/12/10	Less than one year	Between 1 and 5 years	Older than 5 years old
Outstanding amount authorised	168,937	26,421	137,651	4,865
Outstanding amount used	122,072	15,984	106,088	-
Credit available	46,865	10,437	31,563	4,865

NOTE 16: CHANGE IN SHAREHOLDERS' EQUITY

Issued capital and securities giving access to the capital

- Issued capital

At 31 December 2010, capital stock totalled €9,289,965, divided into 9,289,965 shares with a face value of €1.

The Board of Directors on 7 July 2011 decided to distribute an interim dividend of €1.70 per share, being a total interim dividend of €15,792,940 paid 19 July 2011.

The amount of dividends available for distribution at the Annual General Meeting of 26 March 2012 amounts to €2.39 per share, representing a total distribution of €22,203,016, including the interim dividend effected on 7 July 2011 of €1.70 per share, against €0.69 per share in 2010, being a total distribution of €6,410,076.

Class of securities	Face value	Number of shares			
		At year start	Created during the period	Paid back during the period	At year end
2011	1	9,289,965			9,289,965
2010	1	9,289,965			9,289,965

Share subscription warrants

Class of securities	Number of shares				
	At year start	Created during the period	Exercised during the period	Not exercised and lost	At year end
2011	0				0
2010	0				0

Stock options

Sword Group
Plans N°1 and N°2 of 30 January 2009
As at 30 January 2009, the Extraordinary General Meeting of Sword Group permitted the Board of Directors of 30 January 2009 to grant options entitling their holders to subscribe up to 150,000 Sword Group shares. This authorisation has been granted for 38 months. As at 30 January 2009, the Board of Directors used the permission that was given and granted 150,000 share subscription options to the benefit of the employees and/or corporate officers. Messrs. Heath Davies and Jean-Marc Sonjon having left the company, 110,000 options lapsed and only part of the plan No. 2 is still active with 40,000 options.
The subscription price of new shares was set to the average of listed prices for the 20 stock market days preceding the decision to assign the options and stood at €10.60.

At 31 December 2011, the number of shares exercisable as of 30 January 2012 stood at 40,000.
At 31 December 2011, no options were exercised.

The shares acquired pursuant to the exercise of the options are non disposable, non marketable, non convertible to the bearer and cannot be rented or leased for a period of 12 months beginning on the date on which they are exercisable for the first time.

The cost generated by that employee benefit stood at €155k on the date of allocation, and was recorded as profit for up to €113k at 31 December 2011, of which €39k for the year 2011.

The valuation of the fair value of this benefit has been determined on the basis of the Black and Scholes financial formula, using the following calculation assumptions:
- Volatility: 37%
- Planned dividend distribution rate: 0.02 %
- No-risk yield rate over the option lifetime: 4.8%.

Plans N°1, 2, 3 and 4 of 6 October 2011

As at 17 January 2011, the Extraordinary General Meeting of Sword Group permitted the Board of Directors to grant options entitling their holders to subscribe Sword Group shares. This authorisation has been granted for 38 months. As at 6 October 2011, the Board of Directors used the permission that was given and granted 188,000 share subscription options to the benefit of the employees and/or corporate officers.
The subscription price of new shares was set to the average of listed prices for the 20 stock market days preceding the decision to assign the options and stood at 12.115 €.

At 31 December 2011, the number of exercisable options stood at:
- from 6 October 2014 at 101,000 (Plans N°1, 3 and 4)
- from 6 October 2015 at 87,000 (Plan No. 2).

At 31 December 2011, no options were exercised.

Shares acquired upon the exercise of the option will be transferable and tradable.

The cost generated by that employee benefit stood at €513k on the date of allocation, and was recorded as profit for up to €37k at 31 December 2011, of which €37k for the year 2011.

The valuation of the fair value of this benefit has been determined on the basis of the Black and Scholes financial formula, using the following calculation assumptions:
- Volatility: 23%
- Planned dividend distribution rate: 0.03 %
- No-risk yield rate over the option lifetime: 3.61%.

Plan of 16 December 2011

The Board of Directors held 16 December 2011, in accordance with the permission granted by the Combined General Meeting of Shareholders of the Company held 17 May 2011, granted, under the provisions of Articles L 225-177 et seq. of the Commercial Code, options entitling their holders to the subscription of 9,000 new shares of the Company.
The subscription price of the new shares was set to €12.40.

At 31 December 2011, the number of shares exercisable as of 1 January 2015 stood at 9,000.
At 31 December 2011, no options were exercised.

The impact of that benefit has not been recognised, due to its lack of significance in the consolidated financial statements at 31 December 2011.

Own shares

Sword Group holds for €927k of own shares, of which €745k as part of a share repurchase programme and €182k as part of a liquidity agreement.
In accordance with IAS 32, own shares are deducted from consolidated shareholders' equity. The profit/loss from the sale of these securities is neutralised in the consolidated income statement.

Shareholders' equity management policy

The company is subject to no specific obligation of a regulatory or contractual nature in terms of share capital. The Group has no specific management policy in terms of capital. The arbitration between external financing and capital increase is carried out on an ad hoc basis according to the operations envisaged. The shareholders' equity followed by the Group integrates the same components as the consolidated shareholders' equity.

NOTE 17: PROVISIONS, POSSIBLE ASSETS AND LIABILITIES

(€'000)	31/12/10	Reserve allocations for the financial year	Carryovers for the financial year		Scope changes	Other	31/12/11
			Used up	Not applicable			
Non-current provisions - Litigation risk provisions	179	1,623			(25)	62	1,839
Current provisions - Other provisions (1)		389					389
Total	179	2,012			(25)	62	2,228

(€'000)	31/12/09	Reserve allocations for the financial year	Carryovers for the financial year		Scope changes	Other	31/12/10
			Used up	Not applicable			
Non-current provisions - Litigation risk provisions	117	125	(5)	(59)		1	179
Current provisions - Other provisions [1]							
Total	117	125	(5)	(59)		1	179

[1] This item consists primarily of risks on work in progress (cf Note 2.19).

Non-current provisions are within less than 5 years. They have not been discounted, due to their insignificant impact.
At 31 December 2011, a litigation provision of €1.2 million was recognised on Ciboodle UK.

17.1. Retirement commitments (defined benefit schemes)

(in €'000)	12/11	12/10
- Retirement commitments	200	184
Total	200	184

The retirement benefits of Sword Group's French companies are determined by the Syntec collective agreement.

As specified in Note 2.18, the Group has opted for the immediate recording of actuarial differences, and there is no cost of deferred past services. The pension commitments are not covered by any assets.
The portion due within less than one year is insignificant.

The breakdown of the burden for the period is described in the table below:

	12/11	12/10
Cost of services rendered	(13)	(16)
Financial cost	(4)	(4)
Compensation paid		
Actuarial differences	(28)	(29
Change in consolidation scope [1]	29	-
Total	(16)	(49)

[1] These are the pension commitments of the companies CT Space France and FircoSoft SAS.

Actuarial valuations rely on a number of long-term assumptions provided by the company. These assumptions are reviewed each year.

The assumptions used for calculating retirement provisions are the following:

	2011	2010
Discount rate	3.89%	4.60%
Revaluation of annual wages	1.5%	1.5%
Social contribution rate	45%	45%
Retirement age	65 years old	65 years old
Personnel rotation	[1]	[1]
Mortality table	INSEE 2010	INSEE 2009

[1] A per age statistic table based on a high turnover rate, unchanged at start date and end date, was used.

NOTE 18: ACCOUNTS PAYABLE

(€'000)	12/11	12/10
Trade payables	12,253	15,634

Accounts payable are due within less than one year.

NOTE 19: TAXES DUE AND OTHER CURRENT LIABILITIES

(€'000)	12/11	12/10
Taxes due on companies	5,034	10,431
Advance payments received	862	913
Taxes and social contributions due (excluding income tax due for the companies)	10,547	13,371
Earnout within less than one year	-	-
Deferred income from worksites	11,017	18,564
Other creditors	1,286	7,909
Other current liabilities	23,712	40,757

Taxes due on companies and other current liabilities are due within less than one year.

NOTE 20: NOTE ON FINANCIAL INSTRUMENTS

20.1. Investments

In €'000	31st Dec. 2011				
	Securities held for sale	Loans and receivables	investments at fair value based on earnings upon option	investments at fair value based on earnings	Total balance sheet
Long-term financial derivatives					
Other long-term investments	4,899	777			5,676
Trade and other receivables		44,432			44,432
Short-term derivatives					
Other short-term investments		2,931			2,931
Cash and cash equivalents				111,609	111,609
Total	4,899	48,140		111,609	164,648

In €'000	31st Dec. 2010				
	Securities held for sale	Loans and receivables	investments at fair value based on earnings upon option	investments at fair value based on earnings	Total balance sheet
Long-term financial derivatives					
Other long-term investments	14,335	7,676			22,011
Trade and other receivables		69,859			69,859
Short-term derivatives					
Other short-term investments		6,455			6,455
Cash and cash equivalents				28,020	28,020
Total	14,335	83,990		28,020	126,345

In €'000	31st Dec. 2011			31st Dec. 2010
	Current	Non-current	Total	Total
Securities held for sale		4,899	4,899	14,335
Loans and receivables at amortised cost				
Loans and receivables at amortised cost		777	777	10,516
Trade and other receivables	44,432		44,432	69,859
investments estimated at fair value based on earnings				
Financial derivatives				
investments at fair value based on earnings excluding derivatives	2,931		2,931	3,615
Cash and cash equivalents	111,609		111,609	28,020
Total	158,972	5,676	164,648	126,345

<u>Securities held for sale</u>

The securities held for sale by the Group stand at €4,899k at 31 December 2011 (listed securities for €147k versus non listed securities for €4,752k).

The profits and losses recorded as equity and as earnings on securities held for sale were as follows: €74k for the change in fair value of SBT shares.

<u>Loans and receivables at amortised cost</u>

In €'000	31st Dec. 2011			31st Dec. 2010		
	Gross	Impairment	Net	Gross	Impairment	Net
Loans and receivables at amortised cost	777		777	10,516		10,516
Trade and other receivables	44,842	410	44,432	71,245	1,385	69,859
Total	45,619	410	45,209	81,761	1,385	80,375

A net income was recorded as earnings on loans and claims at the depreciated cost of €1,492k for 2010. A net expense was recorded as earnings on loans and claims at the depreciated cost of €1,384k for 2011.

Investments estimated at fair value based on earnings

There are not assets estimated at fair value based on earnings.

The financial instruments have no impact on 2010 and 2011 earnings.

Derivatives designed to hedge the debt and others are set up in the context of the Group's risk management policy and are analysed in Note 15.

Cash and cash equivalents

The financial risk management policy is described in Note 21 to the financial statements.

"Cash and cash equivalents" stood at €111,609k at 31 December 2011 against €28,020k at 31 December 2010.

Fair value of investments

	31st Dec. 2011 (fair value)			Fair value	Balance sheet value
In €'000	Listed prices	Models with observable data	Models with non-observable data	Total	Total
Long-term financial derivatives					
Other long-term investments	147		5,529	5,676	5,676
Trade and other receivables			44,432	44,432	44,432
Short-term derivatives					
Other short-term investments			2,931	2,931	2,931
Cash and cash equivalents	111,609			111,609	111,609
Total	111,756		52,892	164,648	164,648

	31st Dec. 2010 (fair value)			Fair value	Balance sheet value
In €'000	Listed prices	Models with observable data	Models with non-observable data	Total	Total
Long-term financial derivatives					
Other long-term investments	73		21,938	22,011	22,011
Trade and other receivables			69,859	69,859	69,859
Short-term derivatives					
Other short-term investments			6,455	6,455	6,455
Cash and cash equivalents	28,020			28,020	28,020
Total	28,093		98,252	126,345	126,345

20.2. Financial liabilities

The different categories of financial liabilities at 31 December 2011 are the following:

	31st Dec. 2011			31st Dec. 2010
In €'000	Current	Non current	Total	Total
Debt	16,646	86,518	103,164	122,630
Financial derivatives				1,897
Trade and other accounts payable	12,253		12,253	15,634
Other financial liabilities	2,148		2,148	6,925

All of the Group's financial liabilities, except for derivatives, are valued at year-end at amortised cost determined on the basis of the actual interest rate method. Derivatives are estimated at fair value based on earnings.

Debt

Financial debts are analysed in paragraph 15 "Net financial indebtedness".

In €'000	31st Dec. 2011 Current	31st Dec. 2011 Non current	31st Dec. 2011 Total	31st Dec. 2010 Total
Bonded debts				
Commercial papers	14,857	85,643	100,500	112,250
Drawdowns on bank facilities				
Lease finance borrowings				
Other bank loans	1,665	847	2,512	4,140
Other borrowings	18	28	46	5,682
Total borrowings	16,540	86,518	103,058	122,072
Bank overdrafts and current cash accounts	106		106	558
Total debt	16,646	86,518	103,164	122,630

Profits and losses, mainly comprised of interest, are recorded as earnings on financial debts and described in Note 7.8.

Financial derivatives

No derivative financial instruments recorded as liabilities are present in the financial statements of 31 December 2011.

Suppliers and other financial liabilities

In €'000	31st Dec. 2011	31st Dec. 2010
Accounts receivable	12,253	15,634
Advance payments received	862	913
Earn out	-	-
Non-current assets related borrowings	-	-
Other creditors	1,286	7,909
Suppliers and other financial liabilities	14,401	24,456

Fair value of financial liabilities

In €'000	31st Dec. 2011 Listed prices	31st Dec. 2011 Models with observable settings	31st Dec. 2011 Models with non-observable settings	Fair value Total	Amount outstanding (balance sheet) Total
Bonded debts					
Commercial papers	100,500			100,500	100,500
Drawdowns on bank facilities					
Lease finance borrowings					
Other bank loans	2,512			2,512	2,512
Other borrowings	46			46	46
Total borrowings	103,058			103,058	103,058

In €'000	31st Dec. 2010			Fair value	Amount outstanding (balance sheet)
	Listed prices	Models with observable settings	Models with non-observable settings	Total	Total
Bonded debts					
Commercial papers	113,936			113,936	112,250
Drawdowns on bank facilities					
Lease finance borrowings					
Other bank loans	4,140			4,140	4,140
Other borrowings	5,682			5,682	5,682
Total borrowings	123,758			123,758	122,072

Regarding overdrafts and accounts payable, their balance sheet value is pretty similar to their fair value.

Derivative liabilities are already displayed at fair value in the balance sheet.

20.3. Management of risks relative to financial instruments

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 management structure.

There are no significant financial instruments involving a currency risk. Indeed, debts are essentially a result of the corporate activity. There is therefore no specific tool for managing the currency risk.

The currency risk is controlled by the holding company. Budgets are set out with great prudence, and the analytical exchange rate is always that of the current month.

Credit risk

The Group is exposed to the credit risk as a result of its operating activities. The credit risk is mainly comprised of the counterpart risk on customers. The Group works mainly with large corporations. This limits its exposure.

Trade receivables by date due:

In €'000	31 December 2011						
	Assets on year end by maturity					Impaired assets	Net assets
	0-3 months	3-6 months	6-12 months	beyond 1 year	Total	Total	Total
Loans and receivables at amortised cost							
Trade and other receivables	43,329	1,087	351	75	44,842	410	44,432
Total	43,329	1,087	351	75	44,842	410	44,432

In €'000	31 December 2010						
	Assets on year end by maturity					Impaired assets	Net assets
	0-3 months	3-6 months	6-12 months	beyond 1 year	Total	Total	Total
Loans and receivables at amortised cost							
Trade and other receivables	64,538	3,163	931	2,613	71,245	1,385	69,859
Total	64,538	3,163	931	2,613	71,245	1,385	69,859

Liquidity risk

At 31 December 2011, contractual cash flows (principal and interest), not discounted on outstanding financial liabilities by maturity date, are the following:

At 31 December 2011 In €'000	2012	2013	2014	2015	2016	> 5 years	Total	Total Balance sheet value
Bonded debts								
Commercial papers	16,289	16,077	51,366	18,220	2,536		104,488	100,500
Drawdowns on bank facilities								
Lease finance borrowings								
Other bank loans	1,700	859					2,559	2,512
Other borrowings								
Bank overdrafts and current cash accounts	107						107	106
Other creditors								
Other financial liabilities								
Total	18,096	16,936	51,366	18,220	2,536		107,154	103,118
At 31 December 2010 In €'000	2011	2012	2013	2014	2015	> 5 years	Total	Total Balance sheet value
Total	19,331	21,349	18,019	60,899	4,355	-	123,953	116,948

The variable rate used to estimate the interest cash flows is euribor 3 months, or a rate of 1.006% for 2010 and 1.425% for 2011.

NOTE 21: MARKET RISK MANAGEMENT

21.1. Risk management policy

A. Currency risk

The currency risk mainly concerns net long-term investments in subsidiaries located outside the eurozone (mainly the UK and the US) and the transfer of the earnings of these entities to the French parent company. All the funding related to external growth is borne by the French parent company in euro.

The business activity of entities based outside the eurozone displays a balance between the currency of their costs and that of their turnover. The Group has not implemented any hedging policy for its currency risk as described above.

(K) at 31/12/11	Turnover	
Total €	69,552	
Total currencies	86,641	
Currency details	£	34,365
	CHF	12,737
	Rand	11,857
	$	38,937
	Indian rupee	35,641
	Indonesian rupee	24,603,867
	AUD	6,735
	NZD	6

(K) at 31/12/10	Turnover	
Total €	69,949	
Total currencies	115,374	
Currency details	£	43,497
	CHF	21,363
	Brazilian real	-
	Rand	17,853
	$	53,315
	Indian rupee	8,440
	Indonesian rupee	13,569,061
	AUD	8,611
	NZD	214

B. Interest rate risk

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.

21.2. Quantitative information for risks

A. Currency risk – Net position before and after management

31/12/11	£'000	$'000	K Swiss Franc	K Rand	K Indian rupee
Investments	107,180	78,328	5,688	46,953	79,596
Financial liabilities	37,160	21,451	1,067	2,328	9,376
Net position prior to management	70,020	56,877	4,621	44,625	70,220
Management derivative					
Net position after management	70,020	56,877	4,621	44,625	70,220

31/12/11	K Hong Kong Dollar	K Indonesian Rupiah	K Australian Dollar	K New Zealand Dollar
Investments	67	28,372,525	6,508	576
Financial liabilities	122	27,814,749	598	128
Net position prior to management	-55	557,776	5,910	448
Management derivative				
Net position after management	-55	557,776	5,910	448

31/12/10	£'000	$'000	K Swiss Franc	K Rand	K Indian rupee
Investments	88,445	76,571	15,784	47,794	37,422
Financial liabilities	79,323	64,141	1,437	2,075	8,368
Net position prior to management	9,122	12,430	14,347	45,719	29,054
Management derivative					
Net position after management	9,122	12,430	14,347	45,719	29,054

31/12/10	K Hong Kong Dollar	K Indonesian Rupiah	K Australian Dollar	K New Zealand Dollar
Investments	67	25,437,187	6,400	591
Financial liabilities	122	21,497,295	1,592	114
Net position prior to management	-55	3,939,492	4,808	477
Management derivative				
Net position after management	-55	3,939,492	4,808	477

B. Interest rate risk – Net position before and after management

(€'000) 31/12/11	DD to less than 1 year	1 to 5 years	Beyond
Financial liabilities	16,646	86,518	-
Investments			
Net position prior to management	16,646	86,518	-
Management derivative			
Net position after management	16,646	86,518	-

(€'000) 31/12/10	DD to less than 1 year	1 to 5 years	Beyond
Financial liabilities	16,542	106,088	-
Investments			
Net position prior to management	16,542	106,088	-
Management derivative	-16542	-48,458	
Net position after management	-	57,630	-

Sensitivity analysis: hedging of the currency and interest rate risk

The sensitivity analysis was established on the basis of the situation of the debt and the financial derivatives (for exchange rate and currency) at year end.

For the currency risk, sensitivity represents a change in exchange rate compared to the year end rate.

An unfavourable, uniform fluctuation of 10% in the currency in which the financial statements are denominated (€) against all the currencies mentioned in the table above, would result in a loss of €14,218k on the overall net position in foreign currencies.

For the interest rate risk, sensitivity corresponds to a change in the interest rate curve compared to the interest rates applicable at year end.

The sensitivity to interest rate changes is equal to €1,032k at 31 December 2011.
(= net variable rate position x 1% change in the short term interest rate x time remaining until the next period, i.e. €1,032k).

The table below presents the impact of changes in exchange rates on earnings and equity on the assumption of a total exchange rate change of 10%:

At 31 December 2011 In €'000	Impact on earnings	Impact on shareholders' equity
Exchange rate Sterling	5,451	9,029
Exchange rate USD	2,987	5,107
Exchange rate Swiss franc	-220	378
Exchange rate Rand	44	288
Exchange rate Indian rupee	51	110
Exchange rate Indonesian rupee	16	61
Exchange rate HKD	0	-1
Exchange rate AUD	74	348
Exchange rate NZD	0	28

At 31 December 2010 In €'000	Impact on earnings	Impact on shareholders' equity
Exchange rate Sterling	907	3,730
Exchange rate USD	580	4,313
Exchange rate Swiss franc	490	1,147
Exchange rate Rand	62	292
Exchange rate Indian rupee	46	75
Exchange rate Indonesian rupee	14	44
Exchange rate HKD	0	-1
Exchange rate AUD	132	255
Exchange rate NZD	5	27

NOTE 22: CASH FLOW TABLE

The detail of the cash flow item "Net impact of changes in perimeter" is given in the table below:

In €'000	31/12/11	31/12/10
Scope changes 2011		
Price paid / 2011 acquisitions		
Price cashed / 2011 disposals	111,567	
Net active/passive cash acquired	-6,607	
Prices paid / previous acquisitions	-10,077	
Other changes		
Scope changes 2010		
Price paid / 2010 acquisitions		-165
Price cashed / 2010 disposals		
Net active/passive cash acquired		298
Prices paid / previous acquisitions		-8,735
Other changes		
Total	94,883	-8,602

The detail of the "Change in working capital" operating cash flows is given in the table below:

In €'000	**31/12/2011**	**31/12/2010**
Change in working capital requirements	**- 6041**	**-2,188**
- Change in accounts receivable	1,965	3,708
- Change in accounts payable	-186	- 4,500
- Change in other assets	-6,690	1585
- Change in other liabilities	-1,130	- 2,981

NOTE 23: OFF-BALANCE SHEET AND OTHER COMMITMENTS

Reminder: earn out is recorded to the balance sheet as per IFRS standards.

For current operations, the Group was committed, at year end 2004 and 2005, for the following amounts:

	31/12/2011				31/12/2010
		Payments due per period			
	Total	Within less than one year	Between one and five years	Within more than five years	Total
Contractual commitment					
Operating lease	732	408	324		743
Irrevocable purchase obligations					
Other long-term obligations					
Total	732	408	324		743
Other business commitments					
Credit line					
Letter of credit					
Foreign payment bonds					
Guarantees on rents	65	-	65		346
Other business commitments	1,347	180	1,158	9	1,423
Total	1,412	180	1,223	9	1,769
Commitments received					
Contract guarantees					
Other commitments received					
Total	-	-	-	-	-

The law of 4 May 2004 entitles employees of French companies to benefit from 20 hours minimum of training per annum, that can be cumulated over up to 6 years. Individual training entitlement (*droit individuel à la formation* or *D.I.F.*) no yet used, corresponds to an employee benefit in the sense of IAS 19 (long-term benefit), that is recorded as a liability at year end; however, given that the company has the option to integrate most of the DIF cost into its training plan, the amount of this liability has been considered insignificant. As at 31 December 2011, the DIF represented an aggregate of 15,735 hours of training entitlement.

NOTE 24: RELATED-PARTY TRANSACTIONS

24.1. Related companies

Sword Group holds no companies between 20% and 50% on which it exercises any notable influence, that would be accounted in accordance with the equity method.

In 2007, Sword Soft, a company based near London, was set up. The company, of which Sword Group holds 97.11%, is intended to handle all of the Group's "product" activities. The 2.89% not held by Sword Group is held by the company's management. Under a shareholders' agreement, the consolidated earnings of Sword Soft go entirely to Sword Group.

24.2. Transactions conducted with non-consolidated companies sharing common managers

The purpose of Sémaphore Investissements is to take stakes in the equity of any company of which it may become an owner and to offer its assistance to the Senior Management of the Sword Group. The corresponding services are charged back to Sword Group.

The expense borne by Sword Group in respect of assistance with Senior Management provided by Financière Sémaphore {stands at €300k for the year 2011, broken down into €25k per month and, in respect of success fees relative to the disposals completed during the period, at €400k for 2011.

Financière Sémaphore surrendered €1 million to Sword Group, related to the unwinding of the guarantee operation for the selling price granted by Financière Sémaphore to minority shareholders of Agency Port. Income and expenses resulting from this transaction should vest in Sword Group pursuant to the minutes of the Board of 16 November 2009.

24.3. Remuneration of the members of the management and supervisory boards

(€'000)	12/11	12/10
Short-term benefits:		
- Gross (excluding benefits in kind)	753	961
- Employer contributions	144	178
- Benefits in kind	14	30
Post-employment benefits:		
- Commitments provisioned by the company	0	0
- Charges on rights acquired during the period	0	-12
Other long-term benefits:		
Compensation for termination of employment contract		
Payments in shares	39	-72
Total	950	1,085

Members of the Boards (corporate officers) and the Management are the individuals that belong to the Senior Management and Operating Committees, i.e. approximately seven people.

NOTE 25: LIST OF CONSOLIDATED COMPANIES

		31 December 2011		31 December 20010	
Companies	Year end	% controlled	% stake	% controlled	% stake
Sword Group (parent company) 9 Avenue Charles de Gaulle 69370 Saint Didier au mont d'or	31/12	100%	100%	100%	100%
Sword SA (France)	31/12	100%	100%	100%	100%
Sword Création Informatique Ltd (South Africa)	31/12	100%	100%	100%	100%
FircoSoft (France)	31/12	-	-	100 %	97.11%
FircoSoft Inc (US)	31/12	-	-	100%	97.11%
Sword Inc (US)	31/12	-	-	100%	100%
Sword DDS France	31/12	-	-	100%	100%
Sword Technologies SA (Benelux)	31/12	100%	100%	100%	100%
TIPIK (ex-ASCII) (Belgium)	31/12	100%	100%	100%	100%
FI System Belgium	31/12	100%	100%	100%	100%
Global India	31/03	100%	98.07 %	100%	97.11%
Sword IT Solutions (Greece)	31/12	65%	65%	65%	65%
Sword Services SA (ex-Linkvest SA) (Switzerland)	31/12	100%	100%	100%	100%
Sword Lebanon (Lebanon)	31/12	96 %	96 %	96.67%	96.67%
Sword Insurance Europe (formerly Sword UK) (UK)	31/12	-	-	100%	97.11%
Sword Soft (UK)	31/12	98.07 %	98.07 %	97.11%	97.11%
Apak Group Ltd (UK)	31/12	100%	98.07 %	100%	97.11%
Sword Integra (Belgium)	31/12	100%	100%	100%	100%
Sword Soft Inc (US)	31/12	100%	98.07 %	100%	97.11%
Sword IPR (UK)	31/12	100%	98.07 %	100%	97.11%
Buildonline Germany	31/12	-	-	100%	97.11%
CTSpace France	31/12	-	-	100%	97.11%
Buildonline India	31/12	100%	98.07 %	100%	97.11%
Buildonline USA	31/12	100%	98.07 %	100%	97.11%
Buildonline Ireland	31/12	-	-	100%	97.11%
Buildonline Global (UK)	31/12	-	-	100%	97.11%
Citadon Inc (US)	31/12	-	-	100%	97.11%
Ciboodle (formerly Graham Technology)	31/03	100%	93.67 %	100%	91.88%
Ciboodle (formerly Graham Technology) Australia	31/03	100%	93.67 %	100%	91.88%
Ciboodle (formerly Graham Technology) New Zealand	31/03	100%	93.67 %	100%	91.88%
Ciboodle (formerly Graham Technology) Indonesia	31/03	100%	93.67 %	100%	91.88%
Ciboodle (formerly Graham Technology) Scotland (UK)	31/03	95.51 %	93.67 %	94.61%	91.88%
Ciboodle (formerly Graham Technology) BV (Netherlands)	31/03	100%	93.67 %	100%	91.88%
Ciboodle (formerly Graham Technology) South Africa	31/03	100%	93.67 %	100%	91.88%
Ciboodle Ltd (formerly Graham Technology Land and Estates) (UK)	31/03	100%	93.67 %	100%	91.88%
Ciboodle (formerly Graham Technology) USA	31/03	100%	98.07 %	100%	97.11%
Graham Technology France	31/03	100%	93.67 %	100%	91.88%

Graham Technology Hong Kong	31/03	100%	91.88%	100%	91.88%
Sword Bermuda Ltd (US)	31/12	-	-	100%	97.11%
Sword Intech Inc (US)	31/12	-	-	100%	97.11%
Apak Beam (UK)	31/12	100%	98.07 %	100%	97.11%
Sword Fircosoft Ltd (UK)	31/12	-	-	100%	97.11%
Sword General Partners (UK)	31/12	100%	98.07 %	100%	97.11%
Agency Port (US)	31/12	-	-	82.50%	80.11%
Sword Sol (Luxembourg)	31/12	100%	100%	100%	100%
Sword IF (Switzerland)	31/12	57%	57%	57%	57%
CT Space Ltd (UK)	31/12	-	-	-	-
Sword Technologies Solutions (UK)	31/12	100%	98.07 %	-	-
Sword Apak Inc (US)	31/12	100%	98.07 %	-	-
Sword Solutions Inc (US)	31/12	100%	100%	-	-
Sword Participations SARL (Luxembourg)	31/12	100%	100%	-	-

All the consolidated companies conduct operations, except for Sword Group, Sword Soft Ltd, Sword Soft Inc, FI System Belgium, Sword Sol and Sword Participations SARL, which are holding companies.
All the companies controlled at 31 December 2011 that conducted business during the year, are consolidated.
All companies are consolidated according to the full consolidation method.

Global India and Ciboodle (formerly Graham Technology) do not settle their accounts at 31 December. They have therefore drawn up interim positions as at 31 December 2011.

Note 26: Auditors' fees

Auditors' fees						
In local currency (no rounding)	**Deloitte & Associés**		**MAZARS**		**Other auditors [1]**	
	Amount		Amount		Amount	
	2011	2010	2011	2010	2011	2010
Audit:						
- Auditing, certification, and review of individual and consolidated financial statements:						
- Sword Group	89,080	62,720	72,050	51,840	0	0
- Fully consolidated subsidiaries	77,120	86,286	0	0	307,988	390,138
- Other due diligence and services directly related to the auditors' assignment:						
- Sword Group	16,000	29,320	0	18,560	0	0
- Fully consolidated subsidiaries	3,930	9,340	0	0	0	14,350
Total	**186,130**	**187,666**	**72,050**	**70,400**	**307,988**	**404,488**
- Other services rendered by the networks to the fully consolidated subsidiaries:						
- Legal, tax, and management	1,156	4,565	0	0	17,055	69,547
- Other	0	3,750	0	0	2,617	2,504
Subtotal other services	**1,156**	**8,315**	**0**	**0**	**19,672**	**72,051**
Total	**187,286**	**195,980**	**72,050**	**70,400**	**327,660**	**476,539**

[1] Other auditors that are not members of the networks of the college of auditors.

20.6 Verification of annual financial information

20.6.1 Auditors' report on the annual financial statements

Annual financial statements – Financial year ended 31 December 2011

Dear Shareholders,

In carrying out the mission entrusted to us by your Shareholders' General Meeting, we hereby present you with our report for the financial year ended 31 December 2011, relating to:
- our examination of Sword Group SE's annual financial statements, which are attached to this report,
- the justifications for our assessments,
- specific verifications and legally required information.

The annual statements were drafted by the Board of Directors. Our role is to express an opinion on these financial statements based on the audit we have carried out.

I - Opinion on the annual financial statements

We have carried out our work in accordance with the professional standards in use 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 involves verifying, through surveys or other selection methods, the items supporting the figures and information which feature in the annual accounts. It also involves assessing those accounting principles followed, the significant estimates made and the overall presentation of the accounts. We consider that the items we have gathered form both a sufficient and an appropriate basis for our opinion.

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.

II - Justification of the opinions

As per article L. 823-9 of the Commercial Code regarding the justification of our assessments, we inform you that:

– Note 1.3 to the annual financial statements sets out the rules for assessing and amortising equity holdings. In accordance with the professional standards applicable to accounting estimates, our work consisted, in particular, in assessing the data and assumptions on which these assumptions are based.

The opinions expressed fall within the scope of our audit of the annual financial statements taken as a whole. Therefore, they have contributed to the forming of our opinion, as set out in the first part of this report.

III - Specific checks and information

We have also carried out verifications specifically required by law, in accordance with French professional regulations.

We have no comments to make on the sincerity and consistency with the annual statements, of the information given in the Board of Directors' management report, or that given in the documents addressed to shareholders relating to the group's financial situation and the annual statements.

With regard to the information supplied in application on the provisions of Article L.225-102-1 of the Commercial Code on payments and bonuses paid to corporate officers as well as on commitments approved in their favour, we have checked they are consistent with the accounts or with the data used in the drawing-up of these accounts, and, where relevant, with the items gathered by your company from companies controlling or controlled by your company. On the basis of our work, we vouch for the precision and honesty of this information.

Villeurbanne, 2 March 2012

THE AUDITORS

MAZARS	**DELOITTE & ASSOCIES**
Max Dumoulin	Olivier Rosier

20.6.2 Auditors' report on the annual consolidated financial statements

Consolidated financial statements – Financial year ended 31 December 2011

Dear Shareholders,

In carrying out the mission entrusted to us by your Shareholders' General Meeting, we hereby present you with our report for the financial year ended 31 December 2011, relating to:

- our examination of Sword Group SE's annual financial statements, which are attached to this report,
- the justifications for our assessments,
- the specific verification stipulated under law.

The consolidated financial statements were drafted by the Board of Directors. Our role is to express an opinion on these financial statements based on the audit we have carried out.

I - Opinion on the consolidated statements

We have carried out our work in accordance with the professional standards in use 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 involves verifying, through surveys or other selection methods, the items supporting the figures and information which feature in the consolidated accounts. It also involves assessing those accounting principles followed, the significant estimates made and the overall presentation of the accounts. We consider that the items we have gathered form both a sufficient and an appropriate basis for our opinion.

We certify that, from the point of view of IFRS standards as adopted by the European Union, these consolidated financial statements are consistent and sincere, and provide a faithful representation of the assets, the financial situation and the results achieved by the persons and entities of consolidated companies.

Without challenging the opinion expressed above, we call your attention to the changes made to the accounting rules and methods described in Note 2.1 of the appendix resulting from the implementation, as of 1 January 2011, of new standards and interpretations.

II - Justification of the opinions

As per article L. 823-9 of the Commercial Code regarding the justification of our assessments, we inform you that:

– Notes 2.9 and 2.14 of the appendix to consolidated statements describe the methods used for assessing and amortising goodwill. As per the professional standard applicable to accounting estimates, our work consisted in particular in assessing the implementation of those impairment tests, as well as the reasonable nature of cash flow forecasts and of the assumptions used. We have also verified that Note 8 provides appropriate information.

The opinions expressed fall within the scope of our audit of the consolidated financial statements taken as a whole. Therefore, they have contributed to the forming of our opinion without reservation, as set out in the first part of this report.

III - Specific check

We have also, in accordance with the professional standards applicable in France, specifically verified, as required by law, the information provided in the report on Group management.

We have no comments to make on their sincerity and consistency with the consolidated financial statements.

Villeurbanne, 2 March 2012

THE AUDITORS

MAZARS **DELOITTE & ASSOCIES**

Max Dumoulin Olivier Rosier

20.7 Date of the latest financial information

Financial statements as at 31st December 2011 are the last statements audited by the auditors.

20.8 Intermediary financial information

A half-yearly financial report audited by the Auditors was published on 30 August 2011.
This report, the consolidated financial and Auditors' report on the first half of 2011 are included below.

ANNUAL REPORT FOR H1 2011

1.1 Results and financial situation for H1 2011

The consolidated turnover of the first half of 2011 amounted to €90,275k compared to €93,078k in 2010.

On 27 May 2011, shares in FircoSoft SAS, FircoSoft Ltd, and FircoSoft Inc were sold by Sword Soft and Sword Soft Inc.

Turnover breaks down as follows:

€m	Turnover	EBIT
Software	**50.7**	**9.3**
Solutions	**39.6**	**4.5**
of which		
IT Services	*28.5*	*3.2*
Communication Technologies	*11.1*	*1.3*
Total	90.3	13.8

At 30 June 2011, net debt stood at €81,834k.

1.2 H1 2011 highlights

The disposal of FircoSoft and the disposal of the Insurance division (see paragraph 1.7) allowed not only for the structuring of an offer based on 3 major technologies, namely CRM, ECM and GIS (clearer offer, based on value-creating synergies), but also for the creation of an additional investment capacity of €100 million for future acquisitions.

1.3 Related-party transactions

This issue is elaborated in the notes to the consolidated below in note 23.

1.4 Main risks and uncertainties

The risk factors have not changed over the half-year period. They are described in the 2010 Annual Report, on pages 7 to 12.

1.5 Outlook

Sword Group confirms its pro forma targets for 2011 (€13.6 million of turnover, for EBIT in excess of €22 million with no new acquisition), as well as its two-digit organic growth targets for 2012.

1.6 Closing of social and consolidated accounts

The consolidated financial statements of Sword Group were approved by the Board of Directors on 30 August 2011.

1.7 Post-year end highlights

Agency Port, Sword Insurance Europe Ltd, Sword Bermuda, Sword IPR and Intech Inc (Insurance subgroup) were sold on 6 July 2011.
Therefore, these sales do not impact the accounts of the first half of 2011.

Following these sales, the company paid an interim dividend of €1.70 per share on 19 July 2011.

CONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2011

Consolidated income statement at 30 June 2011

Sword Group CONSOLIDATED

INCOME STATEMENT

(In €'000)

	Annex note	30/06/2011	30/06/2010
Turnover	**6.1**	**90,275**	**93,078**
Purchased consumables	7.1	-2,661	-3,866
Other purchases and external charges		-27,497	-26,423
Taxes and duties		-1,184	-334
Wages and social contributions	7.2	-45,022	-44,285
Depreciation and provisions charges	7.3	-1,264	-1,376
Other operating income and expenses	7.4	1,125	-51
EBIT		**13,771**	**16,743**
Earnings on disposals and impairment of assets	7.5	16,705	74
Other non-current operating income and expenses	7.6	-7,741	-274
Operating profit		**22,736**	**16,543**
Income from cash and cash equivalents		3	1
Financial expenses	7.7	-1,109	-850
Net interest expenses		**-1,106**	**-850**
Other financial income and expenses	7.8	-2,089	1,239
Pre-tax earnings		**19,541**	**16,932**
Corporation tax	7.9	-2,384	-6,242
Total net consolidated profit		**17,157**	**10,690**
Of which Group share		17,205	10,686
Of which minority interests		-48	5
Earnings per share	8	1.85	1.15
Diluted earnings per share	8	1.84	1.14

Sword Group CONSOLIDATED

STATEMENT OF OVERALL EARNINGS

(In €'000)

	30/06/2011	30/06/2010
Total net consolidated profit	**17,157**	**10,690**
Other components of total profit/loss		
• Assets revaluation reserve		
- Change in the reserve for revaluation of fixed assets	-	-
- Reclassification adjustments on the change in the assets revaluation reserve	-	-
- Tax on the change in the assets revaluation reserve	-	-
• Actuarial differences		
- Actuarial differences	-	-
- Reclassification adjustments on actuarial differences	-	-
- Tax on actuarial differences	-	-
• Translation gains and losses in the subsidiaries' financial statements in foreign currency		
- Foreign currency translation in the subsidiaries' financial statements	-11,137	19,811
- Reclassification adjustments on foreign currency translation gains and losses in the subsidiaries' financial statements	-	-
- Tax on foreign currency translation gains and losses in the subsidiaries' financial statements	-	-
• Gains and losses relative to the revaluation of investments held for sale		
- Gains and losses relative to the revaluation of investments held for sale	26	-11
- Reclassification adjustments on gains and losses relative to the revaluation of investments held for sale	-	-
- Tax on gains and losses relative to the revaluation of investments held for sale	-	-
• The effective portion of gains and losses on cash flow hedging instruments		
- The effective portion of gains and losses on cash flow hedging instruments	992	-20
- Reclassification adjustments on the effective portion of gains and losses on cash flow hedging instruments	-	-
- Tax on the effective portion of gains and losses on cash flow hedging instruments	-352	-2
Share of other components of total profit/loss of related companies	-	-
Overall total profit/loss	**6,686**	**30,468**
Of which Group share	6,363	29,446
Of which minority interests	323	1,022

Balance sheet - assets at 30 June 2011

Sword Group CONSOLIDATED

CONSOLIDATED FINANCIAL SITUATION AT 30 JUNE 2011

ASSETS

(In €'000)

	Annex note	30/06/2011			31/12/2010
		Gross	Depreciation prov	Net	Net
NON CURRENT ASSETS					
Goodwill	**9**	130,434		130,434	187,347
Other intangible fixed assets	**10**	8,851	1,667	7,184	7,276
Tangible fixed assets	**11**	20,101	16,439	3,663	6,638
Long-term investments	**12.1**	6,751		6,751	7,676
Securities held for sale	**12.2**	15,631	1,549	14,081	14,335
Other long-term assets	**12.1**	3,303	2,628	675	3,337
Deferred tax assets		1,948		1,948	1,438
TOTAL OTHER LONG-TERM investments		**187,019**	**22,284**	**164,735**	**228,047**
SHORT-TERM ASSETS					
Assets held for sale	**15**	96,944	11,614	85,330	7,170
Clients and apportioned accounts	**13**	47,906	706	47,200	69,859
Other current assets	**14**	18,108	5	18,104	22,307
Cash and cash equivalents	**16**	24,741	35	24,706	28,020
TOTAL CURRENT ASSETS		**187,699**	**12,359**	**175,340**	**127,356**
GRAND TOTAL		**374,718**	**34,643**	**340,075**	**355,403**

Balance sheet - liabilities at 30 June 2011

Sword Group CONSOLIDATED

CONSOLIDATED FINANCIAL SITUATION AT 30 JUNE 2011

LIABILITIES

(In €'000)

	Annex note	30/06/2011	31/12/2010
CONSOLIDATED SHAREHOLDERS' EQUITY			
Share capital	**17**	9,290	9,290
Additional paid-in capital	**17**	100,909	100,909
Reserves - Group's share	**17**	29,353	24,853
Group's share of net profit		**17,205**	**23,230**
GROUP'S SHARE OF EQUITY		**156,757**	**158,281**
Minority interests		2,580	3,051
TOTAL CONSOLIDATED SHAREHOLDERS' EQUITY		**159,337**	**161,332**
NON CURRENT LIABILITIES			
Retirement provision	**18**	166	184
Other non-current provisions	**18.1**	5,199	179
Long-term financial debt	**16**	86,648	106,088
Earnout due			
Other long term liabilities		1,721	1,816
TOTAL NON-CURRENT LIABILITIES		**93,734**	**108,267**
CURRENT LIABILITIES			
Liabilities held for sale	**15**	17,158	2,440
Current provisions			
Suppliers and apportioned accounts	**19**	14,686	15,634
Income tax due	**20**	8,700	10,431
Other current liabilities	**20**	26,566	40,757
Short-term financial debt	**16**	19,892	16,542
TOTAL CURRENT LIABILITIES		**87,003**	**85,803**
GRAND TOTAL		**340,075**	**355,403**

Cash flow statement at 30 June 2011

Sword Group CONSOLIDATED

Cash flow movement table

(1 January to 30 June 2011)

(in €'000)	*Annex note*	30/06/2011	31/12/2010
Cash flows from operating activities			
Total net consolidated profit		**17,157**	**23,235**
Expense (income) with no impact on cash			
• Depreciation allowance		2,053	3,113
• Other provision allowance / reversals		7,350	110
• Capital gains or loss on the disposal of non current assets		-18,655	86
• Compensation paid in shares		36	-62
Net interest expenses		1,106	2,084
Taxes and duties (due and deferred)	**7.9**	2,384	10,425
CASH FLOW		**11,431**	**38,990**
Tax Company payed		-2,070	-8,442
Interest paid		-1,106	-2,084
Change in working capital requirements.	**21**	1,585	-2,188
OPERATING CASH FLOWS		**9,840**	**26,276**
Investment operations			
Disbursement on acquisitions			
• intangible fixed assets		-3,345	-4,790
• tangible fixed assets		-854	-3,347
• investments		-718	-12,760
Income from disposals			
• intangible fixed assets		0	0
• tangible fixed assets		51	58
• investments		651	601
Impact of changes in consolidation scope	**21**	14,654	-8,602
NET CASH FLOW ON INVESTMENTS		**10,440**	**-28,839**
NET OPERATING CASH FLOW AFTER INVESTMENTS		**20,280**	**-2,563**
Income from financial transactions			
Dividends paid by the parent company		-6,410	-6,050
Dividends paid to minority interests		0	-5
Net funds received by:		0	0
• Capital and additional paid-in capital increase		0	0
• Subscription of the long-term loan		4,673	17,211
Redemption / disposal of own shares		0	0
Long-term debt reimbursement		-15,884	-22,700
TOTAL FINANCING CASH FLOWS		**-17,621**	**-11,544**
TOTAL CASH FLOWS		**2,659**	**-14,108**
Net cash at year-end (A)		29,316	27,109
Opening cash position (B)		27,109	41,261
Impact of the change in currency prices		453	44
Change in cash (B)-(A)		**2,659**	**-14,108**
Cash and cash equivalents		30,506	28,047
Creditor banking facilities		-1,190	-938
Net cash (1)		29,316	27,109

(1) of which assets and liabilities held for sale

€'000	
30/06/2011	31/12/2010
5,438	353

Change in shareholders' equity at 30 June 2011

Sword Group CONSOLIDATED

CHANGE IN CONSOLIDATED SHAREHOLDERS' EQUITY

30-June-11

	Share capital	Share premium	Consolidated reserves	Own shares	Profit for the period	Conversion reserves	Total shareholders' equity - Group's share	Total shareholders' equity - Minority interests	Total shareholders' equity
Balance at close of accounts 31/12/2009	**9,290**	**100,909**	**28,609**	**-96**	**21,724**	**-13,905**	**146,531**	**1,570**	**148,100**
- Total profit/loss for the period							0		
. Net income					23,230		23,230	5	23,235
. Translation gains and losses						8,220	8,220	202	8,421
. investments held for sale			-5				-5		-5
. Cash flow hedging instruments			584				584		584
- Own share transactions				1,238			1,238		1,238
- Payment in shares							0		0
- Stock option transactions			-62				-62		-62
- Earnings appropriation			21,724		-21,724		0		0
- Dividends paid by the parent			-6,050				-6,050		-6,050
- Change in consolidation scope and miscellaneous			-11,747				-11,747	-491	-12,238
- Adjustments on previous losses			-1,738				-1,738	-154	-1,892
- Reclassification of minority interests / group			-1,919				-1,919	1,919	0
Balance at close of accounts 31/12/2010	**9,290**	**100,909**	**29,396**	**1,142**	**23,229**	**-5,686**	**158,281**	**3,051**	**161,332**
- Total profit/loss for the period							0		
. Net income					17,205		17,205	-48	17,157
. Translation gains and losses						-11,508	-11,508	371	-11,137
. investments held for sale			26				26		26
. Cash flow hedging instruments			640				640		640
- Own share transactions							0		0
- Payment in shares							0		0
- Stock option transactions			36				36		36
- Earnings appropriation			23,229		-23,229		0		0
- Dividends paid by the parent			-6,410				-6,410		-6,410
- Change in consolidation scope and miscellaneous			-1,513				-1,513	-794	-2,307
- Reclassification of minority interests / group							0		0
Balance at close of accounts 30/06/2011	**9,290**	**100,909**	**45,404**	**1,142**	**17,205**	**-17,194**	**156,757**	**2,580**	**159,337**

Appendix to interim consolidated financial statements at 30 June 2011 (1st half of the year ended 31 December 2011) (amounts in thousands of euros)

All the information stated herein is in thousands of euros, unless stated otherwise.

This appendix is an integral part of the condensed consolidated half-yearly financial statements at 30 June 2011. These consolidated financial statements were approved by the Board of Directors on 30 August 2011.

Sword Group is a European company governed by French law, located at 9 Avenue Charles de Gaulle, Saint Didier au Mont d'Or (69). Sword Group is subject to all the laws and regulations governing commercial companies in France, and in particular the provisions of the Commercial Code.
Sword Group SE is listed on Euronext Paris (Compartment B).

NOTE 1: HALF YEAR HIGHLIGHTS AND EVENTS SUBSEQUENT TO YEAR END

1.1. Half-year highlights

The following events took place in the course of the first half of 2011:

- On 27 May 2011, shares in FircoSoft SAS, FircoSoft Ltd, and FircoSoft Inc were sold by Sword Soft and Sword Soft Inc.

- Sword Soft repurchased the minority interests of Ciboodle Scotland for €1,338k.

- The UK arm has been reorganised:
- the business of CTSpace UK (assets and liabilities) was transferred by Sword UK to a new company set up for that purpose, namely CTSpace Ltd, which is a subsidiary of Sword Soft Ltd,
- the ECM, ABS and HLD businesses (assets and liabilities) were transferred to a new, specially-created company, Sword Technology Solutions Ltd, a subsidiary of Sword Soft Ltd,
- Sword UK changed its corporate identity to become Sword Insurance Europe.

- On 30 May 2011, the complete transfer of assets of Sword DDS France into Sword Group was achieved, with no repercussions on the consolidated financial statements as at 30 June 2011.

1.2. Events subsequent to year-end

Agency Port, Sword Insurance Europe Ltd, Sword Bermuda, Sword IPR and Intech Inc (Insurance subgroup) were sold on 6 July 2011.

NOTE 2: ACCOUNTING POLICIES AND ASSESSMENT METHODS

The interim consolidated financial statements are prepared in accordance with IAS 34 "Interim Financial Reporting", an IFRS standard, as adopted by the European Union, relative to interim financial information.
The standards and interpretations used to prepare the consolidated financial statements at 30 June 2011 are those published in the Official Journal of the European Union (OJEU) before 30 June 2011 and which are binding on that date. These standards are available on the website of the European Union (http://ec.europa.eu/internal_market/acounting/ias_fr).

The consolidated financial statements are presented in accordance with this standard, with a summarised presentation of the appendix; only the most significant transactions are subject to additional notes. These condensed financial statements should be read in conjunction with the audited consolidated financial statements for the year ended 31 December 2010 as contained in the Annual Report filed with the AMF (AMF) on 21 April 2011 under number D.11-0349.
The accounting policies and methods applied are consistent with those used in the audited annual consolidated financial statements for the year 2010 as described in the notes to these consolidated financial statements for 2010.

2.1. New standards and interpretations as at 1 January 2011

The information and notes detailed below were prepared on the basis of new standards and interpretations adopted 30 June 2011 and effective for periods beginning on or after 1 January 2011, i.e. mainly:
- IAS 24 revised – Related-party disclosures,
- Modified IFRS 8 – Operating Segments.

These new standards have no significant impact on the accounts drawn up as at 30 June 2011.

2.2. Options related to the new IFRS standards

The condensed consolidated half-yearly financial statements at 30 June 2011 do not include the possible impact of the standards published as at 30 June 2011, whose application is mandatory as of the fiscal years beginning on or after 31 December 2011.
The company is currently assessing such impact. At this stage, the company does not anticipate any material impact related to the implementation of these new standards.

2.3. Estimates and assumptions used

Sword Group has used the same estimation rules as those used as at 31 December 2010 except for the following estimates, specific to interim closures of accounts:

- The tax due for the half-year is calculated on the basis of an estimated average rate calculated on an annual basis. This estimate includes, where appropriate, the use of loss carry forwards.
- Incentive and profit-sharing expenses are calculated based on the estimated annual amount.

Impairment tests are only carried out on assets or groups of assets for which evidence of impairment could be recognised during the half-year.

2.4. C.E.T.

The finance act for 2010, voted on 30 December 2009, eliminated the *taxe professionnelle* for French fiscal entities as of 2010, and replaced it with the *Contribution Economique Territoriale* (*C.E.T.*) which includes two new contributions:

- The C.F.E. (*Cotisation Foncière des Entreprises*), whose amount depends on the rental value of land and may, if applicable, be limited to a percentage of the added value, is quite similar to the professional tax, and will therefore be recognised in 2011 as the latter, i.e. as operating expenses;

- The C.V.A.E., which the Group analyses as a tax on profit as described in IAS 12.2 ("Income taxes"). To conduct its analysis, the Company took into consideration the decisions to reject of the topic to its agenda expressed by IFRIC in March 2006 and May 2009 on the issue of the scope of application of IAS 12 "Income taxes". IFRIC actually pointed out that, to enter the scope of application of IAS 12, a tax should be calculated on the basis of a net amount of income and expenses, and that such a net amount can differ from the net accounting profit/loss. The Group considered that the C.V.A.E. met the characteristics mentioned in that conclusion, insofar as the added value represents an intermediary level of earnings/loss, that systematically serves as a basis, according to French taxation rules, for determining the amount due as C.V.A.E.

As per the provisions of IAS 12, the qualification of the C.V.A.E. as income tax has led to recognising differed taxes relative to time differences existing at that date, against a net expense in the income statement for the period, the finance law having been voted in 2009. This deferred tax expense is displayed under "Income tax". The total amount of the current and deferred tax relative to the C.V.A.E. appears on that same line.

The impact of recognising the C.V.A.E. as a tax stands at €146k at 30 June 2011.

2.5. Change in accounting method

There has been non change in accounting method during the first half of 2001.

3: CHANGES IN CONSOLIDATION SCOPE

3.1. Changes in consolidation scope during the half-year and related financial impact

The consolidation scope is detailed in Note 24.

The main change in consolidation scope that took place during the first half of 2011 relates to:

- The disposal of FircoSoft SAS, FircoSoft Ltd, and FircoSoft Inc by Sword Soft and Sword Soft Inc, generating capital gains of €25,206k, before transfer costs.
- Sword Soft redeemed the minority interests of Ciboodle Scotland for €1,338k.

3.2. Earnout debt

At 31 December 2010 and 30 June 2011, earnout is included in the acquisition price are zero.

Changes in estimates of the earnout debt compared to the estimate made in 2010, have had no impact on goodwill. The adjustment of goodwill on previous financial years had no impact on earnings.

The company has decided not to apply the revised IFRS 3 and IAS 27 standards on earnout on acquisitions prior to 1 January 2010.

3.3. Post-year end acquisitions and disposals

Agency Port, Sword Insurance Europe Ltd, Sword Bermuda, Sword IPR and Intech Inc (Insurance subgroup) were sold on 6 July 2011.

NOTE 4: SEASONAL BUSINESS

The Group's business is not seasonal.

NOTE 5: METHOD USED FOR CONVERTING ELEMENTS IN FOREIGN CURRENCY

The table below displays the euro against foreign currency rates used in the consolidation process:

	Average rate 30/06/2011	Average rate 30/06/2010	Closing rate 30/06/2011	Closing rate 30/06/2010
GBP	0.8680	0.8743	0.9025	0.8175
US Dollar	1.4031	1.3284	1.4453	1.2271
Swiss Franc	1.2704	1.4367	1.2071	1.3283
South African rand	9.6851	10.0036	9.8569	9.3808
Indian rupee	63.1313	60.7977	64.5619	56.9930
Australian dollar	1.3579	1.4859	1.3485	1.4403
New Zealand dollar	1.8043	1.8842	1.7468	1.7761
Indonesian rupee	12195.12	12195.12	12345.68	11111.11

NOTE 6: SEGMENT INFORMATION

In accordance with IFRS 8 - Operating Segments, the information presented is based on internal reports used by management to assess the performance of the various segments.

6.1. Segment information by line of business

An analysis of the criteria in the IFRS 8 standard facilitates determining sectors of business activity (organisational structure and degrees of independence, type of products and processes, types of clients, regulatory environment, etc.). This has led to the identification of a first level of segment information linked to sectors of business activity, which break down as follows:

- The Solutions segment, specialising in systems integration in the field of IS content management.
  - o This activity mainly targets regulated markets and therefore works at the compliance management level.
  - o That department bases its strategy on software components that can be:
- Technical (for document management, geographic information systems, etc.)
- Core-business oriented (trademark and patent office management, local communities, etc.)
- The Products segment, which covers:
- Anti-money laundering software targeted at the global market.
- GRC (Governance Risk and Compliance management) products. This area covers purely GRC activities, document management activities, and large project management activities.
- Products that initially targeted reinsurance, and now insurance and healthcare. The initial strategy mainly targeted the UK and has now extended to continental Europe, Ireland, the US and Bermuda.
- Asset Management products with, as their main vector, vehicle leasing companies. As for the previous activity, aside from the UK market, these products also target the markets of continental Europe and the Middle East.
  - o The Products segment is now divided into 2 CGUs. The first one, CGU1, concerns companies whose products are leased or sold on a SaaS model, while the second one, CGU2, concerns the product companies that market tools that can be sold off the shelf.
- Other activities, that mainly comprise the holding companies.

The Group is not organised into geographical areas (there are no regional managers or regional reporting, etc.).

The segment information presented in the table below presents, for the income statement, the compared data for June 2011 and June 2010 and, for the balance sheet, the compared information for June 2011 and December 2010. (After removing all inter-company transactions, including inter-business transactions).

NOTE 7: INFORMATION SPECIFIC TO CERTAIN INCOME STATEMENT ITEMS

(€'000)	Solutions		Software		Other activities		Consolidated	
	2011	2010	2011	2010	2011	2010	2011	2010
Turnover	39,586	36,935	50,689	56,143			90,275	93,078
Operating profit current	4,484	3,701	9,287	13,042			13,771	16,743
Non-current operating revenue and expenses (including disposals)	- 2,305	67	- 6,136	-72	17,405	- 195	8,964	- 200
Financial expenses [1]					3,194	- 389	3,194	- 389
Taxes					2,384	6,242	2,384	6,242
Net income	2,179	3,768	3,151	12,970	11,827	- 6,048	17,157	10,690
Segment assets	90,537	94,238	213,482	223,998			304,019	318,236
Head office assets and other non-allocated assets					36,056	37,167	36,056	37,167
Total consolidated assets	90,537	94,238	213,482	223,998	36,056	37,167	340,075	355,403
Segment liabilities	90,537	94,238	213,482	223,998			304,019	318,236
Head office liabilities and other non-allocated liabilities					36,056	37,167	36,056	37,167
Total consolidated liabilities	90,537	94,238	213,482	223,998	36,056	37,167	340,075	355,403
Investments	1,326	606	2,873	3,507	0	6	4,199	4,119
Depreciation allowance	676	609	905	891	4	4	1,585	1,504
Net expenses calculated without depreciation	7	144	7,062	23	281	0	7,350	167

[1] total cost of items of net debt and other financial income and expenses.

7.1. Purchased consumables

Purchased consumables break down as follows:

(in €'000)	06/11	06/10
Miscellaneous supplies	(970	(982)
Purchases of goods	(1,691)	(2,884)
Total	***(2,661)***	***(3,866)***

7.2. Wages and social contributions

Payroll expenses break down as follows:

(in €'000)	06/11	06/10
Gross wages	(37,590)	(37,491)
Social contributions	(7,289)	(6,702)
Stakes and interests	(143)	(92)
Total	***(45,022)***	***(44,285)***

Average consolidated workforce

	06/11	06/10
Billable count	1,205	1,208
Non billable head count	262	244
Total	***1,467***	***1,452***

Subcontractors of Sword Group represent 250 people (162 people on a full-time equivalent basis), or 1,717 employees at 30 June 2011.

7.3. Net depreciation allowance and provisions (EBIT)

(in €'000)	06/11	06/10
Net reserve allocation for tangible and intangible fixed assets	(1,585)	(1,504)
Reserve allocation for accounts receivable	328	244
Reserve allocation for other provisions for risks and expenses	(7)	(117)
Total	***(1,264)***	***(1,377)***

7.4. Other operating income and expenses

At 30 June 2011, they mainly represent transfers of contributions on wages, related to disposal restated as profit/loss from disposal and impairment of assets.

7.5. Profit/loss from disposal and impairment of assets

(in €'000)	***06/11***	***06/10***
FircoSoft transfer costs	(3,145)	
Transfer costs related to other projects	(3,413)	
Income from the disposal of FircoSoft	25,206	
Income from the disposal of non-consolidated securities		46
Income from the disposal of intangible fixed assets		
Income from the disposal of tangible fixed assets	7	28
Impairment of tangible assets	(1,950)	
Total	***16,705***	***74***

7.6. Other non-current operating income and expenses

Other non-current operating income and expenses include the following amounts:

(in €'000)	***06/11***	***06/10***
Dispute provisions	(5,395)	
Restructuring provisions	(1,303)	
Writing off of receivables		(200)
Impairment of R&D expenses	(767)	
Compensation for termination of contract		
Other non-current expenses	(292	(195)
Other non-current revenues	16	121
Total	***(7,741)***	***(274)***

7.7. Cost of gross debt

(in €'000)	***06/11***	***06/10***
Interest on lease finance contracts		
Interest on borrowings and other debt	(1,958)	(1,587)
Other financial expenses		
Other financial items	849	737
Total	***(1,109)***	***(850)***

7.8. Other financial income and expenses

(in €'000)	***06/11***	***06/10***
Foreign exchange loss on financial operations	(5,106)	(5,344)
Provisions allowance for investments	(2,910)	
Foreign exchange gain financial operations	5,841	6,570
Other net investment income	86	13
Total	***(2,089)***	***1,239***

Foreign exchange losses and gains on financial operations mainly represent the outcome of intragroup foreign exchange operations that have been eliminated by the consolidation process (current account advances, etc.).

7.9. Analysis of income tax expenses

(in €'000)	*06/11*	*06/10*
Current tax		
Income tax on ordinary operations	(3,161)	(5,123)
Deferred taxes		
Deferred taxes for the period	777	(1,119)
Miscellaneous		
Total	***(2,384)***	***(6,242)***

NOTE 8: EARNINGS PER SHARE (EXCLUDING OWN SHARES)

Diluted earnings per share is determined using the stock redemption method detailed below.

	06/2011	*06/2010*
Undiluted net earnings per share		
▪ Total average number of shares	9,289,965	9,289,965
▪ Total net profit	17,157	10,690
▪ ***Undiluted net earnings per share***	1.85	1.15
Net diluted earnings per share		
▪ Total average number of shares	9,289,965	9,289,965
▪ Number of shares related companies related to the stock options	21,015 (share equivalent)	67,255 (share equivalent)
▪ Number of shares related companies attached to the BSAs	(share equivalent)	(share equivalent)
▪ ***Total number of securities***	9,310,980	9,357,220
▪ Total net profit	17,157	10,690
▪ ***Net diluted earnings per share***	1.84	1.14

NOTE 9: GOODWILL

(in €'000)	12/10	Acquisitions-Depreciations	Reclassification (1)	Adjustment of earn outs on previous acquisitions	Foreign exchange rate effect	Disposals	06/11
Gross values	**187,347**		(44,657)		(7,593)	(4,663)	**130,434**
Impairments							
Net	**187,347**		(44,657)		(7,593)	(4,663)	**130,434**

(1) These are the assets held for sale of Sword Insurance Europe, Intech Inc, Sword Bermuda, Sword IPR, Agency Port.

The breakdown of the item per cash-generating unit is detailed in the table below:

(€'000)	30/06/2011	31/12/2010
CGU1: Products sold as a service (SaaS)	92,743	145,455
CGU2: Products sold on an "as is" basis	-	4,668
CGU3: Services	37,691	37,224
Consolidated total	**130,434**	**187,347**

Goodwill is subject to an annual impairment test at year end (31st December). The performances of the various cash flow generating units in the first half of 2011 do not make it possible to identify an impairment index and not likely to call into question the conclusions of the last impairment test conducted on 31 December 2010.

NOTE 10: INTANGIBLE FIXED ASSETS

(in €'000)	**12/10**	**Acquisitions-Depreciations**	**Disposals**	**Reclassification (2)**	**Foreign exchange rate effect**	**Scope changes**	**06/11**
R&D costs							
Gross values	5,759	2,891	(506)	(2,277)	(224)	(350)	**5,293**
Depreciation and amortisation	(792)	(468)	506	385	19	350	**-**
Net	4,967	2,423	-	(1,892)	(205)	-	**5,293**
Other intangible fixed assets							
Gross values	3,693	416		(402)	(85)	(64	**3,558**
Depreciation and amortisation	(1,384)	(339)		3	7	46	**(1,667)**
Net	2,309	77		(399)	(78)	(18)	**1,891**
Total (1)	**7,276**	**2,500**	**-**	**(2,291)**	**(283)**	**(18)**	**7,184**

(1) of which assets recorded at their fair value as part of business combinations: none.
(2) These are the assets held for sale of Sword Insurance Europe, Intech Inc, Sword Bermuda, Sword IPR, Agency Port.

NOTE 11: TANGIBLE FIXED ASSETS

(in €'000)	12/10	Acquisitions-Depreciations	Disposals	Item to item transfer	Reclassification [1]	Foreign exchange rate effect	Scope changes	06/11
Land								
Gross values								
Depreciation								
Net								
Buildings								
Gross values	1,361	19			(951)	(73		**356**
Depreciation	(390)	(38)			340	71		**(17**
Net	971	(19)			(611)	(2)		**339**
Transport equipment								
Gross values	318	87	(77)			1		**329**
Depreciation	(210)	(32)	77			2		**(163**
Net	108	55	-			3		**166**
Fixtures-installations								
Gross values	2,653	4			(27)	(37)	(1)	**2,592**
Depreciation	(1,958)	(96)			7	37		**(2,010)**
Net	695	(92)			(20)	-	(1)	**582**
IT and office equipment								
Gross values	18,503	660	(497)		(4,431)	(911)	(192)	**13,132**
Depreciation	(15,667)	(780)	497		3,613	793	115	**(11,429)**
Net	2,836	(120)	-		(818)	(118)	(77)	**1,703**
Office furniture								
Gross values	6,433		(86		(2,378)	(274)	(2)	**3,693**
Depreciation	(4,405)	(251	85		1,560	189	2	**(2,820)**
Net	2,028	(251	(1)		(818)	(85)	-	**873**
Tangible fixed assets								
Gross values	29,268	770	(660)		(7,787)	(1,294)	(195)	**20,102**
Depreciation	(22,630)	(1,197)	659		5,520	1,092	117	**(16,439)**
Net	6,638	(427)	(1)		(2,267)	(202)	(78)	**3,663**
Total [1]	**6,638**	**(427)**	**(1)**		**(2,267)**	**(202)**	**(78)**	**3,663**

No guarantees have been given regarding acquired tangible assets.

[1] These are the assets held for sale of Sword Insurance Europe, Intech Inc, Sword Bermuda, Sword IPR, Agency Port.

NOTE 12: INVESTMENTS

12.1. Long-term investments and other non-current assets

Non-current investments consist mainly of paid and recoverable guarantee deposits posted by Sword Group, Sword SA, Global India and Sword Inc, and the loan granted to AMOR.

The other non-current assets are comprised of receivables due within more than one year. They include, in particular, the advance to Nordline for €2,628k, which was 100% impaired.

12.2. Securities held for sale

The securities held for sale correspond to:

- The interests held in AMOR. At 30 June 2011, Sword UK, via Sword General Partners, held 22.484% of that company.
  The fair value chosen for the shares at 30 June 2011 is equivalent to 22.484% of the sale price recognised upon the disposal of the shares on 11 May 2009, i.e. €8,977k.
  The change in value of that asset, or €1,023k, was recorded as equity at 30 June 2009. No development has been observed for the past six months.

- The interests held in SBT. At 30 December 2011, Sword Group held 37,296 shares in that company. The average acquisition price stands at €8.65. The share price at 30 June 2011 is €2.67 per share, representing a fair value of €100k at 30 June 2011. The change in fair value was recognised as shareholders' value.

- The interests held in various other companies, including: Lyodssoft (a non-listed company), Middlesoft (a non-listed company) Simalaya (a non-listed company) and Guangzhou (a non-listed company) for a total of €6,330k of gross value and €5,004k of net value. An impairment of €281k was recognised on Netjets securities as at 30 June 2011.

(in €'000)	Dividends	Later evaluation			Income from disposal
		Change in fair value	Foreign exchange rate effect	Impairment	
Shareholders' equity	-	26	-	-	-
Earnings	-	-	-	281	-
Total	**-**	**26**	**-**	**281**	**-**

NOTE 13: RECEIVABLES

(in €'000)	06/11	12/10
Gross receivables	47,906	71,245
Impairments	(706)	(1,385)
Net values	**47,200**	**69,859**

Trade receivables are due within less than one year.
There is no claims disposal contract.

NOTE 14: OTHER CURRENT ASSETS

(in €'000)	06/11	12/10
Tax credits	2,736	4,306
Other tax and social contribution credits	2,989	3,594
Deferred charges	6,874	7,951
Other current assets	5,509	6,460
Total gross values	**18,108**	**22,311**
Impairments	(5)	(5)
Total	**18,104**	**22,307**

Other receivables are due within less than one year.

NOTE 15: ASSETS AND LIABILITIES HELD FOR SALE

Assets and liabilities held for sale represent Ciboodle Land and Estates Ltd and the Insurance subgroup, which groups together the companies Sword Insurance Europe, Intech Inc, Sword Bermuda, Agency Port and Sword IPR.

- Assets and liabilities of Ciboodle Land and Estates Ltd. consist primarily of the building and the corresponding loan.
  It should be noted that an impairment of the building for €2,950k was recorded at 30 June 2011.
  The sale was delayed by independent circumstances. However, there is sufficient evidence to justify maintaining that entity as assets and liabilities held for sale.

- The assets and liabilities of Agency Port, Sword Insurance Europe Ltd, Sword Bermuda, Sword IPR and Intech Inc (Insurance subgroup) were sold on 6 July 2011.

(in €'000)	06/11	12/10
Assets	85,330	7,170
Ciboodle Land and Estates Ltd	4,881	7,170
Insurance subgroup	80,449	
Liabilities	17,158	2,440
Ciboodle Land and Estates Ltd	6,558	2,440
Insurance subgroup	10,600	

Ciboodle Land and Estates Ltd and the companies of the Insurance subgroup belong to the Software segment.

NOTE 16: NET DEBT (NOT INCLUDING EARNOUT)

The net debt includes the minority shareholders related to Agency Port's debt.

16.1. Item breakdown by type

(€'000)	06/11	12/10
Lease finance debt related to assets held for sale (1)		
Other long-term and medium-term borrowings (1)	105,712	122,072
Current banking facilities	828	558
Total gross debt	**106,540**	**122,630**
Marketable securities	23	24
Cash and cash equivalents	24,683	27,996
Cash and cash equivalents	**24,706**	**28,020**
Total net debt	**81,834**	**94,610**

(1) Of which short- and long-term debt, for €19,064k and €86,648k, respectively, at 31 December 2011, and €15,984k and €106,088k at 31 December 2010.

Cash and cash equivalents are made up of bank accounts, which are risk-free.

Net cash (cash and cash equivalents, net of current bank facilities) stood at €23,878k at 30 June 2011 and at €27,462k at 31 December 2010.

Most borrowings are denominated in euros.

16.2. Breakdown of loans by maturity date

(€'000)	06/11	12/10
Short-term financial debt (< 1 year)	**19,892**	**16,542**
1 year < X > 5 years	86,648	106,088
> 5 years	0	0
Long-term financial debt (> 1 year)	**86,648**	**106,088**
Total	**106,540**	**122,630**

Non-current financial debts as at 30 June 2011 include, up to €85,000k versus €98,000k as at 31st December 2010, variable rate pool credits subject to drawdowns by Sword Group in the form of promissory notes due within 1 to 6 months. For the classification as non-current debt (> 1 year) of outstanding promissory notes at period end, the following aspects have been considered:

- Ability for the company, without opposition on the part of the banks that granted the loans, to renew the drawdowns for a period of at least one year (all credit openings valid at 30 June 2011 can't be reduced by the banks within a period of 12 months).
- Company's desire to turn to that form of funding within the coming 12 months.

16.3. Breakdown of borrowings by interest rate and rate coverage

The main loans have been taken out at an interest rate of euribor 3 months + 1.5. Two fixed-rate paying swap covers have been set up.

Cover through paying swap at a fixed rate of 3.95% (excluding bank margin) was set up as at 1st April 2008 for a period of 48 months and an amount of €20 million. This cover is estimated at fair value in the balance sheet at 30 June 2011 for €19,584k.
The Group applies hedge accounting and recognises through shareholders' equity the changes in fair value of the hedging instruments net of tax on the companies, which over the year generated a change in shareholders' equity of -€220k.

Cover through paying swap at a fixed rate of 4.37% (excluding bank margin) was set up as at 1st April 2008 for a period of 48 months and an amount of €30 million. This cover is estimated at fair value in the balance sheet at 30 June 2011 for €29,141k.
The Group applies hedge accounting and recognises through shareholders' equity the changes in fair value of the hedging instruments net of tax on the companies, which over the half-year generated a change in shareholders' equity of -€387k.

Cover through paying SWAP at a fixed rate of 1.71% (excluding bank margin) was set up as at 4 August 2009 for a period of 24 months and an amount of €15 million. This cover is estimated at fair value in the balance sheet at 30 June 2011 for €14,988k. The Group applies hedge accounting and recognises through shareholders' equity the changes in fair value of the hedging instruments net of tax on the companies, which over the year generated a change in shareholders' equity of €33k.

Given the consistency between the timetable for the debt covered and the flows of hedging operations, the relations have been considered fully efficient and changes in fair value of the hedging operations have been recognised as shareholders' equity as of 1st July 2008 (unrealised result reserve) for a total of €903k before tax.

16.4. Credit lines available at 30 June 2011

In €'000	30/06/11	Less than one year	Between 1 and 5 years	Older than 5 years old
Outstanding amount authorised	161,264	41,814	114,585	4,865
Outstanding amount used	105,712	19,064	86,648	-
Credit available	**55,552**	**22,750**	**27,937**	**4,865**

NOTE 17: CAPITAL STOCK, DIVIDENDS PAID AND STOCK OPTIONS

17.1. Share Capital

At 31 December 2010, capital stock totalled €9,289,965, divided into 9,289,965 shares with a face value of €1.

At 31 December 2011, capital stock totalled €9,289,965, divided into 9,289,965 shares with a face value of €1.

Sword Group held no own shares on 30 June 2011.

17.2. Dividend paid

The amount of dividends distributed by a decision of the Ordinary General Meeting of 17 May 2011 amounts to €0.69 per share, representing a total distribution of €6,410,076.

17.3. Stock options

Sword Group

Plan Nr.2

As at 30 January 2009, the Extraordinary General Meeting of Sword Group permitted the Board of Directors to grant options entitling their holders to subscribe up to 150,000 Sword Group shares. This authorisation has been granted for 38 months. As at 30 January 2009, the Board of Directors used the permission that was given and granted 150,000 share subscription options to the benefit of the employees and/or corporate officers.
The subscription price of new shares was set to the average of listed prices for the 20 stock market days preceding the decision to assign the options and stood at €10.60. The option allocation plan was closed 30 January 2009.
At 30 December 2011, the number of exercisable options stood at 40,000.
Insofar as the beneficiaries of the share subscription options are of various nationalities, the three share subscription plans are established:

Exercising of options
- for the 1st plan, the options may be exercised during a period beginning at the end of the 24-month period starting as of the allocation date and ending 12 months later.
- For the 2nd and 3rd plans, the options can be exercised during a period beginning at the end of the 36-month period starting as of the allocation date and ending 12 months later.

Disposal and marketability of the shares acquired pursuant to the exercise of options
- 1st plan: the shares acquired pursuant to the exercise of options will be disposable and marketable as of the date on which they are exercisable for the first time.
- 2nd and 3rd plans: the shares acquired pursuant to the exercise of the options are non disposable, non marketable, non convertible to the bearer and cannot be rented or leased for a period of 12 months beginning on the date on which they are exercisable for the first time.

At year end, that is 30 June 2011, no option had been exercised.

The cost generated by that employee benefit stood at €155k on the date of allocation, and was recorded as profit for up to €94k at 30 June 2011, which €19k for the first half of 2011.

The valuation of the fair value of this benefit has been determined on the basis of the Black and Scholes financial formula, using the following calculation assumptions:
- Volatility: 37%
- Planned dividend distribution rate: 0.02 %
- No-risk yield rate over the option lifetime: 4.8%.

Plans N°1 and 2

As at 30 January 2009, the Extraordinary General Meeting of Sword Group permitted the Board of Directors to grant options entitling their holders to subscribe Sword Group shares. This authorisation has been granted for 38 months. As at 29 March 2011, the Board of Directors used the permission that was given and granted 48,000 share subscription options to the benefit of the employees and/or corporate officers.
The subscription price of new shares was set to the average of listed prices for the 20 stock market days preceding the decision to assign the options and stood at €21.945. The option allocation plan was closed on 29 March 2011.
At 30 December 2011, the number of exercisable options stood at 48,000.
Insofar as the beneficiaries of the share subscription options are of various nationalities, the three share subscription plans are established:

Exercising of options
- for the 1st plan, the options may be exercised during a period beginning at the end of the 36-month period starting as of the allocation date and ending 12 months later.
- for the 2nd plan, the options may be exercised during a period beginning at the end of the 48-month period starting as of the allocation date and ending 12 months later.

Disposal and marketability of the shares acquired pursuant to the exercise of options
Shares acquired upon the exercise of the option will be transferable and tradable.

At year end, that is 30 June 2011, no option had been exercised.
The cost generated by that employee benefit stood at €275k on the date of allocation, and was recorded as profit for up to €16k at 30 June 2011, which €16k for the first half of 2011.

The valuation of the fair value of this benefit has been determined on the basis of the Black and Scholes financial formula, using the following calculation assumptions:
- Volatility: 23%
- Planned dividend distribution rate: 0.03 %
- No-risk yield rate over the option lifetime: 3.61%.

<u>Own shares</u>
Sword Group held no own shares on 30 June 2011.

<u>Shareholders' equity management policy</u>
The company is subject to no specific obligation of a regulatory or contractual nature in terms of share capital. The Group has no specific management policy in terms of capital. The arbitration between external financing and capital increase is carried out on an ad hoc basis according to the operations envisaged. The shareholders' equity followed by the Group integrates the same components as the consolidated shareholders' equity.

NOTE 18: <u>PROVISIONS, POSSIBLE ASSETS AND LIABILITIES</u>

(€'000)	31/12/10	Reserve allocations for the financial year	Carryovers for the financial year		Scope changes	Other	30/06/11
			Used up	Not applicable			
<u>Non-current provisions</u>							
- Litigation risk provisions	179	5,079				(59)	5,199
<u>Current provisions</u>							
- Other provisions							
Total	**179**	**5,079**				**(59)**	**5,199**

Non-current provisions are within less than 5 years. They have not been discounted, due to their insignificant impact.
At 30 June 2011, a litigation provision of €3.9 million was recognised on Ciboodle UK.

18.1. Retirement commitments (defined benefit schemes)

(in €'000)	06/11	12/10
- Retirement commitments	166	184
Total	**166**	**184**

The retirement benefits of Sword Group companies are determined by the Syntec collective agreement.

The group opted for immediate recognition of actuarial gains and losses as income, and there are no deferred past service costs. The pension commitments are not covered by any assets.
The portion due within less than one year is insignificant.

The breakdown of the burden for the period is described in the table below:

	06/11	12/10
Cost of services rendered	(12)	(16)
Financial cost	(3)	(4)
Compensation paid		-
Actuarial differences	7	(29
Total	**(8)**	**(49)**

Actuarial valuations rely on a number of long-term assumptions provided by the company. These assumptions are reviewed each year.
It should be noted that the deconsolidation of FircoSoft resulted in a provision reversal for retirement benefits of €26k.

The assumptions used for calculating retirement provisions are the following:

	2011	2010
Discount rate	4.78%	4.60%
Revaluation of annual wages	1.5%	1.5%
Social contribution rate	45%	45%
Retirement age	65 - 67 years	65 years old
Personnel rotation	(1)	(1)
Mortality table	INSEE 2010	INSEE 2009

(1): A per age statistic table based on a high turnover rate, unchanged at start date and end date, was used.

NOTE 19: ACCOUNTS PAYABLE

(€'000)	06/11	12/10
Trade payables	14,686	15,634

Accounts payable are due within less than one year.

NOTE 20: TAXES DUE AND OTHER CURRENT LIABILITIES

(€'000)	06/11	12/10
Taxes due on companies	**8,700**	**10,431**
Advance payments received	745	913
Taxes and social contributions due (excluding income tax due for the companies)	11,438	13,371
Earnout within less than one year	-	-
Deferred income from worksites	12,481	18,564
Other creditors	1,902	7,909
Other current liabilities	**26,566**	**40,757**

Other short term borrowings are due within less than one year.

NOTE 21: CASH FLOW TABLE

21.1. Effect of changes in scope of consolidation

The detail of the cash flow item "Net impact of changes in scope" is given in the table below:

In €'000	30/06/11	30/06/10
Scope changes 2011		
Price paid / 2011 acquisitions		
Price cashed / 2011 disposals	32,258	
Net active/passive cash acquired	(4,090)	
Prices paid / previous acquisitions	(4,655)	
Other changes (1)	(8,859)	
Scope changes 2010		
Price paid / 2010 acquisitions		
Price cashed / 2010 disposals		
Net active/passive cash acquired		
Prices paid / previous acquisitions		(323)
Other changes (2)		(1,121)
Total	**14,654**	**(1,444)**

(1) Including the acquisition of the minority shareholdings in Sword Soft, Sword Lebanon, FircoSoft, Ciboodle Ltd, and the payment of transfer costs.
(2) Including the acquisition of the minority shareholdings in Sword Soft, Sword Technologies, Sword Lebanon, FircoSoft.

21.2. Change in working capital requirements

The detail of the "Change in working capital" operating cash flows is given in the table below:

In €'000	30/06/2011	31/12/210
Change in working capital requirements	**1,585**	**- 2,188**
- Change in accounts receivable	- 2,742	3,708
- Change in accounts payable	2,008	-4,500
- Change in other assets	1,593	1,585
- Change in other liabilities	726	- 2,981

NOTE 22: OFF-BALANCE SHEET AND OTHER COMMITMENTS

Reminder: earn out is recorded to the balance sheet as per IFRS standards

For current operations, the Group was committed, at year end 2004 and 2005, for the following amounts:

	30/06/2011				31/12/2010
		Payments due per period			
	Total	Within less than one year	Between one and five years	Within more than five years	Total
Contractual commitment					
Operating lease	552	266	286		743
Irrevocable purchase obligations					
Other long-term obligations					
Total	552	266	286	0	743
Other business commitments					
Credit line					
Letter of credit					
Foreign payment bonds					
Guarantees on rents [2]	97	32		65	346
Other business commitments [1]	1,359	162	1,188	9	1,423
Total	1,456	194	1,188	74	1,769
Commitments received					
Contract guarantees					
Other commitments received					
Total	-	-	-	-	-

[1] In 2010 and 2011, the banks Fortis Luxembourg and ING Belgique gave contract guarantees to the European Commission.
In 2010 and 2011 the bank CIC Lyonnaise de banque gave contract guarantees.

[2] In 2010 and 2011, the bank CIC Lyonnaise de banque gave a rent payment guarantee.

The law of 4 May 2004 entitles employees of French companies to benefit from 20 hours minimum of training per annum, that can be cumulated over up to 6 years. Individual training entitlement (*droit individuel à la formation or D.I.F.*) no yet used, corresponds to an employee benefit in the sense of IAS 19 (long-term benefit), that is recorded as a liability at year end; however, given that the company has the option to integrate most of the DIF cost into its training plan, the amount of this liability has been considered insignificant. As at 30 June 2011, the DIF represented an aggregate of 15,543 hours of training entitlement.

NOTE 23: RELATED-PARTY TRANSACTIONS

23.1. Related companies

Sword Group holds no companies between 20% and 50% on which it exercises any notable influence that would be accounted in accordance with the equity method.

23.2. Transactions conducted with non-consolidated companies sharing common managers

The purpose of Sémaphore Investissements is to take stakes in the equity of any company of which it may become an owner and to offer its assistance to the Senior Management of the Sword Group. The corresponding services are charged back to Sword Group.

The expense borne by Sword Group for the Senior Management assistance offered by Sémaphore Investissements stood at €150k in the first half of 2011, with monthly instalments of €25k.

23.3. Remuneration of the members of the management and supervisory boards

(€'000)	06/11	12/10
Short-term benefits:		
- Gross (excluding benefits in kind)	293	961
- Employer contributions	79	178
- Benefits in kind	9	30
Post-employment benefits		
- Commitments provisioned by the company	0	0
- Charges on rights acquired during the period	0	-12
Other long-term benefits		
Compensation for termination of employment contract		
Payments in shares	19	-72
Total	**400**	**1,085**

Members of the Boards (corporate officers) and the Management are the individuals that belong to the Senior Management and Operating Committees, i.e. approximately 10 people.

23.4. Miscellaneous

None

NOTE 24: LIST OF CONSOLIDATED COMPANIES

		30 June 2011		30 June 2010		31 December 2010	
Companies	**Year end**	**% controlled**	% stake	**% controlled**	% stake	**% controlled**	**% stake**
Sword Group (parent company) 9 Avenue Charles de Gaulle 69370 Saint Didier au mont d'or	31/12	100%	100%	100%	100%	100%	100%
Sword SA (France)	31/12	100%	100%	100%	100%	100%	100%
Sword Création Informatique Ltd (South Africa)	31/12	100%	100%	100%	100%	100%	100%
FircoSoft SAS (France) (1)	31/12	-	-	99.51 %	93.17 %	100%	97.11%
FircoSoft Inc (US) (1)	31/12	-	-	100%	93.63 %	100%	97.11%
Sword Inc (US)	31/12	100%	100%	100%	100%	100%	100%
Sword DDS France	31/12	-	-	100%	100%	100%	100%
Sword Technologies SA (Benelux)	31/12	100%	100%	100%	100%	100%	100%
Tipik (formerly-ASCII) (Belgium)	31/12	100%	100%	100%	100%	100%	100%
FI System Belgium (Belgium)	31/12	100%	100%	100%	100%	100%	100%
Global India	31/03	100%	97.11%	100%	93.63 %	100%	97.11%
Sword IT Solutions (Greece)	31/12	65%	65%	65%	65%	65%	65%
Sword Services SA (formerly Linkvest SA) (Switzerland)	31/12	100%	100%	100%	100%	100%	100%
Sword Lebanon (Lebanon)	31/12	96 %	96 %	95.5 %	95.5 %	96.67%	96.67%
Sword Insurance Europe (formerly Sword UK) (UK)	31/12	100%	97.11%	100%	93.63 %	100%	97.11%
Sword Soft (UK)	31/12	97.11%	97.11%	93.63 %	93.63 %	97.11%	97.11%
Apak Group Ltd (UK)	31/12	100%	97.11%	100%	93.63 %	100%	97.11%
Sword Integra (Belgium)	31/12	100%	100 %	100%	100%	100%	100 %
Sword Soft Inc (US)	31/12	100%	97.11%	100%	93.63 %	100%	97.11%
Sword IPR (UK)	31/12	100%	97.11%	100%	93.63 %	100%	97.11%
Buildonline Germany	31/12	100%	97.11%	100%	93.63 %	100%	97.11%
CTSpace France	31/12	100%	97.11%	100%	93.63 %	100%	97.11%
Buildonline India	31/12	100%	97.11%	100%	93.63 %	100%	97.11%
Buildonline USA	31/12	100%	97.11%	100%	93.63 %	100%	97.11%
Buildonline Ireland	31/12	100%	97.11%	100%	93.63 %	100%	97.11%
Buildonline Global Ltd (UK)	31/12	100%	97.11%	100%	93.63 %	100%	97.11%
Citadon Inc (US)	31/12	100%	97.11%	100%	93.63 %	100%	97.11%
Ciboodle (formerly Graham Technology)	31/03	100%	93.12 %	100%	87.87 %	100%	91.88%

Ciboodle (formerly Graham Technology) Australia	31/03	100%	93.12 %	100%	87.87 %	100%	91.88%
Ciboodle (formerly Graham Technology) New Zealand	31/03	100%	93.12 %	100%	87.87 %	100%	91.88%
Ciboodle (formerly Graham Technology) Indonesia	31/03	100%	93.12 %	100%	87.87 %	100%	91.88%
Ciboodle (formerly Graham Technology) Scotland (UK)	31/03	95.89 %	93.12 %	93.84%	87.87 %	94.61%	91.88%
Ciboodle (formerly Graham Technology) BV (Netherlands)	31/03	100%	93.12 %	100%	87.87 %	100%	91.88%
Ciboodle (formerly Graham Technology) South Africa	31/03	100%	93.12 %	100%	87.87 %	100%	91.88%
Ciboodle Ltd (formerly Graham Technology Land and Estates) (UK)	31/03	100%	93.12 %	100%	87.87 %	100%	91.88%
Ciboodle Inc (formerly Graham Technology) (US)	31/03	100%	97.11%	100%	87.87 %	100%	97.11%
Graham Technology France	31/03	100%	93.12 %	100%	87.87 %	100%	91.88%
Graham Technology Hong Kong	31/03	100%	93.12 %	100%	87.87 %	100%	91.88%
Sword Bermuda Ltd (US)	31/12	100%	97.11%	100%	93.63 %	100%	97.11%
Sword Intech Inc (US)	31/12	100%	97.11%	100%	93.63 %	100%	97.11%
Apak Beam Ltd (UAE)	31/12	100%	97.11%	100%	93.63 %	100%	97.11%
Sword FircoSoft Ltd (UK) (1)	31/12	-	-	100%	93.63 %	100%	97.11%
Sword General Partners (UK)	31/12	100%	97.11%	100%	93.63 %	100%	97.11%
AgencyPort (US)	31/12	100%	80.11%	100%	77.25 %	100%	80.11%
Sword Sol (Luxembourg)	31/12	100%	100%	100%	100%	100%	100%
Sword IF (Switzerland)	31/12	57%	57%	-	-	57%	57%
CTSpace Ltd (UK)	31/12	100%	97.11%	-	-	-	-
Sword Technologies Solutions Ltd (UK)	31/12	100%	97.11%	-	-	-	-
Sword Apak Inc (US)	31/12	100%	97.11%	-	-	-	-

(1) The companies were disposed of on 27 May 2011 and were wholly-owned upon their disposal.

All the consolidated companies conduct operations, except for Sword Group and FI SYSTEM BELGIUM, which are holding companies.

All companies are consolidated according to the full consolidation method.

1. STATEMENT BY THE PERSON IN CHARGE OF THE HALF YEARLY REPORT

"I certify that to my knowledge the interim consolidated financial statements at 30 June 2011 are prepared in accordance with applicable accounting standards and present fairly the assets, financial condition and results of all companies included in consolidation scope of Sword Group, and the interim half-yearly management report includes a fair review of important events during the first six months of the year and their impact on the interim accounts, the main risks and uncertainties for the remaining six months of the year and major related party transactions."

30 August 2011

Jacques Mottard
Executive Chairman

2. AUDITORS' REPORT ON HALF-YEARLY FINANCIAL DATA

Period from 1 January to 30 June 2011

Dear Shareholders,

In compliance with the terms of our appointment by your General Meeting and pursuant to Article L.451-1-2 III of the Monetary and Financial Code, we have conducted:

- a limited review of the condensed consolidated half-yearly statements of Sword Group SE for the period between 1st January and 30 June 2011, as attached to this report;
- a verification of the information delivered in the half-yearly report.

These condensed consolidated half-yearly accounts have been established under the supervision of your Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

I. Conclusion regarding the accounts

We have carried out our work in accordance with the professional standards in use in France. A limited review consists primarily of discussions with the officers in charge of financial and accounting matters and implementing analytical procedures. This work is less extensive than that which is required for an audit conducted in accordance with the professional standards applicable in France. Therefore, the guarantee that the accounts, taken as a whole, have no significant anomalies in the context of a limited review is less significant than that obtained through an audit.

Based on our limited review, we have not spotted any significant anomalies likely to challenge the compliance, in all their significant aspects, of the condensed consolidated half-yearly statements, with the IAS 34 standard - which is the interim financial information part of the IFRS accounting standards adopted in the European Union.

II. Specific controls

We also verified the information given in the interim half-yearly management report commenting on the interim half-yearly consolidated financial statements subjected to our limited review.

We have no comments to make on their sincerity and consistency with the condensed consolidated half-yearly financial statements.

Villeurbanne, 30 August 2011,

THE AUDITORS

MAZARS **DELOITTE & ASSOCIÉS**

Max Dumoulin Olivier Rosier

20.9 Dividend distribution policy

20.9.1 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 financial 2011, a dividend of €0.69 per share shall be distributed, subject to the agreement of the Shareholders' General Meeting on 26 March 2012. This amount will be added to the interim dividend amounting to €1.70 per share, determined by the Board of Directors on 7 July 2011 and the payment of which occurred 19 July 2011.

For financial 2010, a dividend of €0.69 per share has been distributed.

20.9.2 Statute of limitations

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).

20.9.3 Dividends and reserves distributed during the last three years

In €	Financial 2010	Financial 2009	Financial 2008
Total dividend	6,410,075.85	6,038,477.25	5,573,979
Cash dividend per share	€0.69	€0.65	€0.60

20.10 Legal and arbitration proceedings

No other governmental, legal, or arbitration proceedings, including any proceedings of which the Company is aware, is pending or threatening the Company, and is likely to have or to have had, in the past 12 months, significant effects on the Group's financial situation or profitability.

20.11 Significant changes in the financial or business situation

None.

XXI – Additional information

21.1 Capital stock

21.1.1 Amount of capital stock

21.1.1.1 Capital stock subscribed

The company's total fully pad-up capital adds up to €9,289,965 as at 31 December 2011, divided into 9,289,965 shares with a face value of €1.

Partly paid capital

None.

21.1.1.2 Authorised capital not yet issued

See paragraph 16 of the management report.

21.1.2 Shares that are not representative of capital stock

As of the date of this annual report, there are no shares that are not representative of the capital stock of the Company.

21.1.3 Number, net book value and face value of the shares held by the Company or on its behalf

At 31st December 2011, Sword Group held 77,887 own shares.

21.1.4 Marketable securities that can be converted or exchanged or are attached to share purchase warrants

Issue of ABSAs (Shares with share purchase warrants)

During the financial period ended 31 December 2011, the Company issued no convertible or exchangeable marketable securities, nor marketable securities attached to subscription warrants.

21.1.5 Conditions governing any acquisition right and/or any obligation attached to subscribed, not fully-paid, capital, or any initiative targeted at increasing the capital stock

None

21.1.6 Capital stock of the Company subject to an option or a condition or unconditional agreement planning to place it under an option

Share subscription options granted to certain employees and/or corporate officers of the Company and affiliate companies in the sense of Article L.225-180 of the Commercial Code

- The Extraordinary General Meeting of shareholders of 30 January 2009, in its eighth resolution, authorised the Board of Directors to grant, under the provisions of article L.225-177 et seq. of the Commercial Code, to the benefit of all or part of the employees and/or corporate officers of the Company and/or of related companies in the sense of article L.225-180 of the Commercial Code, options entitling their holders to the subscription of 200,000 new shares of the Company, this authorisation having been granted for a period of 38 months.

- Using the permission granted by the said meeting, the Board of Directors, during its session held 30 January 2009 proceeded to the allocation of 150,000 share subscription options. Insofar as the beneficiaries of the share subscription options are of various nationalities, two share subscription option plans have been established under the following conditions:

	Plan Nr.1	Plan Nr.2
Date of the meeting	30 January 2009	
Date of the Board Meeting	30 January 2009	
Total number of options allocated	150,000	
Option exercise start date	30/01/2011	30/01/2012
Exercise price	€10.60	
Discount	None	
Number of beneficiaries per plan	1	2
Number of shares to be subscribed by the corporate officers	140,000	
Expiry date	30/01/2012	30/01/2013
Number of cancelled or lapsed options	100,000	10,000
Share subscription or purchase options remaining at the end of the 2011 fiscal year	0	40,000

Additional information is provided in the stock options report (paragraph 26.2).

Below is the table drawn up in accordance with AFEP / MEDEF recommendations (see table 4 of paragraph 20.4 of the management report).

Broker's name	Plan number and date	Nature of the options	Valuation of options in accordance with the method used for the consolidated financial statements	Number of options allocated during the period	Exercise price	Exercise period
F. Fillot Executive Vice President	Nr.2 01/30/2009	Subscription	€155,412	40,000	€10.60	From 01/30/012 to 01/30/013

Further details regarding the exercising of options:

Performance conditions: the beneficiaries may exercise their options only if the two conditions below are fulfilled, for the accounting period preceding the exercising of the options:
- Company's consolidated EBIT in excess of 15%
- Consolidated turnover in excess of €220 million (not including the sale of assets)

Shares resulting from the exercising of options to be kept: in accordance with the provisions of article L 225-185 of the Commercial Code, the Board of Directors has decided that the aforementioned corporate officers must keep 10% of the shares resulting from the exercising of the options, up until the end of their terms of office.

The Board of Directors held **29 March 2011**, in line with the authorisation granted by the Extraordinary General Meeting held **30 January 2009**, granted options entitling to the subscription of **48,000** new shares in the Company. In the context of that authorisation, two share subscription option plans have been established, it being pointed out that Mr John Higgins, having left the Group in the course of financial 2011, has had his options lapse. Furthermore, Phil Norgate, Deborah Young, Pradeep Banerji and Fabrice Liénart waived their options in the course of fiscal 2011.

		Plan Nr.1	Plan Nr.2
Date of the General Meeting		30 January 2009	
Date of the Board Meeting		30 January 2009	
Total number of options allocated		48,000	
Number of options that can be subscribed		38,000	10,000
Beneficiaries:	Phil Norgate	10,000	
	Deborah Young	8,000	
	Pradeep Banerji	10,000	
	John Higgins	10,000	
	Fabrice Liénart		10,000
Option exercise start date		29/03/14	29/03/15
Expiry date		29/03/15	29/03/16
Subscription price		21.945	
Number of shares subscribed at 31 January 2012		0	0
Number of cancelled or lapsed options		38,000	10,000
Share subscription or purchase options remaining at the end of the period		0	0

The Extraordinary General Meeting of shareholders of 17 May 2011, in its tenth resolution, authorised the Board of Directors to grant, under the provisions of article L.225-177 et seq. of the Commercial Code, to the benefit of all or part of the employees and/or corporate officers of the Company and/or of related companies in the sense of article L.225-180 of the Commercial Code, options entitling their holders to the subscription of 200,000 new shares of the Company, this authorisation having been granted for a period of 38 months.

The Board of Directors held **6 October 2011**, in line with the authorisation granted by the Combined General Meeting held **17 May 2011**, granted options entitling to the subscription of **188,000** new shares in the Company. As part of that authorisation, four share subscription plans have been established.

		Plan Nr.1	Plan Nr.2	Plan Nr.3	Plan Nr.4
Date of the General Meeting		17th May 2011			
Date of the Board Meeting		6 October 2011			
Total number of options allocated		188,000			
Number of options that can be subscribed		63,000	87,000	30,000	8,000
Beneficiaries:	Phil Norgate	12 000			
	Deborah Young	9,000			
	Pradeep Banerji	15,000			
	Nick Ginn	9,000			
	Clara Van Heck	9,000			
	Terry Coyne	9,000			
	Philippe Le Calvé		12,000		
	Jean-Louis Vila		9,000		
	Olivier Leblanc		9,000		
	Philippe Blanchard		12,000		
	Pierre Gachon		9,000		
	Fabrice Liénart		9,000		
	Alain Broustail		9,000		
	Laurent Fromont		9,000		
	Maxime Grinfeld		9,000		
	Anys Boukli			12,000	
	Jörg Schorr			9,000	
	Philippe Demay			9,000	
	Lalitha Balakrishnan				5,000

Kamal Kumar Rajanbabu				1,500
Rex Mohan Kumar				1,500
Option exercise start date	06/10/14	06/10/15	06/10/14	06/10/14
Expiry date	06/10/15	06/10/16	06/10/15	06/10/15
Subscription price	12.115			
Number of shares subscribed at 31 January 2012	0		0	
Number of cancelled or lapsed options	0		0	
Share subscription or purchase options remaining at the end of the period	0		0	

The Board of Directors held **16 December 2011**, in line with the authorisation granted by the Combined General Meeting held **17 May 2011**, granted options entitling to the subscription of **9,000** new shares of the Company. As part of that authorisation, one share subscription plan has been established.

Date of the General Meeting	17th May 2011
Date of the Board Meeting	16 December 2011
Total number of options allocated	9,000
Number of options that can be subscribed	9,000
Beneficiaries: Guy de San	9,000
Option exercise start date	01/01/15
Expiry date	31/12/21
Subscription price	12.40
Number of shares subscribed at 31 January 2012	0
Number of cancelled or lapsed options	0
Share subscription or purchase options remaining at the end of the period	0

REMINDER OF THE PLANS WITHIN THE SUBSIDIARIES:

The Board of Directors of **Sword Technologies**, a Luxembourg subsidiary of our Company, on 15 July 2008, approved and ratified a stock options plan consisting in the granting of options to third party consultants bound to the Company via a service agreement ("freelance" contract) and stock options to the employees of the Company. The Ordinary General Meeting of Sword Technologies held 4 August 2008 approved the terms of the stock options master agreement.

	Plan Nr.1	**Plan Nr.2**
Date of Board meeting	15 July 2008	1st September 2008
Date of the General Meeting	4 August 2008	
Total number of options allocated	240	32
Option exercise start date	01/01/2010	01/10/2010
Exercise price	640	
Discount	None	
Beneficiaries / number of options allocated	Dieter Rogiers: 60 Tony Claes: 70 Thierry Guiot: 25 Paulo Apolinario: 60 Luc Lejoly: 25	Dieter Rogiers: 20 Paul Kaisin: 12
Number of options exercised at 31 December 2010	180	0
Number of lapsed options	60	32
Expiry date	01/01/2011	01/10/2011

At 31 December 2011, all the options from Plan Nr.1 were either exercised, or lapsed. The options from Plan Nr.2 have not been exercised or have lapsed.
The two above-mentioned plans have therefore lapsed.

21.1.7 Change in capital stock

21.1.7.1 Changes in the breakdown of capital stock in the past three years

	Situation at 31/12/2009		
Forename-Surname	Number of shares	% of capital	% vote
Jacques Mottard and Sémaphore Investissements	1,706,280	18.37	26.69
21 Centrale Partners	5	0	0
Françoise Fillot	106,395	1.15	1.98
Heath Davies	27,937	0.30	0.26
Treasury shares	58,885	0.63	0
Employees and miscellaneous registered shareholders	290,633	3.13	4.85
Floating stock	7,099,830	76.42	66.22
Total	9,289,965	100	100

	Situation at 31/12/2010		
Forename-Surname	Number of shares	% of capital	% vote
Jacques Mottard and Sémaphore Investissements	1,706,281	18.37	26.69
Françoise Fillot	86,395	0.93	1.61
Nicolas Mottard	1,395	NA	NA
Treasury shares	0	0	0
Employees and miscellaneous registered shareholders	193,848	2.08	3.59
Floating stock	7,302,046	78.62	68.11
Total	9,289,965	100	100

	Situation at 31/12/2011		
Forename-Surname	Number of shares	% of capital	% vote
Jacques Mottard and Financière Sémaphore	1,706,281	18.37	26.95
Françoise Fillot	86,395	0.93	1.63
Nicolas Mottard	1,395	NA	NA
Own shares (1)	77,887	0.84	NA
Employees and miscellaneous registered shareholders	172,088	1.86	3.16
Floating stock	7,245,919	78,00	68.26
Total	9,289,965	100	100

(1) including the liquidity contract

21.2 By-laws

It is reminded that the Extraordinary General Meeting of Shareholders held 30 January 2009, decided to transform Sword Group into a European Company and adopted new by-laws.

The provisions taken from Rule (EC) n°2157/2001 of the Board of 8 October 2001 regarding the status of European companies, provide for a restricted number of rules regarding the operation of the European company that reflect the provisions of domestic laws in that respect. The operation of Sword Group SE's Board is therefore mainly governed by the provisions of the Commercial Code regarding the management and administration of *sociétés anonymes* (limited companies), except for certain rules dictated by the aforementioned Rule, particularly the obligation, for the Board of Directors, to meet at least once every 3 months.

21.2.1 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; all 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.

21.2.2 Statutory and other provisions relative to members of the management and supervisory organs

21.2.2.1 Composition of the Board of Directors

At 31 December 2011, the Board consisted of the following members:
- Jacques Mottard, Chairman,
- Nicolas Mottard,
- Françoise Fillot,
- François Barbier,
- François Régis Ory.

Francis Regis Ory was appointed as new director by the Ordinary General Meeting of 17 May 2011.

21.2.2.2 Authority of the Board of Directors (extracts of Article 15 of the by-laws)

The Board of Directors determines the Company's business orientations and ensures their implementation. Subject to the authority explicitly granted to shareholder meetings and within the limits of the corporate objective, it rules over any issue regarding the proper operation of the Company and deliberates to solve the issues that concern it.

The Board of Directors carries out any controls or checks that it deems necessary.
(…)

21.2.2.3 Senior Management (extracts from Article 14 of the by-laws)

The Senior Management of the Company is ensured, under that person's responsibility, either by the Chairman of the Board, or by another natural person appointed by the Board of Directors to the position of CEO.

The CEO is chosen among the directors or outside the Board.

It is the Board of Directors' responsibility to choose between the two modes of senior management as defined above.

The shareholders and third parties are informed of the choice of the Board of Directors under the conditions set out by applicable laws and regulations.

When the senior management of the Company is ensured by the Chairman of the Board, he exercises the powers of Executive Chairman and is entrusted the most extended powers to act under all circumstances on behalf of the Company. He exercises such powers within the limits of the company's objective and subject to those explicitly assigned by the law to shareholders' meetings and to the Board of Directors. (…)

When the Chairman of the Board of Directors is also the Executive Chairman, he may, if he wants to, be assisted by one or several Executive VPs, who can be no more than 5.
(…)

The Board of Directors held 22 June 2001 appointed Mr. Jacques Mottard as Chairman of the Board and Executive Chairman. His term of office was renewed by the Board as at 26 April 2004 for a period expiring 31 December 2009.

The Board of Directors of 28 April 2010 renewed Mr Jacques Mottard as Executive Chairman for a period due to expire on 31 December 2013.

21.2.2.4 Remuneration of directors, the Chairman, the CEO and Executive VPs, and the officers of the Board of Directors (article 16 of the by-laws)

Directors are entitled to directors' fees, whose annual total amount is set by the general meeting and is maintained until the meeting makes a new decision. The Board divides the fees between its members in the way it deems appropriate.

21.2.3 Rights, privileges and restrictions related to shares of the Company

21.2.3.1 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.

21.2.3.2 Rights and obligations related to shares (article 19 of the by-laws)

Voting right
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 capitalisation 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. The dual voting right will terminate de jure for any share subject to conversion to the bearer or to a transfer of ownership. Nevertheless, will not result in a disruption of the aforementioned timeframe, or will make it possible to keep this acquired entitlement, any transfer from a registered bearer to another registered bearer, pursuant to the execution of a will, the sharing of common property between spouses or donation between living people to the benefit of the spouse or close relatives. 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.

21.2.3.3 Entitlement to dividends and profits (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.

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 General 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.

21.2.4 Conditions for changing the shareholders' rights

Shareholders' rights as set out in the Company's by-laws, can only be changed by an Extraordinary General Meeting.

21.2.5 Shareholders' General Meetings (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 headquarters 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 employee representation body under the terms set by the law.

One or several shareholders who together hold at least 10% of the paid capital may request the registration of one or several new agenda issues for any general meeting.

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
Any shareholder may, regardless of the number of shares held, take part, in person or via a proxy, to the meetings upon justifying his/her identity and the ownership of his/her shares, in the form:
- either of a registration in his/her name,
- or of the registration of the shares in the name of the shareholder or the intermediary registered on his/her behalf, on the third business day preceding the meeting at 0:00, Paris time, either in the registered share books held by the Company, or in the bearer share books held by the authorised intermediary. However, the Board of Directors can either shorten or cancel that period of time, subject to that initiative being to the benefit of all shareholders.

Vote by mail is implemented in accordance with the terms and conditions set by applicable laws and regulations.

A shareholder can appoint a proxy under the conditions set by applicable regulations, subject to the representative being a shareholder him/herself. A shareholder may also be represented by his/her spouse."

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 share capital, 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 Shareholders' 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 fifth 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 quarter, at the first meeting, and one fifth, 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 capitalisation of reserves, profits or share premiums, the meeting shall give a ruling under the terms and conditions for quorums at ordinary meetings.

21.2.6 Passing of statutory thresholds (article 10 of the by-laws)

Pursuant to recent changes in legal and regulatory requirements, the General Meeting of 17 May 2011 will be suggested to harmonise the by-laws with such provisions and to amend Article 10 of the by-laws accordingly, as follows:

Any shareholder, whether acting individually or with another shareholder, who increases their ownership to more than 5%, 10%, 15%, 20%, 25%, 30%, on third, half, two-thirds, 90% or 95% of shares or voting rights must inform the Company of the total number of shares and voting rights they own, via registered mail with acknowledgement of receipt within 4 trading days as of the date when they exceed these thresholds. The same will apply in the event that said shareholding is reduced to below each of these thresholds.

This information will also be supplied to the Autorité des Marchés Financiers within 4 trading days of exceeding these thresholds.

Unless they have been promptly declared, shares in excess of the threshold that should have been notified do not have voting rights until two years after the regularisation of notification.

21.2.7 Special conditions governing changes in capital stock

Any change in the capital stock is subjected to legal prescriptions, as the by-laws do not provide for any specific stipulations.

XXII – Major contracts

Sword Group signs new contracts on a regular and sustained basis, but only within the ordinary course of its business operations.

XXIII - Information from third parties, expert representations, and statement of interests

Not applicable.

XXIV – Documents accessible to the public

All of the corporate documents of the Company designed to be made available to shareholders, can be consulted at the Company headquarter, in particular:

- the Company's by-laws,
- all reports, mails and other documents, financial history, valuations and declarations established by an expert upon the Company's request, of which part is included or referred to in this prospectus,
- the financial history of the Company and its subsidiaries for each of the financial years preceding the publication of this annual report.

XXV - Information about interests

Information about companies where the Company holds a portion of capital likely to have a significant impact on the assessment of its assets, its financial situation, or its earnings, is provided in Chapter 7 and in Note 16 of the appendix to the financial statements.

XXVI - Appendices

26.1 Management report prepared by the Board of Directors for the Ordinary and Extraordinary General Meeting of 26 March 2012

Ladies and Gentlemen,

We have brought you together at this Ordinary and Extraordinary General Meeting, in accordance with legal provisions, to submit to your approval the annual financial statements and consolidated financial statements for the financial year ending 31st December 2011. We will also ask you to vote on a proposed transfer of the headquarters of our company to the Grand Duchy of Luxembourg.

You will also be asked to cast your votes for the following projects:

The responsibilities of the Ordinary General Meeting

- Reading of the Board’s reports;

- Reading of the Chairman's report on internal control and corporate governance, and of the auditor' report on the Chairman's report;

- Reading the reports on financial statements for the year ended 31 December 2011 and of the Auditors' special report on the annual accounts for the year ended 31 December 2011; Reading of the report on the consolidated financial statements for the financial year ending 31 December 2011;

- Presentation of the consolidated financial statements and corporate financial statements for the financial year ending 31 December 2011;

- Approval of the financial statements for the financial year ending 31 December 2011 and directors’ discharge;

- Approval of the consolidated financial statements for the financial year ending 31 December 2011;

- Approval of regulated agreements governed by Article L.225-38 of the Commercial Code;

- Appropriation of earnings;

- Determination of the directors’ fees;

- Delegation of authority to be granted regarding a new programme under which the Company would repurchase its own shares;

- Authority to complete formalities;

The responsibilities of the Extraordinary General Meeting

- Reading of the Auditors’ special reports;

- Delegation of authority to be granted to the Board of Directors to reduce the equity capital by cancelling the repurchased shares, in accordance with the share repurchase programme;

- Delegation of authority granted to the Board to increase the equity capital through the issue of ordinary shares or any marketable securities giving access to the capital with preservation of the pre-emptive right, subject to the condition subsequent of the transfer of the headquarters to Luxembourg;

- Delegation of authority granted to the Board to increase the equity capital through the issue of ordinary shares or any marketable securities giving access to the capital with removal of the pre-emptive right, subject to the condition subsequent of the transfer of the headquarters to Luxembourg;

- Increase in the number of shares, securities, or marketable securities to be issued in case of a capital increase with or without the preferential subscription right subject to the condition subsequent of the transfer of the headquarters to Luxembourg;

- Delegation to proceed to the issue of shares, securities, and miscellaneous marketable securities to remunerate the contributions in kind granted to the Company, subject to the condition subsequent of the transfer of the headquarters to Luxembourg;

- Delegation of authority to decide to increase the capital by capitalisation of reserves, profits or premiums subject to the condition subsequent of the transfer of the headquarters to Luxembourg;

- Delegation of authority to be granted to the Board to grant share subscription options reserved for all or part of the employees and/or corporate officers of the Company and or the companies related to it in the sense of Article L 225-180 of the Commercial Code, subject to the condition subsequent of the transfer of the headquarters to Luxembourg;

- Delegation of authority to increase the share capital to the benefit of the Group's employees subject to the condition subsequent of the transfer of the headquarters to Luxembourg;

- Transfer of the headquarters to the Grand Duchy of Luxembourg;

- Delegation of authority granted to the Board to increase the equity capital through the issue of shares or any marketable securities giving access to the capital with removal of the pre-emptive right, under condition subsequent of the transfer of the headquarters to Luxembourg;

- Adoption of the new by-laws;

- Acknowledgement of the completion of the headquarters transfer;

- Appointment of Board members;

- Appointment of two company auditors;

- Authority to complete formalities.

We will present the consolidated financial statements and corporate financial statements to you successively. We will then submit these for your approval.

The required notifications were sent to you on a regular basis and all the documentation required by current rules have been made available to you at the mandatory prescribed times.

The Auditors' reports will then be read out to you.

1. Important events in the Sword Group during the financial year ending 31 December 2011

1.1 Acquisitions / disposal and equity stakes acquired during the financial year ended 31 December 2011:

In **January 2011**, part of the UK subsidiaries were restructured. This can be summarised as follows:
- the business of CTSpace UK (assets and liabilities) was transferred by Sword UK to a new company set up for that purpose, namely CTSpace Ltd, which is a subsidiary of Sword Soft Ltd,
- the ECM, ABS and HLD business (assets and liabilities) of Sword UK was transferred to a new company set up for that purpose, namely Sword Technology Solutions Ltd, which is a subsidiary of Sword Soft Ltd,
- Sword UK changed its corporate identity to become Sword Insurance Europe Ltd.

In **February 2011**:
- inception of Sword Apak Inc, a wholly-owned subsidiary of Apak Group Ltd.

In **May 2011:**
- shares in FircoSoft SAS, Ltd. and FircoSoft Inc. were sold by Sword and Sword Soft Inc.
- Soft Sword bought minority interests in Sword Ciboodle Scotland and Sword Group acquired minority interests in Sword Soft.
- Sword Soft Ltd and Sword Soft Inc sold all of the shares they held in the capital of Sword IPR Ltd, Sword Intech, Sword Insurance Europe Ltd and Agency Port, which made up the "Insurance" division.
- Sword DDS, a French subsidiary of the company, was dissolved following the transfer of all its assets for the benefit of the Company, effective 30 May 2011.

6 July 2011: disposal of Agency Port, Sword Insurance Europe Ltd, Sword Bermuda, Sword IPR, Sword Intech Inc (Insurance sub-group).

In **October 2011:** inception of Sword Sol Inc.

14 November 2011: disposal of the Group's CTSpace division (integrating the companies Buildonline Global, Citadon US, Buildonline Ireland, Sword GmbH, CTSpace France, CTSpace Ltd, Sword Inc).

In December 2011, the shares of the companies where the Company holds majority interests, i.e. Sword Sol, Sword Services SA, FI System Belgium, Sword Solutions Inc., Sword Soft Ltd and Sword Creation Informatique were brought to a special-purpose Luxembourg vehicle, Sword Participations Sarl.

1.2 Governance

The Ordinary and Extraordinary General Assembly held 17 May 2011 appointed Mr. Francis Regis Ory as a new independent board member.

The Board of Directors held **3 November 2011** formalised the creation of an Audit Committee within the Company (the principle of the creation of the Audit Committee had been decided since 20 December 2010) whose functions will be exercised by the Board pursuant to the option given by Articles L.823-19 and L.823-20 of the Commercial Code, which will involve members of the Board who does not perform management functions. The Chairmanship of the Audit Committee was entrusted to Mr Francis Regis Ory.

The Board of Directors at its meeting of 15 December 2011 (4:00pm), conducted its annual self-assessment, in accordance with AFEP / MEDEF recommendations.

1.3 Miscellaneous

o The Board of Directors, in its session of **29 March 2011**, using the authorisation granted by the Extraordinary General Meeting of 30 January 2009, awarded 48,000 share subscription options to certain employees of the Group.

o The Board of Directors of 27 June 2011 authorised the Company to sign a deed of joint and several guarantee to secure payment of amounts owed by the company Ciboodle Land and Estate under a loan taken out from CIC.

o The Board of Directors, in its session of 7 July 2011, decided to distribute an interim dividend to thank the shareholders following the disposals of the FircoSoft group and the "Insurance" division.

o The Board of Directors, in its session of 9 September 2011, making use of the authorisation that was granted by the Ordinary and Extraordinary General Meeting of 17 May 2011 to the effect of trading shares of the Company under the conditions of article L.225-209 of the Commercial Code, authorised the signing of a liquidity contract with the company Bryan, Garnier & Co.

o The Board of Directors, in its session of **6 October 2011**:

- noted the waiver by certain beneficiaries of stock options granted by the Board of Directors on 29 March 2011, such beneficiaries waiving 38,000 options,
- making use of the authorisation that was granted by the Extraordinary General Meeting of 17 May 2011, awarded 188,000 stock options to some of the Group's employees.

o The Board of Directors, in its session of **1 December 2011**, authorised the following regulated agreement: execution of the debt waiver agreement under which the Company waives its claim in the accounts of Sword Soft Ltd, for up to €170,000,000.

- The Board of Directors, in its session of 15 December 2011:

  - authorised the Company to take out a loan of €10 million from CIC Lyonnaise de Banque,
  - gave an update on gender equality on the Board of Directors, pursuant to Article L.225-17 of the Commercial Code, as amended by Act No. 2011-103 of 27 January 2011.

- The Board of Directors, in its session of **16 December 2011**, making use of the authorisation that was granted by the Extraordinary General Meeting of **17 May 2011**, awarded 9,000 stock options to an employee of the Group.

- The Board of Directors, in its session of **20 December 2011**, authorised the following regulated agreement: pledging of a deposit account opened on behalf of the Company to guarantee the commitments of Sword Technology Solutions Ltd.

2. Comparability of the financial statements - Accounting rules and methods

2.1.1. Accounting standard

As per European Regulation n° 1606/2002 of 19 July 2002 regarding international accounting standards, the consolidated accounts of Sword Group at 31 December 2011 and the comparative accounts for financial 2010 were established by applying the IFRS (International Financial Reporting Standards) standards, as adopted by the European Union. The standards and interpretations applied are those published in the OJEU (Official Journal of the European Communities) before 31 December 2011, whose implementation was mandatory on that date.
This reference document is available on the website of the European Commission, at http://ec.europa.eu/internal_market/accounting/ias, and includes the standards approved by the International Accounting Standards Board (IASB), i.e. the IFRS standards, the international accounting standards (IAS) and the interpretations from the International Financial Reporting Interpretations Committee (IFRIC) or from the Standing Interpretations Committee (SIC).

2.1.2. Standards, amendments to standards and interpretations applicable as of the financial year started 1 January 2011

The Group implemented for the first time the standards and interpretations whose enforcement was mandatory as of 1st January 2011:
- IAS 24 revised – Related-party disclosures
- Amendment to IAS 32 on the classification of rights issues
- Annual improvement of IFRS (May 2010) including on revised IFRS 3, IFRS 7 (clarifying Disclosures), IAS 1 (clarifying the presentation of the statement of changes in equity), IAS 34 (presentation of significant events and transactions).
- IFRIC19 - Extinguishing Financial Liabilities with Equity Instruments
- Amendment to IFRIC14 – Prepayments of a Minimum Funding Requirement

These amendments are mainly applicable to periods beginning on or after 1 January 2011.
These new standards have no significant impact on the accounts drawn up as at 31 December 2011.

2.1.3. Standards and interpretations that were published but are not yet applicable

TEXTS ADOPTED BY THE EUROPEAN UNION AT YEAR END.
Amendment to IFRS 7 "Financial Instruments" - Disclosures in connection with the transfer of financial assets (applicable as of 1 July 2011)

The Group has not applied this amendment in advance and does not anticipate any significant impact on its financial statements.

TEXTS NOT ADOPTED BY THE EUROPEAN UNION AT YEAR END.
Amendment to IAS 1 (subject to its adoption by the European Union, this amendment is mandatory for fiscal years beginning on or after 1 July 2012).
Subject to final adoption by the European Union, standards, amendments to standards and interpretations issued by IASB and presented below, are mandatory after 31 December 2011:
Amendment to IAS 1 – Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2013);
Amendment to IAS 12 – Deferred Tax: Recovery of Underlying Assets (applicable to the annual periods starting as of 1st January 2012);
Amendment to IAS 19 - Employee Benefits: accounting of defined benefit plans (applicable to annual periods beginning on or after 1 January 2013);

Amendment to IFRS 7 – Presentation - Offsetting financial assets and financial liabilities (applicable to the annual periods opened on or after 1 January 2013);
Amendment to IAS 32 – Compensation for financial assets and liabilities (applicable to the annual periods opened on or after 1 January 2014);
IFRS 9 - Financial Instruments: Classification and measurement (applicable to the annual periods starting as of 1st January 2015);
IAS 10 – Consolidated Financial Statements (applicable to the annual periods starting as of 1st January 2013);
IFRS 11 - "Joint Arrangements" (effective for annual periods beginning on or after 1 January 2013);
IFRS 12 - Disclosure of interests in other entities (effective for annual periods beginning on or after 1 January 2013);
IFRS 13 - Fair Value Measurement (effective for annual periods beginning on or after 1 January 2013);
IAS 27 revised – Consolidated and Separate Financial Statements(applicable to the annual periods starting as of 1st January 2013);
Revised IAS 28 - Investments in associates and joint ventures (applicable for annual periods beginning on or after 1 January 2013).
The Group has not applied any of these new standards or interpretations in advance and does not anticipate any significant impacts resulting from the first application of these new texts.
The Group does not anticipate any material impact on its financial statements.

3. Group activities - Presentation of the consolidated income statement for the financial year ended 31 December 2011

3.1. Presentation of the simplified consolidated income statement at 31 December 2011

The table below presents the simplified income statement of Sword Group for the financial year ending 31 December 2011 compared with that for the 2010 financial year.

In €'000	**2011 consolidated**	**2010 consolidated**
Turnover	156,193	185,323
EBIT	23,025	34,005
Operating profit	11,185	33,605
Consolidated net profit	1,421	23,235
Group's share of net profit	1,313	23,230

3.2. List of main consolidated companies as at 31 December 2011

	31 December 2011		
Companies	Year end	% controlled	% stake
Sword Group (parent company) 9 Avenue Charles de Gaulle 69771 Saint Didier au Mont d'or Cedex	31/12	100%	100%
Sword SA (France)	31/12	100%	100%
Sword Création Informatique Ltd (South Africa)	31/12	100%	100%
Sword Technologies SA (Benelux)	31/12	100%	100%
Tipik (formerly-ASCII) (Belgium)	31/12	100%	100%
FI System Belgium (Belgium)	31/12	100%	100%
Sword Global India Ltd	31/03	100%	98.07 %
Sword IT Solutions (Greece)	31/12	65%	65%
Sword Services SA (formerly Linkvest SA) (Switzerland)	31/12	100%	100%
Sword Lebanon (Lebanon)	31/12	96 %	96 %
Sword Soft (UK)	31/12	98.07 %	98.07 %
Apak Group Ltd (UK)	31/12	100%	98.07 %
Sword Integra (Belgium)	31/12	100%	100%
Sword Soft Inc (US)	31/12	100%	98.07 %
Sword IPR (UK)	31/12	100%	98.07 %
Buildonline India	31/12	100%	98.07 %
Buildonline USA	31/12	100%	98.07 %
Ciboodle Ireland Ltd	31/03	100%	93.67 %
Ciboodle Australia Ltd	31/03	100%	93.67 %
Ciboodle New Zealand Ltd	31/03	100%	93.67 %

Ciboodle Indonesia	31/03	100%	93.67 %
Ciboodle Scotland (UK)	31/03	95.51 %	93.67 %
Ciboodle BV (Netherlands)	31/03	100%	93.67 %
Ciboodle South Africa Ltd	31/03	100%	93.67 %
Cibboodle Ltd (Land and Estates) (UK)	31/03	100%	93.67 %
Ciboodle Inc (US)	31/03	100%	98.07 %
Graham Technology France	31/03	100%	93.67 %
Graham Technology Hong Kong	31/03	100%	91.88%
Apak Beam Dubai (UAE)	31/12	100%	98.07 %
Sword General Partners (UK)	31/12	100%	98.07 %
Sword Sol (Luxembourg)	31/12	100%	100%
Sword IF (Switzerland)	31/12	57%	57%
Sword Technologies Solutions (UK)	31/12	100%	98.07 %
Sword Apak Inc (USA)	31/12	100%	98.07 %
Sword Solutions Inc (USA)	31/12	100%	100%
Sword Participations SARL (Luxembourg)	31/12	100%	100%

All consolidated companies are consolidated according to the full consolidation method.

3.3. Activity and turnover

On a like-for-like basis, the pro forma organic growth stands at 11.4% for turnover and 5.5% for the EBIT, respectively.

The pro forma current operating margin stands at 13.1%.

The backlog at 31 December 2011 stands at 22.5 months of turnover budgeted for 2012, up 2.9 months since 31 December 2011.

The current operating cash flow stands at €16.5 million.

3.3.1. Specialisation

Specialisation of the group is now focused on "the valorisation of information", throughout all the divisions - Software and Solutions (including the IT Services and Communication Technologies divisions).

3.3.2. Internationalisation

The group operates in 50 countries and is actually based through its subsidiaries and offices in 15 countries. Covering Asia Pacific, Middle East, Europe, America and South Africa.

3.3.3. Expansion

The group has returned to two-digit growth.

3.4. EBIT

EBIT from all consolidated companies for 2011 was €23,025k, i.e. 14.7% of turnover.

3.5. Operating profit

Operating profit from all consolidated companies for 2011 was €11,185k, i.e. 7.16% of turnover.

3.6. Cost of net debt

The cost of net debt stood at -€2,227k, i.e. 1.4% of turnover.

This cost consists primarily of net interest expenses on loans (€3,777k), a financial lease agreement (€1,547k) and investment products and non-consolidated shares (€3k).

3.7. Income tax and net profit

Income tax on consolidated profit was €5,066K, which represents an effective taxation rate of 16%.

After income tax, net profit for the consolidated companies stood at €1,421k, i.e. 0.91% of turnover. The Group share of net profit stood at €1,313, i.e. 0.84% of turnover, while net profit allocated to minority shareholders was €108k.

3.8. Debt, cash flow and investments

Net debt, i.e. total gross debt from which cash reserves on 31 December 2011 were deducted, stood at –€8,445k.

The cash flow of the Group (see cash flow table) stood at €20,726k, deducted from the cost of net debt and tax.
Gross investments for the financial year, both intangible (excluding goodwill and market shares) and tangible, stood at €6,497K.

3.9. External growth

No acquisitions were made in 2011.

3.10. Disposal operation

Sword sold between May and November 2011, the FircoSoft group, the "CTSpace" division and the "Insurance" division.

3.11. Changes in the Group's main subsidiaries - Proforma figures

SOFTWARE

A / CRM and miscellaneous activities

€m	2010	2011
Turnover	28.9	32.2
EBIT	5.7	6.0
%	19.7%	18.6%

Priority was given to organic growth although this is somewhat at the expense of profitability. That same strategy will be implemented in 2012.

B / WFS

€m	2010	2011
Turnover	9.7	10.1
EBIT	2.9	3.0
%	29.9%	29.7%

That segment is the most regular, as it is based on an ASP model. The 2010 and 2011 returns are unusually high. Normative profitability stands at 25%.

Solutions (IT Services and Communication Technologies)

A / France

€m	2010	2011
Turnover	18.0	20.7
EBIT	1.3	1.0
%	7.2%	4.8%

The profitability of France in 2011 was impacted by significant organic growth of 15% that was achieved at the expense of profitability which will be reinstated in 2012.

B / Benelux (excluding Communication Technologies)

€m	2010	2011
Turnover	15.8	12.7
EBIT	0.8	1.4
%	5.1%	11,0%

2011 is the year of return to profitability. 2012 will be the year of growth.

C / Switzerland

€m	2010	2011
Turnover	7.0	9.8
EBIT	0.5	1.1
%	7.1%	11.2%

Switzerland in 2011 succeeded in combining growth and rising profitability.

D / Other

€m	2010	2011
Turnover	11.3	14.8
EBIT	2.1	1.8
%	18.5%	12.2%

Profitability in 2010 was impacted by exceptional sales of software components. Profitability in 2011 is back to "normal" levels. One should note the exceptional increase of organic growth of 30.9%.

E/ Communication Technologies

€m	2010	2011
Turnover	19.8	22,8
EBIT	2.0	1.8
%	10.1%	7.9%

Organic growth of 15.2% was achieved somewhat at the expense of profitability in accordance with the initial plan.

3.12. Important events occurring after year-end

- In January 2012, the business of Sword ECM and Achiever Business Solutions (assets and liabilities) was transferred by Sword Technology Solutions Limited to a new company created for that purpose, Sword Achiever Limited, which is a 100% subsidiary of Sword Soft Ltd.

- As part of discussions held by the Board of Directors of the Company to strengthen the Group's integration and to improve its organisation and its competitiveness, it is proposed to transfer the registered office in the Grand Duchy of Luxembourg. This project was filed with the registrar of the Commercial Court of Lyon on 20 January 2012 and was the subject of a notice in the French Bulletin of Mandatory Legal Notices (BALO) of 23 January 2012, corrected 25 January 2012. This is subject to the approval of the General Meeting of 26 March 2012.

- By letter received 31 January 2012, supplemented by letter received on 1 February 2012, Mr Michel Baulé said he exceeded, 27 January 2012, directly and indirectly, through the company Eximium (48 avenue des Allobroges, 26100 Romans) and the *société civile* Trefolia (30 rue Francis Chirat, 26100 Romans) which he controls, the threshold of 10% stakes in Sword Group and holds 963,107 shares of Sword Group representing as voting rights, or 10.37% of the capital and 8.98% of the voting rights of the Company. On this occasion, Eximium crossed the same threshold individually.
  These crossings of threshold came about as a result of the acquisition, by Eximium, of Sword Group shares on the stock market.
  That same letter expressed the following intention:
  "Mr Michel Baulé states that:
  - Eximium acquired its shares on the stock market using its shareholders' equity;
  - that he acts alone, via the companies Eximium and Trefolia, which he controls, and that he contemplates continuing his purchased based on market conditions;
  - he does not contemplate taking control of Sword Group;
  - he does not contemplate changing the strategy of Sword Group;
  - he does not contemplate the operations listed in Article 223-17 6° of the General Rules of the AMF;
  - he does not intend to apply for a position as board member of Sword Group;
  - he has not entered into any leasing agreement regarding the shares and/or voting rights of Sword Group."

- Further, the Group has decided to dispose of General Partners. Consequently, the assets and liabilities of the company, as well as the loan taken out by Sword Technology Solutions (which was intended to fund General Partners and should be paid back by the potential buyer of General Partners), are recorded as assets and liabilities held for sale, in accordance with IFRS 5.

In accordance with the provisions of Article L. 232-1 of the Commercial Code, we inform you that, except as stated above, no significant event which could have had an impact on the perception of the position of the Company occurred or came to light after the end of the financial year.

3.11. Future outlook

The Group targets turnover growth in 2012, on a like-for-like basis, of around 7%.

3.12. Assessment of the value of goodwill and other intangible assets

An independent evaluation conducted by Cabinet UEC confirmed the recognition of an impairment provision of €25 million for intangible assets.

3.13. Research and development

In 2011, R&D consisted of the following:

- Software segment: R&D accounts for 17.6% of the turnover.
- Solutions segment: R&D accounts for 4% of the turnover.

3.14. Approval of the consolidated financial statements

We request that you approve the consolidated accounts for the year ended 31 December 2011 (balance sheet, profit and loss statement, and annexes) as they are submitted and which show a total consolidated profit of €1,421k (of which the group's share is €1,313k).

4. Activities of Sword Group – presentation of the corporate financial statements

4.1. Company activities over the financial year 2011 – Balance sheet and income statement

In 2011, Sword Group had a head count of 2.

In 2011, Sword Group carried out its operational, strategic and financial supervision role for the Group.

The main figures for the period are the following:

In €	Financial year N	Financial year N-1	Change in %
Turnover	6,517,242	2,816,274	56.79
Revenues from operations	6,517,510	2,817,646	56.77
Operating expenses	7,389,826	3,716,809	49.70
Operating profit	- 872,316	- 899,163	2.99
Financial revenues	21,102,588	7,826,193	62.91
Financing costs	14,360,483	9,707,850	32.40
Financial result	6,742,105	-1,881,657	150.28
Current profit before tax	7,869,788	- 2,780,820	135.34
Extraordinary earnings	270,138,120	761,779	99.72
Extraordinary expenses	280,740,950	-	-
Extraordinary profit	- 10,602,830	761,779	-1,491.85
Income tax	10,574	2,830	73.24
Profit	- 4,743,616	-2,021,871	-134.62

<u>Information about supplier and customer terms of payment</u>

In accordance with Articles L. 441-6-1 and D. 441-4 of the French Commercial Code, we inform you that at the end of the last closed fiscal year, the balance of accounts payable broke down, by due date, as follows:

2011	less than 30 days	Between 30 and 60 days	more than 60 days	Total incl. tax
Debt not yet overdue*	653,276€	141€	-	653,417€
Debt overdue**	-	-	-734€	-734€
Total incl. tax	653,276€	141€	-734€	€652,683

* Debts whose due date is subsequent to year-end
** Debts whose due date is prior to year-end

In accordance with Articles L. 441-6-1 and D. 441-4 of the French Commercial Code, we inform you that at the end of the fiscal year closed 31 December 2010, the balance of accounts payable broke down, by due date, as follows:

2010	less than 30 days	Between 30 and 60 days	more than 60 days	Total incl. tax
Debt not yet overdue*	€188,109	€7,310	-	€195,420
Debt overdue**	-	-	- €764	- €764
Total incl. tax	€188,109	€7,310	- €764	€194,656

* Debts whose due date is subsequent to year-end
** Debts whose due date is prior to year-end

4.2. Future outlook for 2012

The outlook for 2012 is described in point 3.11 above.

4.3. Description of human resources and the corporate environment

At 31 December 2010, the Company had two employees.

Accordingly, the list of formal information on corporate matters as provided by the Decree of 20 February 2002 is of little interest.

4.4. Industrial and environmental risks

In application of rules No. 98-01 and No. 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.

4.5. Information on market risks

4.5.1 Currency risk and interest rate risk

Foreign currency risk

The currency risk mainly concerns net long-term investments in subsidiaries located outside the eurozone (mainly the UK and the US) and the transfer of the earnings of these entities to the French parent company. All the funding related to external growth is borne by the French parent company in euro.
The social activity of entities based outside the eurozone displays a balance between the currency of their costs and that of their turnover.
The Group has not implemented any hedging policy for its currency risk as described above.

(K) at 31/12/11	Turnover	
Total €	69,552	
Total currencies	86,641	
Currency details	£	34,365
	CHF	12,737
	Rand	11,857
	$	38,937
	Indian rupee	35,641
	Indonesian rupee	24,603,867
	AUD	6,735
	NZD	6

(K) at 31/12/10	Turnover	
Total €	69,949	
Total currencies	115,374	
Currency details	£	43,497
	CHF	21,363
	Brazilian real	-
	Rand	17,853
	$	53,315
	Indian rupee	8,440
	Indonesian rupee	13,569,061
	AUD	8,611
	NZD	214

Interest rate risk

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.

Quantitative information for risks

Currency risk – Net position before and after management

31/12/11	£'000	$'000	K Swiss Franc	K Rand	K Indian rupee
Investments	107,180	78,328	5,688	46,953	79,596
Financial liabilities	37,160	21,451	1,067	2,328	9,376
Net position prior to management	70,020	56,877	4,621	44,625	70,220
Management derivative					
Net position after management	70,020	56,877	4,621	44,625	70,220

31/12/11	K Hong Kong Dollar	K Indonesian rupiah	K Australian Dollar	K New Zealand Dollar
Investments	67	28,372,525	6,508	576
Financial liabilities	122	27,814,749	598	128
Net position prior to management	-55	557,776	5,910	448
Management derivative				
Net position after management	-55	557,776	5,910	448

31/12/10	£'000	$'000	K Swiss Franc	K Rand	K Indian rupee
Investments	88,445	76,571	15,784	47,794	37,422
Financial liabilities	79,323	64,141	1,437	2,075	8,368
Net position prior to management	9,122	12,430	14,347	45,719	29,054
Management derivative					
Net position after management	9,122	12,430	14,347	45,719	29,054

31/12/10	K Hong Kong Dollar	K Indonesian rupiah	K Australian Dollar	K New Zealand Dollar
Investments	67	25,437,187	6,400	591
Financial liabilities	122	21,497,295	1,592	114
Net position prior to management	-55	3,939,492	4,808	477
Management derivative				
Net position after management	-55	3,939,492	4,808	477

Interest rate risk – Net position before and after management

(€'000) 31/12/11	DD to less than 1 year	1 to 5 years	Beyond
Financial liabilities	16,646	86,518	-
Investments			
Net position prior to management	16,646	86,518	-
Management derivative			
Net position after management	16,646	86,518	-

(€'000) 31/12/10	DD to less than 1 year	1 to 5 years	Beyond
Financial liabilities	16,542	106,088	-
Investments			
Net position prior to management	16,542	106,088	-
Management derivative	-16542	-48,458	
Net position after management	-	57,630	-

Sensitivity analysis: hedging of the currency and interest rate risk
The sensitivity analysis was established on the basis of the situation of the debt and the financial derivatives (for exchange rate and currency) at year end.

For the currency risk, sensitivity represents a change in exchange rate compared to the year end rate.
An unfavourable, uniform fluctuation of 10% in the currency in which the financial statements are denominated (€) against all the currencies mentioned in the table above, would result in a loss of €14,128k on the overall net position in foreign currencies.
For the interest rate risk, sensitivity corresponds to a change in the interest rate curve compared to the interest rates applicable at year end.
The sensitivity to interest rate changes is equal to €1,032k at 31 December 2011.
(= net variable rate position x 1% change in the short term interest rate x time remaining until the next period, i.e. €1,032k).

The table below presents the impact of changes in exchange rates on earnings and equity on the assumption of a total exchange rate change of 10%:

At 31 December 2011 In €'000	Impact on earnings	Impact on shareholders' equity
Exchange rate Sterling	5,451	9,029
Exchange rate USD	2,987	5,107
Exchange rate Swiss franc	-220	378
Exchange rate Rand	44	288
Exchange rate Indian rupee	51	110
Exchange rate Indonesian rupee	16	61
Exchange rate HKD	0	-1
Exchange rate AUD	74	348
Exchange rate NZD	0	28

At 31 December 2010 In €'000	Impact on earnings	Impact on shareholders' equity
Exchange rate Sterling	907	3,730
Exchange rate USD	580	4,313
Exchange rate Swiss franc	490	1,147
Exchange rate Rand	62	292
Exchange rate Indian rupee	46	75
Exchange rate Indonesian rupee	14	44
Exchange rate HKD	0	-1
Exchange rate AUD	132	255
Exchange rate NZD	5	27

4.5.2 Share risks

Assessment of the portfolio
Marketable securities

Marketable securities are valued at their acquisition cost. At closing, capital gains or losses are noted with the bank documents. If there is a loss, a provision is recorded.

Own shares
The company can be led to owning its own shares within the share repurchase programme authorised by the General Meeting on 29 April 2009, redeemable at 10% of its share capital. The objectives of share ownership provided by this program are as follows:
- Leading the market or liquidity within the framework of a liquidity contract entered into with certified provider,
- Purchase for exchange or payment within the framework of external growth operations,
- Allocation to employees,
- Cancellation of shares.

As at 31 December 2011, Sword Group held 77,887 own shares.

Share risk tracking and management
Investments are selected from those that present no real risk, that is risk-free cash UCITS shares, which can be used or disposed very quickly and present no risk of loss of value in case of interest rate fluctuations.

Among its long-term investments (available for sale), at 31 December 2011, Sword Group holds equity interest in the following companies:

- 2.15% of the capital of the listed company SBT for an amount of €147k (market value); this company specialises in the design of software programmes designed for the development of cognitive abilities;
- 9% of the capital of Lyodssoft for an amount of €1,046K (book value), depreciated at 100%,
- 12.03% of the capital of LOG & PI Consulting for an amount of €135k (book value) depreciated for €65k,
- 9.99% of the capital of Simalaya for an amount of €1,173K (book value); this company is based in Switzerland and specialises in IT and management strategy consulting,
- 15% of the capital of MiddleSoft for an amount of €369k (book value) depreciated for €180k,
- 22.48% of the capital of Amor Business Technology Solutions for an amount of €8,977K (book value);
- 19% of the capital of Guangzhou Si Wo Ruanjian Keji Comp. for an amount of €3,000K (book value).

Excluding own shares, the portfolio is very limited. Investments must remain conventional by nature and risk-free by definition.

4.6. Societal commitments in the fight against discrimination and the promotion of diversity - Information as at 31/12/2011

Company		total number of employees as at 31/12/11	number of permanent contracts as at 31/12/11	number of fixed-term contracts as at 31/12/11	number of recruitments during the year 2011	number of dismissals during the year 2011	total number of days of absence during the year 2011 excluding legal	total compensation of employees during the year 2011	total compensation of employees during the year 2011 IN EUROS	payroll related amount for year 2011	payroll related amount for year 2011 **In €**	number of freelancers as at 31/12/11
APAK Group Ltd	GBP	84	81	3	9	3	739	£3,332,578.85	€3,989,678.98	£515,961.32	€617,695.82	3
APAK Beam Ltd	GBP	14	9	5	0	1	2	£513,352.93	€614,573.12	£286,000.00	€342,391.95	5
Sword APAK Inc	USD	5	5	0	5	0	12.75	£380,457.65	€455,474.26	£80,951.51	€96,913.10	0
Sword Technology Solutions Ltd	GBP	43	43	0	16	4	79.9	£2,417,292.59	€2,893,921.45	£334,832.45	€400,852.93	8
Sword Sol Inc	USD	2	2	0	0	0	0	$66,105.55	€51,090.15	$4,470.30	€65.06	1
Ciboodle Limited	GBP	190	190	0	75	40	182	£6,931,747.00	€8,298,511.91	£765,023.00	€915,866.16	3
Ciboodle Ireland Limited	EUR	2	2	0	0	0	0	€104,783.27	€104,783.27	€11,418.18	€11,418.18	0
Ciboodle Customers Interations Solutions South Africa Pty Ltd	ZAR	2	2	0	0	2	8	ZAR 1,413,333.84	€134,821.51	ZAR 26,002.05	€2,480.40	0
Ciboodle Inc	USD	46	46	0	25	11	54	$3,668,611.19	€2,835,312.77	$411,371.31	€317,931.30	3
Ciboodle Pty Limited	AUD	32	23	9	10	4	123.5	AUD 3,193,226.05	€2,509,805.90	AUD 905,032.24	€711,335.57	1
Ciboodle New Zealand	NZD	4	4				8	NZD 355,079.20	€212,152.24	NZD 87,823.60	€52,472.73	0
PT Ciboodle Indonesia	IDR	49	48	0	27	19	55	IDR 7,971,799,092.44	€679,522.61	IDR 732 521 298.01	€62,440.71	0
Sword Global India	INR	119	119	10	51	57	2,199.5	INR 106,589,620.00	€1,551,229.32	INR 9,573,586.00	€139,327.14	10
Sword Services	CHF	49	47	2	16	8	1146	CHF 5,774,198.00	€4,750,080.62	CHF 1,063,788.00	€875,113.52	10
Sword IF	CHF	21	21	0	22	0	343	CHF 1,612,629.00	€1,326,611.55	CHF 227,000.00	€186,739.06	1
Sword Lebanon	$	30	29	1	15	0	366	$746,440.00	€576,891.57	$103,405.00	€79,917.30	3
Sword Integra	€	2	2	0	0	2	360	€288,935	€288,935.00	€76,930	€76,930.00	4
Sword Technologies	€	58	58	0	15	6	2201	€3,181,975	€3,181,975.00	€671,903	€671,903.00	59
TIPIK	€	105	74	31	60	3	1140	€3,301,878	€3,301,878.00	932,871	€932,871.00	36
Sword Group	€	2	2	0	0	0	0	€79,742	€79,742.00	31,394	€31,394.00	0
Sword SA	€	229	223	6	45	5	1188	€9,245,220	€9,245,220.00	€4,453,788	€4,453,788.00	35
TOTAL		**1,088**	**1,030**	**67**	**391**	**165**	**10,208**		**47,082,211**		**10,979,847**	**193**

Rate as at 31/12/2011			
1 $ =	0.772857	CHF 1 =	0.822639
GBP 1 =	1.197175	ZAR 1 =	0.095393
AUD 1	0.785978	IDR 1 =	0.0000852
NZD 1 =	0.597479	INR 1 =	0.014553

In addition to the information in the table above, the Company shall provide the shareholders with the following information under the provisions of Articles L. 225-102-1 and R 225-104 of the Commercial Code:

- Sword Group is careful to respect the standards set by national, international and local bodies in terms of labour law. In that context, Sword Group complies, in its various subsidiaries, with the local laws and regulations concerning the organisation of working time, sustainable development, gender equality, health and safety, labour relations, training, employment and integration of disabled workers as well as collective agreements.
- Termination of the labour contracts of employees within Sword Group is mainly due to of disagreements.
- the majority of Sword Group employees are based in foreign countries, where most of the information contained in Article R 225-104 of the Commercial Code have no equivalents with French law.
- Most of the Group's employees and subcontractors are highly-skilled officers. Sword Group complies with the provisions applicable to officers in the countries in which they are employed.
- Absenteeism of employees within the Group, excluding application of paid leave and other similar schemes specific to each country, is mainly due to sick leaves, which are generally of short duration.
- Sword Group's participation in social work mainly depends on local habits.
- The territorial impact of the Group in respect of employment and regional development depends on growth opportunities that can benefit the entire Group.

5. Business 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:
- The business and earnings of our company’s subsidiaries and the companies it controls;
- Significant stakes acquired or takeovers of companies headquartered in France.

5.1. Significant purchases of interests or acquisitions made during the financial period in companies headquartered in France

During the year ended 31 December 2011, Sword Group created Sword Participation SARL.

5.2. Business and earnings of the subsidiaries in the sense of article L.233-1 of the Commercial Code

Companies	Stake held as a percentage	Sales in thousands of euros	Result in €'000	Activity
Sword Participations SARL	100	-	- 7	-

5.3. Business and earnings of the companies controlled in the sense of article L.233-3 of the Commercial Code

Companies	Stake held as a percentage	Sales in thousands of euros	Result in €'000	Activity
Sword SA (France)	100.00	27,552	1,011	IT Services
Sword Creation informatique (South Africa)	100.00	-	-21	IT Services
Sword Inc (USA)	-	3,646	468	IT Services
Sword DDS (France)	-	-	0.7	-
FI System (Belgium)	100.00	-	5,938	-
Sword Services (Switzerland)	100.00	8,624	-2,695	IT Services
Sword Soft (UK)	98.07		125,759	Software
FircoSoft SAS (France)	-	3,647	608	Software
FircoSoft Inc (US)	-	1,325	301	Software
Sword Technologies (Benelux)	100.00	13,314	-1,039	IT Services
Sword IT Solutions (Greece)	65.00	20	-9	Offshore
Tipik (formerly-ASCII) (Belgium)	100.00	22,813	776	CT
Sword Global India Ltd (India)	98.07	3,911	478	Offshore
Sword Lebanon (Lebanon)	96.00	1,185	319	Offshore
Sword Insurance Europe (formerly Sword UK)	-	9,207	4,092	Software
Apak Group Ltd (UK)	98.07	9,802	2,280	Software
Sword IPR Ltd (UK)	-	2,750	-1,127	Software
Sword Integra (Belgium)	100.00	991	-198	IT Services
Sword Soft Inc (US)	98.07	-	6,514	Software

Buildonline Germany	-	994	-1,925	Software
CTSpace France	-	1,414	421	Software
Buildonline India	98.07	-	-3,355	Software
Buildonline USA	98.07	-	164	Software
Buildonline Ireland	-	-	62	Software
Buildonline Global Ltd (UK)	98.07	-	-3,355	Software
Citadon Inc (US)	98.07	2,131	-946	Software
Ciboodle Ireland Ltd	93.67	1,252	342	Software
Ciboodle Australia Ltd	93.67	5,692	798	Software
Ciboodle New Zealand Ltd	93.67	295	3	Software
Ciboodle Indonesia	93.67	2,326	154	Software
Ciboodle Scotland (UK)	93.67	14,006	1,036	Software
Ciboodle BV (Netherlands)	93.67	264	80	Software
Ciboodle South Africa Ltd	93.67	1,175	445	Software
Ciboodle Ltd (Land and Estates) (UK)	93.67	1,144	-979	-
Ciboodle Inc (US)	98.07	8,975	277	Software
Graham Technology France	93.67	-	-	Software
Graham Technology Hong Kong	91.88	-	-	Software
Sword Bermuda Ltd (UK)	-	588	-692	Software
Apak Beam (UAE)	98.07	2,019	128	Software
Sword Fircosoft Ltd (UK)	-	1,176	455	Software
Sword General Partners (UK)	98.07	-	1,471	Software
AgencyPort (US)	-	8,654	53	Software
Sword Intech Inc (US)	-	1,060	-1,138	Software
Sword Sol (Luxembourg)	100.00	-	-0.1	IT Services
Sword IF (Switzerland)	57.00	2,293	233	Solutions
Sword Technologies Solutions (UK)	98.07	7,301	41,678	Solutions
Sword Apak Inc (US)	98.07	1,131	20	Software
CTSpace Ltd (UK)	-	3,476	4,989	Software
Sword Solutions Inc (US)	100.00	168	-83	-

6. **Sword Group employee equity interest**

It is pointed out that the employees of the company and/or those of related companies in the sense of Article L 225-180 of the Commercial Code, hold not shares in the capital of our Company, in the sense of Article L 225-102 of the Commercial Code.

7. **Breakdown of Sword Group capital at the close of the financial year (as a %)**

Forename-Surname	**Situation at 31/12/2011**		
	Number of shares	% of capital	% vote
Jacques Mottard and Financière Sémaphore	1,706,281	18.37	26.95
Françoise Fillot	86,395	0.93	1.63
Nicolas Mottard	1,395	NA	NA
Treasury shares (1)	77,887	0.84	NA
Employees and miscellaneous registered shareholders	172,088	1.86	3.16
Floating stock	7,245,919	78.00	68.26
TOTAL	9,289,965	100	100

(1) including the liquidity contract

- By letter received 15 April 2010, the company FMR LLC reported having exceeded, on 11 April 2011, the threshold of 10% of the capital of Sword Group, holding 1,151,565 shares in Sword Group representing as many voting rights or 12.40% of capital and 10.74% of the Company's voting rights. This crossing of threshold came about as a result of the acquisition of Sword Group shares on the stock market.

That same letter expressed the following intention:
"The acquisition of securities in Sword Group by FMR LLC is part of its normal portfolio management business conducted without intent to implement a particular strategy with respect to Sword Group nor to exercise, as such, a specific influence on the management of the latter. FMR LLC is not acting in concert with a third party and does not intend to take control of Sword Group nor to request its appointment or that of one or several individuals as board members."

- By letter received 3 May 2011, supplemented by a letter received 5 May 2011, the Luxembourg limited liability company Financière Sémaphore (105, route d'Arlon L-8009 Strassen, Luxembourg), controlled by Mr Jacques Mottard, informed the AMF of the transfer of 1,706,280 Sword Group shares previously held individually by Sémaphore Investissement company which it controlled to his advantage. This transfer results from the complete transfer of assets (TUP) of Sémaphore Investissement to the benefit of Financière Semaphore, effective 30 April 2011, which was the expiry date of the opposition period for creditors. Financière Semaphore said that it held, on 1 May 2011, 1,706,280 Sword Group shares representing 2,861,105 voting rights, or 18.37% of the capital and 26.69% of the voting rights of that company.

- **By letter received 6 June 2011,** Eximium (48, avenue des Allobroges, 26100 Romans), controlled by Mr Michel Baulé, stated that it had exceeded, on 3 June 2011, the threshold of 5% of the capital of Sword Group and held 482,963 Sword Group shares representing as many voting rights or 5.20% of the capital and 4.50% of the voting rights of that company. This crossing of threshold came about as a result of the acquisition of Sword Group shares on the stock market.

- **By letter received 27 June 2011,** Eximium (48, avenue des Allobroges, 26100 Romans), controlled by Mr Michel Baulé, stated that it had exceeded, on 24 June 2011, the threshold of 5% of the capital of Sword Group and held 542,599 Sword Group shares representing as many voting rights or 5.84% of the capital and 5.06% of the voting rights of that company. This crossing of threshold came about as a result of the acquisition of Sword Group shares on the stock market.

- **By letter received 5 August 2011,** Natixis, a company controlled by BPCE, stated that it had exceeded, on 3 August 2011, the threshold of 5% of the capital of Sword Group and held 474,694 Sword Group shares representing as many voting rights or 5.11% of the capital and 4.43% of the voting rights of that company. This crossing of threshold came about as a result of the off-market acquisition of Sword Group shares as part of the "trading" activity for their own account.

- **By letter received 19 August 2011,** Natixis, a company controlled by BPCE, stated that it had exceeded, on 17 August 2011, the threshold of 5% of the capital of Sword Group and held 374,694 Sword Group shares representing as many voting rights or 4.03% of the capital and 3.49% of the voting rights of that company. This crossing of threshold came about as a result of the off-market acquisition of Sword Group shares.

8. Changes in the share price

2011	At 31 January 2012
Highest closing price €23.39 (on 06/01/2011)	Highest closing price €14.52 (on 25/01/2012)
Lowest closing price €11.18 (on 14/09/2011)	Lowest closing price €12.02 (on 09/01/2012)
Number of shares traded by stock market: 17,785 (1)	Number of shares traded on the stock market from 01/01/2012 to 31/01/2012: 14,155 (2)

(1) This is the average number of shares traded in 2011, a year during which 4,570,765 shares were traded.
(2) This is the average number of shares traded in January 2012, a month during which 297,264 shares were traded.

9. Information on the acquisition and sale by the company of its own shares as at 31 December 2011

Number of shares held by the Company as at 31 December 2010	0
Number of shares purchased in 2011	116,384
Number of shares sold in 2011	38,497
Number of shares held by the Company as at 31 December 2011	77,887 (1)

(1) including the liquidity contract

10. Profit allocation proposal

We suggest that you approve the corporate financial statements for the financial year ended 31 December 2011 (Balance Sheet, Income Statement and Appendix) such as they are presented to you, which show a loss of €4,743,615.81.

We suggest that the result be appropriated as follows:

- **To the "Balance brought forward": -€1,916,188.05**
  Which would drop from €1,916,188.05 to €0

It is stipulated that the "Balance brought forward" account has already been impacted by €15,792,940.50 of interim dividends determined by the Board of Directors of 7 July 2011, being an interim dividend of €1.70 per share, the payment of which occurred 19 July 2011

- **the balance, being: -€2,827,427.76**
  to the "Additional paid-in capital"
  which thus drops from €100,909,097.64 to €98,081,669.88.

We suggest that you distribute to the shareholders, as dividend, €6,410,075.85, i.e. €0.69 per share, which would be taken from the "Additional paid-in capital", which would thus drop from €98,081,669.88 to €91,671,594.03. The total dividend in respect of fiscal 2011, after taking into account the interim dividend of €1.70 per share referred to above, would amount to **€2.39** per share**.**

In order to comply with the provisions of Article 243 bis of the General Tax Code, we inform you that:
- From a tax perspective, with respect to individual shareholders in accordance with point 2° of paragraph 3 of Article 158 of the Tax Code, and subject to changes in tax law, dividends will be subject to income tax after applying a 40% discount on the gross amount of dividends received. Subject to changes in tax law, such dividends will also be eligible for fixed annual allowance under point 5° of paragraph 3 of section 158 of that code. However, individual shareholders domiciled in France may opt for the taxation of their dividends according to the standard deduction of income tax under section 117 quater of the General Tax Code, liquidated at the rate of 21% (excluding social security, without entitlement to the allowances referred to above and subject to changes in tax law). Besides, dividends paid to individual shareholders having their tax residence in France are subject to social security contributions at the overall rate of 13.5% (subject to changes in tax law). Pursuant to Article L.136-7 of the Social Security Code, the payroll taxes will be withheld at source by the Company in its capacity as paying agent.
- The dividends paid over the last three financial years were as follows:

Financial year	Net dividend per share
31 December 2010	€0.69
31 December 2009	€0.65
31 December 2008	€0.60

11. Non-tax-deductible expenses

In accordance with the provisions of Article 223 quater of the General Tax Code, we inform you that the accounts for the past year do not assume responsibility for expenses deductible from the earnings for tax purposes in the sense of Article 39-4 of the General Tax Code.

12. Table of earnings for the five last financial years provided by article R.225-102 of the Commercial Code

	2007	2008	2009	2010	2011
Share capital at year-end					
Share Capital	9,289,965	9,289,965	9,289,965	9,289,965	9,289,965
Number of shares	9,289,965	9,289,965	9,289,965	9,289,965	9,289,965
Operations and earnings					
Turnover (excl. tax)	3,848,639	3,246,133	3,690,877	2,816,274	6,517,242
Earnings before taxes, profit-sharing, depreciation provisions, impairment and provisions	42,686,644	-4,635,267	3,649,985	-2,006,481	-4,269,575
Taxes on profits	770,960	536,257	-	2,830	10,574
Earnings after taxes, profit-sharing, depreciation provisions, impairment and provisions	41,228,350	-6,184,689	3,694,122	- 2,021,871	-4743616
Distributed profit	4,923,681	5,549,301	6,038,477	6,410,076	22,203,016
Earnings per share					
Earnings after taxes, profit-sharing, before depreciation provisions, impairments and provisions	4.51	-0.56	0.39	-0.22	-0.46
Earnings after taxes, profit-sharing, depreciation provisions, impairments and provisions	4.44	-0.67	0.40	-0.22	-0.51
Distributed dividend	0.53	0.60	0.65	0.69	2.39
Personnel					
Average head count	2	2	1.75	1	1.67
Total remuneration	216,802	173,349	154,921	123,531	78,894
Amounts paid as benefits	88,926	71,470	58,786	53,968	58,508

13. Objective and comprehensive analysis of the turnover, results and financial position of the Company

The details of this analysis are in the annex to the 2011 consolidated financial statements.

14. Cross holdings between companies

We inform you that the Company was not required to dispose of shares with a view to bring to an end the cross holdings between companies prohibited under Articles L 233-29 and L 233-30 of the Commercial Code.

15. Operations conducted by management involving shares during the year

None

16. Table of delegations for capital increases

The Combined Shareholders' General Meeting held on 28 April 2010 awarded the Board of Directors the necessary authority to issue, with or without removal of preferential subscription rights, in one or several times, whether in France or abroad, shares and all securities that provide immediate or term access to the company's shares, for a maximum nominal value of €5,000,000, as the maximum value of representative securities drawn on the company cannot exceed €100,000,000.

This authorisation is valid for a period of 26 months, that is until 27 June 2012.

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 (*) of capital increase or €100,000,000 of value of debt securities giving access to the capital
Full delegation	Capital increase, PSR waived	Capital shares or debt securities giving access to capital	€5,000,000 (*) or €100,000,000 of value of debt securities giving access to the capital

(*)These amounts are not cumulative

These delegations were not used in 2011.

17. Repurchase of own shares

In accordance with the provisions of Article L 225-211, paragraph 2 of the Commercial Code, we draw your attention to the stock purchasing transactions in place in our Company.

o **Report on the previous programme**

The Ordinary and Extraordinary General Meeting of 17 May 2011 of Sword Group had authorised the Board of Directors, for a period of 18 months as of the said meeting, i.e. up until 16 November 2012, to implement a share repurchase programme, in accordance with the provisions described in its seventh resolution.

The Board of Sword Group of 9 September 2011, making use of the authorisation granted to it by the Ordinary and Extraordinary of 17 May 2011, decided to:

- set to the legal maximum the maximum total number of shares that may be repurchased by the Board,
- grant all powers to the Chairman and the CEO for the implementation of the share buyback programme. A liquidity contract was signed in that context on 9 September 2011 with Bryan, Garnier & Co.

- **Statement by the issuer of the transactions conducted on own shares dated 28 February 2011 (date of establishment of the previous balance sheet) up until 30 January 2012:**

Percentage of equity capital held by the Company either directly or indirectly (as at 30 January	0.75%
Number of shares cancelled in the past 24 months	0
Number of shares held in the portfolio (as at 30 January 2012)	69,249
Portfolio book value as at 30 January 2012	€826,248.69
Market value of portfolio as at 30 January 2012	€891,234.63

30/01/2012	**Cumulative gross flows**		**Positions outstanding as at 30 January 2012**	
Number of shares	Purchases 135,887	Sales 66,638	For purchase	For sale
Maximum average duration	-	-	-	-
Median price	12.19	12.66	-	-
Average exercise price	-	-	-	-
Amounts	1,661,660.62	856,521.72	-	-

Sword Group did not use derivatives in this share repurchase program.

- **Main features of the new programme of 26 March 2012**

Given the performance of shares in the Company, it will be proposed at the General Meeting of 26 April 2012 to cancel the delegation of authority granted by the General Meeting of 17 May 2011 and to replace it with a new share repurchase programme with the following characteristics:

Issuer
Sword Group, listed on NYSE Euronext Paris (ISIN code: FR0004180578), Compartment C.

Sword Group belongs to the following indices: CAC® Small, CAC® Mid & Small, CAC® All-Tradable AND CAC® All-Share.

Share repurchase programme
- Maximum proportion of share capital that can be purchased: 10% of the capital, i.e. a maximum of 928,996 shares. It being specified that, in accordance with the provisions of article L.225-209 paragraph 6 of the Commercial Code, the number of shares acquired by the Company with a view to keeping them and eventually using them as payment or as a means of exchange in the context of a merger, spinoff, or contribution operation, may not exceed 5% of the share capital;
- The maximum purchase price per unit may not exceed €30,
- the minimum purchase price per unit may not be less than €7,
- The maximum theoretic amount of funds the Company may allocate to the operation is €27,869,880,
- Objectives in decreasing order of importance:
- Boost the market or the liquidity of shares in the Company through an investment services provider using a liquidity contract compliant with the AFEI ethical policy recognised by the AMF,
- Purchase shares to hold them and eventually trade them or use them as payment for potential external growth operations;
- Allocate shares to employees or representatives of the Company or the Group, under the conditions and in accordance with the methods provided for in the Law, in particular as part of the distribution of the fruits of the growth of the Company, for the share purchase option service as part of the company savings plan, or for the free allocation of shares to employees as a function of their performance in accordance with the provisions of Article L 225-197-1 and subsequent Articles of the Commercial Code;
- Cancel the shares, subject, in the latter case, to the Extraordinary General Meeting voting on 26 March 2012 on its sixth resolution.
- Duration of the programme: 18 months, starting on the date of the Ordinary and Extraordinary General Meeting of 26 March 2012, i.e. until 25 September 2013.

- **Legal framework of the new share repurchase programme subject to the ordinary and extraordinary general meeting of 26 March 2012**

The share repurchase programme will be subjected to the authorisation of the Extraordinary and Ordinary General Meeting of Shareholders of 26 March 2012 through the voting for the following resolutions (sixth and eighth resolutions):

Sixth resolution
(Delegation of authority to be granted regarding a new programme under which the Company would repurchase its own shares)

The General Meeting, ruling under the quorum and majority conditions applicable to ordinary general meetings, and having considered the report of the Board, pursuant to the provisions of Articles L. 225-209 et seq. of the Commercial Code and Regulation No. 2273/2003 of the European Commission of 22 December 2003, authorises the Board of Directors, which may further delegate as provided by law and the by-laws, to cause the Company to purchase its own shares representing up to 10% of the shares comprising the share capital, or 928,996 shares, provided that the number of shares used to calculate the limit of 10% is the number of shares purchased minus the number of shares sold during the term of the authorisation pursuant to paragraph 1 of Article L.225-209 of the Commercial Code. The number of shares acquired by the Company with a view to keeping them and eventually using them as payment or as a means of exchange in the context of a merger, spinoff, or contribution operation, may not exceed 5% of the share capital, in accordance with the provisions of paragraph 6 of article L. 225-209 of the Commercial Code.

The General Meeting decides that the Board of Directors, with the ability to sub-delegate under the conditions provided for by law, may proceed or cause to proceed to repurchases in order to:

- Boost the market or the liquidity of shares in the Company through an investment services provider using a liquidity contract compliant with the AFEI ethical policy recognised by the AMF,
- Purchase shares to hold them and eventually trade them or use them as payment for potential external growth operations;
- The allocation to employees or representatives of the Company or the Group, under the conditions and in accordance with the methods provided for in the Law, in particular as part of the distribution of the fruits of the growth of the Company, for the share purchase option service as part of the company savings plan, or for the free allocation of shares to employees as a function of their performance in accordance with the provisions of Article L 225-197-1 and subsequent Articles of the Commercial Code,
- Cancel the shares, in the case of the latter, subject to the Extraordinary General Meeting voting for a specific resolution.

The General Meeting decides that:

- The maximum purchase price per unit may not exceed €30,
- the minimum purchase price per unit may not be less than €7,
- The maximum theoretic amount of funds the Company may allocate to the operation is €27,869,880,

In case of a capital increase through capitalisation of reserves and an allocation of free shares, or in case of a division or a grouping of shares, the prices specified above will be adjusted using a multiplying coefficient equal to the ratio between the number of shares making up the capital before and after the operation.

Shares may be purchased, sold, or transferred by any means allowed by applicable regulations, either on the market or by amicable settlement, particularly through the purchase or disposal of batches, at any time, including at times of public offerings.

The General Meeting grants full authority to the Board, with the ability to sub-delegate under the conditions provided for by law and by the Company’s by-laws, to enter into any deed or agreement, conduct any formality and, more generally, to take any action necessary for the implementation of this resolution.

This authorisation is granted for a period of eighteen (18) months. It cancels and replaces the authorisation that was granted by the seventh resolution of the Company's General Meeting of 17 May 2011.

Eighth resolution
(Delegation of authority granted to the Board of Directors to reduce the share capital by cancelling the shares purchased under the share repurchase scheme)

The General Meeting, ruling under the quorum and majority conditions required for extraordinary general meetings, after having become aware of the Board's report and the Auditors' special report:

- Authorises the Board of Directors to cancel, at its sole discretion on one or more occasions, within the limits of 10% of the capital, the shares that the Company may hold under Article L. 225-209 of the Commercial Code, as a result of the repurchase conducted under the sixth resolution of this Meeting, and purchases made to date if applicable, and to reduce the share capital accordingly, in accordance with applicable laws and regulations;
- Sets to 18 months, from the date of this meeting, the validity period of this authorisation;
- Grants the Board, with the ability to delegate, full authority to conduct the operations necessary for such cancellations and correlative capital reductions, to amend the Company's by-laws accordingly and conduct all formalities required.

18. Financial instruments

The main loans have been taken out at an interest rate of euribor 3 months + 1.

19. Agreements referred to in Articles L.225-38 of the Commercial Code

We request that you approve the agreements that fall within the scope of the provisions of Article L. 225-38 of the Commercial Code, which were entered into and duly authorised by the Board of Directors during the past financial year.

We point out that the Auditors have duly received all the required information to draw up their special report.

20. Terms of office of the corporate officers

In accordance with the provisions of Article L. 225-102-1, paragraph 3 of the Commercial Code, below is a list of the various terms of office and functions conducted in all the French and foreign subsidiaries by each of the Company's corporate officers during the financial year ending 31 December 2011.

Function	Term of office	Company	Expiry date
Jacques Mottard: Executive Chairman			
Executive Chairman	4 years	Sword Group	31/12/13 (*)
Executive Chairman	6 years	Sword SA	31/12/14 (*)
Chairman	Unlimited	Sword DDS	Up until 30/05/11, date of completion of the complete transfer of its assets
Chairman	Unlimited	FircoSoft SAS	Until 05/11, date of disposal of the company's shares
Chairman	Unlimited	Sword Insurance Europe Ltd (formerly Sword UK)	Until 05/11, date of disposal of the company's shares
Chairman	Unlimited	Intech Solutions Limited	Until 05/11, date of disposal of the company's shares
Director	Unlimited	Amor Business Technology Solutions	Unlimited duration
Chairman	Unlimited	Sword Global Ltd	Until 01/11
Chairman	Unlimited	Sword Inc	Until 11/2011
Chairman	Unlimited	Sword Creation Informatique South Africa	Unlimited duration
Chairman	6 years	Sword Technologies SA	31/12/14 (*)
Chairman	Unlimited	FircoSoft Inc	Until 05/2011, date of disposal of the company's shares
Chairman and Board Member	6 years	FI System Belgium	31/12/14 (*)

	max		
Chairman and Board Member	6 years	Tipik (formerly ASCII)	31/12/15 (*)
Director	Unlimited	Sword Global India	Unlimited duration
Chairman	Unlimited	Sword Services (formerly Linkvest)	Unlimited duration
Chairman	Unlimited	Sword Lebanon	Unlimited duration
Board member	5 years	Sword IT Solutions	28/07/16 (*)
Chairman and Director	Unlimited	Sword Soft Ltd	Unlimited duration
Chairman and Board Member	6 years	Sword Integra	31/12/13 (*)
Chairman and Board Member	Unlimited	Sword Apak Inc	Unlimited duration
Chairman and Director	Unlimited	Apak Group Ltd	Unlimited duration
Chairman and Director	Unlimited	Sword IPR Ltd	Until 05/2011, date of disposal of the company's shares
Manager	Unlimited	CTSpace France	Until 11/11, date of disposal of the company's shares
Chairman	Unlimited	Ciboodle Plc (ex Graham Technology)	Unlimited duration
Board member	Unlimited	Ciboodle New Zealand	Unlimited duration
Board member	Unlimited	Ciboodle Australia	Unlimited duration
Board member	Unlimited	Ciboodle Indonesia	Unlimited duration
Board member	Unlimited	Ciboodle Netherlands	Unlimited duration
Board member	Unlimited	Ciboodle South Africa	Unlimited duration
Board member	Unlimited	Ciboodle Ireland	Unlimited duration
Board member	Unlimited	Ciboodle Land and Estate	Unlimited duration
Board member	Unlimited	Ciboodle Inc	Unlimited duration
Chairman	Unlimited	AgencyPort	Until 05/2011, date of disposal of the company's shares
Director	Unlimited	Sword General Partners	Unlimited duration
Director	Unlimited	Sword FircoSoft Ltd	Until 05/2011, date of disposal of the company's shares
Board member	unlimited	Sword Technology Solutions Ltd	Unlimited
Chairman and Board Member	unlimited	Sword Soft Inc.	Unlimited
Manager	Unlimited	Sword Sol	Unlimited duration
Chairman and Board Member	1 year	Sword IF SA	31/12/11 (*)
Manager	Unlimited	Sword Participations SARL	Unlimited duration
Chairman	Unlimited	Sword Solutions Inc	Unlimited duration

(*) General Meeting ruling on the financial statements for the period

Terms of office exercised outside the Group			
Function	Term of office	Company	Expiry date
Manager	Unlimited	SCI FI	Unlimited duration
Manager	Unlimited	Le Sémaphore	Unlimited duration
Manager	Unlimited	Chinard Investissement	Unlimited duration
Manager	Unlimited	Maya	Unlimited duration
Manager	Unlimited	Financière Sémaphore Sarl	Unlimited duration
Chairman of the Board and board member	1 year	Orny Holding SA	31/12/11 (*)
Manager	Unlimited	Ruitor	Unlimited duration

(*) General Meeting ruling on the financial statements for the period

Function	Term of office	Company	Expiry date
Françoise Fillot: Board Member and Executive Vice President			
Executive Vice President	For the Chairman's term of office	Sword Group	31/12/13 (*)
Board member	4 years	Sword Group	31/12/12 (*)
Director	Unlimited	Sword Insurance Europe Ltd (formerly Sword UK)	Until 05/11, date of disposal of the company's shares
Board member	6 years	Sword Technologies SA	31/12/14 (*)
Board member	6 years	Sword SA	31/12/14 (*)
Executive Chairman	Unlimited	FircoSoft SAS	Until 05/11, date of disposal of the company's shares
Board member	6 years max	FI System Belgium	31/12/14 (*)
Board member	6 years	Tipik (formerly ASCII)	31/12/15 (*)
Director	Unlimited	Sword Global Ltd	Until 01/11
Director	Unlimited	Sword Global India	Unlimited duration
Executive Chairman	Unlimited	Sword DDS	Up until 30/05/11, date of completion of the complete transfer of its assets
Executive Chairman	Unlimited	FircoSoft Inc	Until 05/11, date of disposal of the company's shares
Board member	6 years	Sword Integra	31/12/13 (*)
Manager	Unlimited	CTSpace France	Until 11/11, date of disposal of the company's shares
Board member	unlimited	Sword Technology Solutions Ltd	unlimited
Board member	unlimited	SwordSoft Inc	unlimited
Director	Unlimited	Sword IPR Ltd	Until 05/2011, date of disposal of the company's shares
Board member	Unlimited	Ciboodle New Zealand	Unlimited duration
Board member	Unlimited	Ciboodle Australia	Unlimited duration
Board member	Unlimited	Ciboodle South Africa	Unlimited duration
Board member	Unlimited	Ciboodle Ireland	Unlimited duration
Board member	Unlimited	Ciboodle Land and Estate	Unlimited duration
Board member	Unlimited	Ciboodle Inc	Unlimited duration
Director	Unlimited	Sword General Partners	Unlimited duration
Board member	1 year	Sword IF SA	31/12/11 (*)
Manager	Unlimited	Sword SOL	Unlimited duration
Director	Unlimited	Sword FircoSoft Ltd	Until 05/2011, date of disposal of the company's shares
Board member	Unlimited	Apak Group Ltd	Unlimited duration
Board member	Unlimited	Sword Soft Ltd	Unlimited duration
Board member	Unlimited	Sword Apak Inc	Unlimited duration
Board member	Unlimited	Sword Solutions Inc	Unlimited duration
Manager	Unlimited	Sword Participations SARL	Unlimited duration

(*) General Meeting ruling on the financial statements for the period

Nicolas Mottard: Board member			
Function	Term of office	Company	Expiry date
Board member	4 years	Sword Group	31/12/13 (*)

(*) General Meeting ruling on the financial statements for the period

François-Régis Ory: Board member since 17 May 2011			
Function	Term of office	Company	Expiry date
Board member	4 years	Sword Group	31/12/14
Terms of office exercised outside the Group			
Chairman	Unlimited	L'Améliane SAS	Unlimited duration
Chairman	Unlimited	Florentiane SAS	Unlimited duration
Chairman	Unlimited	Lypolyane SAS	Unlimited duration
Board member	6 years	Medicrea International SA	31/12/14
Board member	6 years	Olympique Lyonnais Groupe SA	30/06/12
Chairman	Unlimited	ABM Medical SAS	Unlimited duration
Chairman	Unlimited	ABM Ile de France SAS	Unlimited duration
Chairman	Unlimited	ABM Nord SAS	Unlimited duration
Manager	Unlimited	ABM Rhône Alpes SARL	Unlimited duration
Manager	Unlimited	ABM Sud SARL	Unlimited duration
Manager	Unlimited	SCI de Chanas	Unlimited duration
Manager	Unlimited	SCI L'Amaury	Unlimited duration
Manager	Unlimited	SCI L'Amelaïs	Unlimited duration
Manager	Unlimited	SCI Florine	Unlimited duration

(*) General Meeting ruling on the financial statements for the period

François Barbier: Board member since 28 April 2010			
Function	Term of office	Company	Expiry date
Board member	4 years	Sword Group	31/12/13 (*)
Terms of office exercised outside the Group			
Member of the Management Board	5 years	21 CENTRALE PARTNERS	17/03/14
"Amministratore"	3 years	RSVP Srl (Italian company)	31/12/13
RP of 21 CENTRALE PARTNERS on the Board of Directors	6 years	MECCANO SA	31/03/14
RP of 21 CENTRALE PARTNERS on the Supervisory Board	5 years	3C FINANCE	31/12/14
Member of the Supervisory Board	Undetermined	PALMERS TEXTIL AG (Austrian company)	Undetermined duration
Member of the Supervisory Board	6 years	DRIVE PLANET SAS	31/12/13
Chairman board member	1 year	ADVANCED COFFEE INVESTMENT (Swiss company)	31/12/2012
Chairman of the Supervisory Board	Undetermined	DALTYS II SAS	Undetermined duration
Chairman of the Supervisory Board	6 years	FINANCIERE DU GUESCLIN SAS	31/10/2016
Chairman of the Supervisory Board	6 years	FINANCIERE SAINT CORNELY SAS	31/12/2016

(*) General Meeting ruling on the financial statements for the period

21. Remuneration of corporate officers

The presentation of the remuneration of corporate officers below is in accordance with the AMF's recommendation dated 22 December 2008, regarding the information to be disclosed concerning the remuneration of corporate officers.

21.1 Table Nr.1: summary table of compensation and options and shares allocated to each corporate officer

Jacques Mottard	**31/12/2011**	**31/12/2010**
Compensation due for the period *(detailed in Table Nr.2)*	€49,000 (1)	€30,000 (1)
Valuation of the options allocated during the period *(detailed in Table Nr. 4)*	N/A	N/A
Valuation of the performance shares allocated during the period *(detailed in Table Nr. 6)*	N/A	N/A
TOTAL	€49,000	€30,000

(1) The remuneration of Mr Jacques Mottard was billed to the Company, from 1/1/2007 to 30/4/2011 by Sémaphore Investissements and from 01/05/2011 by Financière Semaphore, as part of a services agreement. This charge back stood at

- For the year ended 31 December 2010 at €300,625 excl. tax.
- For the year ended 31 December 2011 at €700,00 excl. tax.

The Board of Directors at its meeting of 18 April 2011, decided to give Mr Jacques Mottard, for his chairmanship, a gross monthly amount of €500. This remuneration began in May 2011, a total of €4,000 for the year ended 31 December 2011.

Françoise Fillot	**31/12/2011**	**31/12/2010**
Compensation due for the period *(detailed in Table Nr.2)*	€118,175	€153,175
Valuation of the options allocated during the period *(detailed in Table Nr. 4)*	N/A	N/A
Valuation of the performance shares allocated during the period *(detailed in Table Nr. 6)*	€0	€
TOTAL	€118,175	€153,175

Nicolas Mottard	**31/12/2011**	**31/12/2010**
Compensation due for the period *(detailed in Table Nr.2)*	€10,000	€10,000
Valuation of the options allocated during the period *(detailed in Table Nr. 4)*	N/A	N/A
Valuation of the performance shares allocated during the period *(detailed in Table Nr. 6)*	N/A	N/A
TOTAL	€10,000	€10,000

François Barbier (1)	**31/12/2011**	**31/12/2010**
Compensation due for the period *(detailed in Table Nr.2)*	€55,000	N/A
Valuation of the options allocated during the period *(detailed in Table Nr. 4)*	N/A	N/A
Valuation of the performance shares allocated during the period *(detailed in Table Nr. 6)*	N/A	N/A
TOTAL	€55,000	N/A

(1) François Barbier was appointed board member on 28 April 2010

François-Régis Ory [(1)]	**31/12/2011**	**31/12/2010**
Compensation due for the period *(detailed in Table Nr.2)*	N/A	N/A
Valuation of the options allocated during the period *(detailed in Table Nr. 4)*	N/A	N/A
Valuation of the performance shares allocated during the period *(detailed in Table Nr. 6)*	N/A	N/A
TOTAL	N/A	N/A

(1) François-Régis Ory was appointed board member on 17 May 2011

21.2 Table Nr.2: summary table of compensation of each corporate officer manager

Jacques Mottard	**Amount at 31/12/2011**		**Amount at 31/12/2010**	
	Due	Paid	Due	Paid
Fixed compensation	€4,000 [(1)]	€4,000 [(1)]	€0 [(1)]	€0 [(1)]
Variable compensation	€0	€0	€0	€0
Exceptional compensation	€0	€0	€0	€0
Directors' fees	€45,000	€45,000	€30,000	€30,000
Benefits in kind	None	None	None	None
TOTAL	€49,000	€49,000	€30,000	€30,000

(1) The remuneration of Mr Jacques Mottard was billed to the Company, from 1/1/2007 to 30/4/2011 by Sémaphore Investissements and from 01/05/2011 by Financière Semaphore, as part of a services agreement. This charge back stood at
- For the year ended 31 December 2010 at €300,625 excl. tax.
- For the year ended 31 December 2011 at €700,00 excl. tax.

The Board of Directors at its meeting of 18 April 2011, decided to give Mr Jacques Mottard, for his chairmanship, a gross monthly amount of €500. This remuneration began in May 2011, a total of €4,000 for the year ended 31 December 2011.

Françoise Fillot	**Amount at 31/12/2011**		**Amount at 31/12/2010**	
	Due	Paid	Due	Paid
Fixed compensation	€73,175	€73,175	€73,175	€73,175
Variable compensation	€0	€0	0	€0
Exceptional compensation	€0	€0	€50,000	€50,000
Directors' fees	€45,000	45,000 €	€30,000	€0
Benefits in kind	None	None	None	None
TOTAL	€118,175	118,175 €	€153,175	€123,175

Nicolas Mottard	**Amount at 31/12/2011**		**Amount at 31/12/2010**	
	Due	Due	Due	Paid
Fixed compensation	€0	€0	€0	€0
Variable compensation	€0	€0	€0	€0
Exceptional compensation	€0	€0	€0	€0
Directors' fees	€10,000	€10,000	€10,000	€10,000
Benefits in kind	None	None	None	None
TOTAL	€10,000	€10,000	€10,000	€10,000

François Barbier [1]	**Amount at 31/12/2011**		**Amount at 31/12/2010**	
	Due	Paid	Due	Paid
Fixed compensation	N/A	N/A	N/A	N/A
Variable compensation	N/A	N/A	N/A	N/A
Exceptional compensation	N/A	N/A	N/A	N/A
Directors' fees	€55,000	55,000 €	N/A	N/A
Benefits in kind	N/A	N/A	N/A	N/A
TOTAL	€55,000	55,000 €	N/A	N/A

(1) François Barbier was appointed board member on 28 April 2010

François-Régis Ory [1]	**Amount at 31/12/2011**		**Amount at 31/12/2010**	
	Due	Paid	Due	Paid
Fixed compensation	N/A	N/A	N/A	N/A
Variable compensation	N/A	N/A	N/A	N/A
Exceptional compensation	N/A	N/A	N/A	N/A
Directors' fees	N/A	N/A	N/A	N/A
Benefits in kind	N/A	N/A	N/A	N/A
TOTAL	N/A	N/A	N/A	N/A

(1) François-Régis Ory was appointed board member on 17 May 2011

21.3 Table Nr.3: Table of directors' fees and other remunerations paid to the corporate officers

Members of the Board of Directors	**Directors' fees paid at 31/12/2011**	**Directors' fees paid at 31/12/2010**
Jacques Mottard	€45,000	€30,000
Nicolas Mottard	€10,000	€10,000
Françoise Fillot	€45,000	€30,000
François Barbier	€55,000	N/A
François Régis Ory	N/A	N/A
TOTAL	€155,000	€150,000 *

*€80,000 were paid to 21 Centrale Partners and Heath Davies who no longer have directorships in the Company to date.

21.4 Table Nr.4: Share subscription or purchase options allocated during the period to each corporate officer manager by the Company or by any Group company

For the period ended 31 December 2011, no share subscription option has been exercised.

21.5 Table Nr.5: Share subscription or purchase options exercised during the period by each corporate officer manager

For the period ended 31 December 2011, no share subscription option has been exercised.

21.6 Table Nr.6: performance shares allocated to each corporate officer manager

Not applicable

21.7 Table Nr.7: performance shares that became available during the period for each corporate officer manager

Not applicable.

21.8 Table Nr°8: History of allocations of share subscription or purchase options

Information about share subscription or purchase options		
	Plan Nr.1	Plan Nr.2
Date of the General Meeting	30 January 2009	
Date of the Board Meeting	30 January 2009	
Total number of options allocated	150,000	
Number of options that can be subscribed	100,000	50,000
Beneficiaries Heath Davies	100,000	
Françoise Fillot		40,000
Jean-Marc Sonjon		10,000
Option exercise start date	30/01/11	30/01/12
Expiry date	30/01/12	30/01/13
Subscription price	10.60	
Number of cancelled or lapsed options	100,000	10,000
Share subscription or purchase options remaining at the end of the period	0	40,000

Information about share subscription or purchase options		
	Plan Nr.1	Plan Nr.2
Date of the General Meeting	**30 January 2009**	
Date of the Board Meeting	29 March 2011	
Total number of options allocated	48,000	
Number of options that can be subscribed	38,000	
Beneficiaries Deborah Young	8,000	
Phil Norgate	10,000	
Pradeep Barnerji	10,000	
John Higgins	10,000	
Fabrice Liénart		10,000
Option exercise start date	29/03/14	29/03/15
Expiry date	29/03/15	29/03/16
Subscription price	21.945	
Number of cancelled or lapsed options	38,000	10,000
Share subscription or purchase options remaining at the end of the period	0	0

The options from the two aforementioned plans lapsed on 31 December 2011, either due to loss of employee status or because of an express waiver.

Information about share subscription or purchase options				
	Plan Nr.1	Plan Nr.2	Plan Nr.3	Plan Nr.4
General Meeting	**17th May 2011**			
Date of the Board Meeting	6 October 2011			
Total number of options allocated	188,000			
Number of options that can be subscribed	63,000	87,000	30,000	8,000
Beneficiaries Clara Van Heck	9,000			
Deborah Young	9,000			
Pradeep Banerji	15,000			
Phil Norgate	12,000			
Terry Coyne	9,000			
Nick Ginn	9,000			
Philippe Le Calvé		12,000		
Jean-Louis Vila		9,000		
Olivier Leblanc		9,000		

Philippe Blanchard		12,000		
Fabrice Liénart		9,000		
Alain Broustail		9,000		
Laurent Fromont		9,000		
Maxime Grinfeld		9,000		
Pierre Gachon		9,000		
Philippe Demay			9,000	
Jörg Schorr			9,000	
Anys Boukli			12,000	
Lalitha Balakrishan				5,000
Kamal Kumar Rajanbabu				1,500
Rex Mohan Kumar				1,500
Option exercise start date	6/10/14	6/10/15	6/10/14	6/10/14
Expiry date	6/10/15	6/10/16	6/10/15	6/10/15
Subscription price	12.115			
Number of cancelled or lapsed options	0	0	0	0
Number of options exercised at 31/12/11	0	0	0	0
Share subscription or purchase options remaining at 31/12/2011	63,000	87,000	30,000	8,000

Information about share subscription or purchase options	
Date of the General Meeting	17th May 2011
Date of the Board Meeting	16 December 2011
Total number of options allocated	9,000
Number of options that can be subscribed	9,000
Beneficiary Guy de San	9,000
Option exercise start date	01/01/15
Expiry date	31/12/21
Subscription price	12.40
Number of cancelled or lapsed options	0
Number of options exercised at 31/12/11	0
Share subscription or purchase options remaining at 31/12/11	9,000

21.9 Table Nr.9: Share subscription or purchase option granted to the ten best paid employees who are not corporate officers and options they have exercised

Not applicable.

21.10 Table Nr.10

	Employment contract		Additional pension scheme		Allowances or benefits due or likely to be due as a result of the termination or change in functions		Allowances relative to a non-competition clause	
Corporate officers	Yes	No	Yes	No	Yes	No	Yes	No
J. Mottard - Executive Chairman		X		X		X		X
F. Fillot - Executive Vice President		X		X		X		X

22. Directors' fees

We propose that directors' fees paid to members of the Board be set at €160,000.

23. Delegation of authority and powers to be granted to the Board of Directors in order for the company to repurchase its own shares; Possible authorisation to be granted to the Board of Directors in order to cancel own shares

We remind you that the General Meeting held 17 May 2011 authorised the Board to conduct transactions involving Company shares, in accordance with the provisions of Article L.225-209 of the Commercial Code, for a period of 18 months, i.e. until 16 November 2012.

With regards to the performance of the Company's share price, we propose that you cancel the delegation of authority granted by the General Meeting of 17 May 2011 and replace it with a new share repurchase programme.

The goals of the repurchase programme would be the following, in descending order:

- Have an investment services provider drive the market or the liquidity of shares in the Company through a liquidity contract compliant with the ethical policy recognised by the AMF;
- Purchase shares to hold them and eventually trade them or use them as payment for potential external growth operations;
- The allocation to employees or representatives of the Company or the Group, under the conditions and in accordance with the methods provided for in the Law, in particular as part of the distribution of the fruits of the growth of the Company, for the share purchase option service as part of the company savings plan, or for the free allocation of shares to employees as a function of their performance in accordance with the provisions of Article L 225-197-1 and subsequent Articles of the Commercial Code,
- Cancel acquired securities.

This authorisation would be granted under the following conditions:

- the number of shares purchased by the Company as per that authorisation may not represent more than 10% of the equity capital, as adjusted according to operations that may affect it subsequent to the General Meeting's decision, it being pointed out that the number of shares taken into account for the calculation of the 10% limit corresponds to the number of shares purchased, minus the number of shares redeemed during the authorisation period, in accordance with the provisions of Article L.225-209 paragraph 1 of the French Commercial Code. The number of shares acquired by the Company with a view to keeping them and eventually using them as payment or as a means of exchange in the context of a merger, spinoff, or contribution operation, may not exceed 5% of the share capital,
- The shares may be repurchased through transactions on the market or the purchase of batches, with no particular limitations in the latter case,
- The maximum price at which the shares could be acquired would be set to €30,
- The maximum price at which the shares could be acquired would be set to €7,
- This authorisation would be granted for a period of eighteen months, starting from the date of the General Meeting authorising the repurchase of shares;

In order to allow the Board to cancel the shares purchased by the Company in the context of the repurchase programme, we also ask you to allow the Board of Directors to reduce the equity capital by cancelling the Company's own shares and consequently amend the by-laws;

24. Delegation of authority to be granted to the Board to increase the equity capital through the issue of ordinary shares or any marketable securities giving access to the capital with preservation of the pre-emptive right, subject to the condition subsequent of the transfer of the headquarters to Luxembourg

We inform you that it would be convenient if new authorisations were to be granted to the Board in order to increase the share capital of the Company, in accordance with the provisions of Articles L. 225-129-2, and L. 228-92 of the Commercial Code. These authorisations would cancel out those granted by the General Meeting of 28th April 2010.

Thus, we request that you delegate to the Board the authority to determine, subject to the condition subsequent of the transfer of the headquarters to Luxembourg, at its sole discretion, on one or more occasions and in the proportions and as it sees fit, both in France and abroad, in euros or foreign currency or unit of account set by reference to several currencies, to issue, with preservation of the preferential right, shares, equity securities or marketable securities – including warrants issued in an autonomous manner, on a free of charge or paid-for basis or purchase warrants – giving or likely to give access to the capital or giving the bearer an entitlement to the allocation of debt securities.

The delegation that would thus be granted to the Board of Directors, would be valid twenty-six months from the date of the General Meeting authorising it.

The issue of preferred shares and the issue of securities or marketable securities giving access to preferred shares, would be ruled out.

In the context of this delegation of authority:

- The amount of capital increases likely to be completed immediately and/or in the long run, could not exceed €5,000,000 of face value, plus, if applicable, the additional amount of shares that would have to be issued to preserve, in accordance with the law, the rights of holders of marketable securities entitling them to shares.

- The face value of debt securities giving access to capital, likely to be issued under this delegation, could not exceed €100,000,000 or its equivalent in foreign currencies, on the day of issue.

The shareholders would have a pre-emptive right on the securities issued under this delegation, which would be proportionate with the amount of shares they hold.

Should the applications made on a non-reducible basis or, if applicable, on a reducible basis, not absorb the entire issue of shares or marketable securities as defined above, the Board may offer the public all or part of the securities that have not been applied for.

We point out that such delegation would terminate the delegation granted by the Ordinary and Extraordinary General Meeting of 28 April through the voting of its eleventh resolution.

25. Delegation of authority to be granted to the Board to increase the equity capital through the issue of ordinary shares or any marketable securities giving access to the capital with preservation of the pre-emptive right, subject to the condition subsequent of the transfer of the headquarters to Luxembourg,

It would also be appropriate that the General Meeting, in accordance with the provisions of Articles L. 225-129-2 and L. 225-135, L. 225-136 and L. 228-92 of the Commercial Code, delegate to the Board of Directors the powers to decide, on its own, in one or several times, within the proportions and at the times its determines, both in France and abroad, either in euros or in foreign currency or in an account unit set in reference to several currencies, the issue, with removal of the pre-emptive subscription right, of shares, equity capital shares, or marketable securities - including warrants issued autonomously, either free of charge or at a price, or of acquisition bonds - giving access or likely to give access to the equity capital or entitling their holders to the allocation of bonds.

The authorisation granted to the Board, subject to the condition subsequent of the transfer of the headquarters to Luxembourg, would be valid for a period of twenty-six months after the general meeting authorising it.

The issue of preferred shares and the issues of any securities or marketable securities giving access to preferred shares, would be ruled out.

The pre-emptive right of shareholders on these shares, equity securities, and other marketable securities, would be eliminated, but the Board of Directors would be entitled to institute a priority right for shareholders to apply for them, in accordance with the provisions of Article L 225-135 of the Commercial Code.

In the context of this delegation of authority:

- The amount of capital increases likely to be conducted in that manner either immediately or in the long run, could not exceed €5,000,000 of face value, plus, if applicable, the additional amount of shares that would have to be issued to preserve, in accordance with the law, the rights of holders of marketable securities entitling them to shares. The maximum face value of capital increases likely to be conducted under this delegation would be entered against the overall capital increase cap of €5,000,000 discussed above.

- The face value of debt securities giving access to capital, likely to be issued under this delegation, could not exceed €100,000,000 or its equivalent in foreign currencies, on the day of issue, it being specified that such face value would be entered against the face value of €100,000,000 discussed above.

- The amount perceived or to be perceived by the Company for each of the shares issued or to be issued under the delegation discussed above, after taking into account, if applicable, in the case of the issue of share purchase warrants, the issue price of such warrants, would be at least equal to the weighted average of the prices of the last three market sessions prior to the setting of the same, minus a maximum rebate of 5% if applicable, in accordance with the provisions of Article R225-119 of the Commercial Code. It being specified that the issue of shares carried out by an offer referred to in paragraph II of article L. 411-2 of the Monetary and Financial Code, is limited to 20% of the share capital per annum.

We point out that such delegation would bring an end to any prior delegation having the same purpose.

In accordance with the provisions of Article L 225-135 of the Commercial Code, the Company's Auditors have drawn up a report on the removal of the preferential right, which shall be read out to you. We point out that an additional report will be drawn up by the Board when it uses the authorisation granted by the General Meeting to:

- Describe the final conditions for the operation, determined in accordance with the authorisation granted by the Extraordinary General Meeting;

- Determine, in accordance with the provisions of Article R.225-115 of the Commercial Code, the impact of the proposed issue on each individual shareholder's situation, particularly regarding his share of the equity capital.

Likewise, the Company's Auditors will draw up the additional report required by Article R.225-116 paragraph 2 of the Commercial Code.

26. <u>Delegation of authority to be granted to the Board of Directors to increase the number of shares, securities and marketable securities to be issued in case of capital increase with or without the preferential subscription right, subject to the condition subsequent of the transfer of the headquarters to Luxembourg,</u>

We ask that you authorise the board of directors, subject to the condition subsequent of the transfer of the headquarters to Luxembourg, pursuant to the provisions of Article L. 225-135-1 of the Commercial Code, for a period of twenty-six (26) months, to increase, within the limits of the overall cap set above and under the delegation of authority to increase the equity capital through the issue of shares with preservation of the shareholders' pre-emptive right, within thirty (30) days of the closing of applications for the initial offering, within the limits of 15% of the initial issue, and at the price set for the initial issue, in accordance with the provisions of the amended Article R.225-118 of the Order of 23rd March.

We point out that the limit set out in clause 1° of paragraph I of Article L. 225-134 of the Commercial Code, would be raised in the same proportions.

This authorisation will supersede any prior authorisation granted regarding the same issue.

27. <u>Delegation of authority to be granted to the Board to proceed to the issue of shares, securities, and miscellaneous marketable securities to remunerate the contributions in kind granted to the Company, subject to the condition subsequent of the transfer of the headquarters to Luxembourg</u>

We ask that you authorise the board of directors, subject to the condition subsequent of the transfer of the headquarters to Luxembourg, pursuant to the provisions of Article L. 225-147 paragraph 6 of the Commercial Code, for a period of twenty-six (26) months, the authority necessary to issue shares, equity securities, and marketable securities, some of which would or could give access to the Company's capital within the limits of 10% of its share capital, at the time of issue, to remunerate the contributions in kind granted to the Company, and made of equity securities and marketable securities giving access to the capital, whenever the provisions of Article L. 225-148 of the Commercial Code, do not apply.

In accordance with law, the Board of Directors would then rule on the Auditors' report mentioned in Article L. 225-147 of the Commercial Code.

In any event, the amount of capital increases conducted under this resolution would be entered against the overall cap set above and relative to the delegation of authority to increase the equity capital through the issue of shares with removal of the pre-emptive right.

In that context, we ask that you grant all authority to the Board of Directors, in particular to approve the assessment of contributions, determine the resulting capital increase, acknowledge its completion, draw from the contribution premium the amounts necessary to bring the legal reserve to a tenth of the new capital after each increase, and amend the by-laws.

Please note that the aforementioned delegation would supersede any prior authorisation granted regarding the same issue.

28. <u>Delegation of authority to decide to increase the capital by capitalisation of reserves, profits or premiums subject to the condition subsequent of the transfer of the headquarters to Luxembourg,</u>

We ask that you authorise the board of directors, subject to the condition subsequent of the transfer of the headquarters to Luxembourg, pursuant to the provisions of Articles L. 225-129, L. 225-129-2, and L. 225-130 of the Commercial Code, your right, for a period of twenty-six (26) months, to decide to increase the share capital, at its sole discretion, in one or several times, at the times its determines, through the incorporation of reserves, profits and share premiums into the capital, followed by the creation and free allocation of equity securities or the increase of the existing equity securities, or a combination of both.

Fractional rights would be neither marketable nor transferable, and the corresponding securities would be sold, the proceeds of the sale being allocated to the holders of the rights within the timeframe set by an Order of the Council of State.

The amount of capital increase likely to be completed in that manner, plus the amount necessary to preserve, in accordance with the law, the rights of holders of marketable securities entitling them to shares and regardless of the overall cap set above and relative to the delegation of authority to increase the equity capital through the issue of shares with preservation of the pre-emptive right, would not exceed the amount of reserves, share premiums, and profits discussed above that exist at the date of the capital increase.

We ask that you grant to the Board of Directors, with the ability to sub-delegate under the conditions set out by law and by the Company's by-laws, all the authority necessary to implement this delegation and ensure its success. The aforementioned delegation would cancel and override any earlier delegation regarding the same issue.

29. <u>Delegation of authority to be granted to the Board to grant share subscription options reserved for all or part of the employees and/or corporate officers of the Company and or the companies related to it in the sense of Article L 225-180 of the Commercial Code, subject to the condition subsequent of the transfer of the headquarters to Luxembourg</u>

In order to ensure the loyalty and motivation of certain employees and representatives of the Company and/or companies associated with it within the meaning of Article L 225-180 of the Commercial Code, we propose to you that a Company share subscription plan be implemented for these employees and representatives, subject to the condition subsequent of the transfer of the headquarters to Luxembourg,

Such a plan, implemented under the conditions stipulated in Article L 225-177 and subsequent Articles of the Commercial Code, would have the dual advantage of interesting the recipients in the future results of the Company, in particular by offering them the possibility of receiving dividends, without increasing staff costs, while at the same time procuring for the Company additional equity capital which will be of use to its development.

The broad outline of this plan, which the Board of Directors will be responsible for drafting once the General Meeting has given its authorisation, will be as follows:

- The authorisation to be granted to the Board by the General Meeting will be valid for 38 months, starting on the date of said General Meeting;
- In accordance with the provisions of Article L 225-177, paragraph 4 of the Commercial Code, the share subscription price will be set on the date the options are approved by the Board of Directors, in accordance with the methods to be decided by the General Meeting. As part of this process, a suggestion can be made to the General Meeting that the subscription price cannot be less than the average share price on the bourse for the 20 sessions prior to the allocation date, with no discount,
- Options must be exercised no later than 10 years after the date of allocation of these options by the Board of Directors.
- The exercise of options, by the Company's managers, would be subject to individual and/or collective performance conditions, which would be set by the Board of Directors.
- The total number of options to be approved during this period could not result in the subscription of more than 200,000 shares with a face value of €1 each.

In view thereof, you are requested to authorise the Board of Directors, under the provisions of Article L 225-177 and subsequent Articles of the Commercial Code, to grant on one or more occasions to all or some of the employees and/or representatives of the Company and/or associated companies in the sense of Article L 225-180 of the Commercial Code, options that give the holder the right to subscribe 200,000 new shares to be issued as a capital increase.

If you agree to this proposal, your decision will imply ipso facto acceptance of the waiver by shareholders of their pre-emptive right to shares to be issued during the exercise of options.

We also request that you grant the Board of Directors the necessary powers to set other conditions and methods for the allocation and exercising of options, in particular to:

- Determine the names of recipients of the options;
- Set the subscription price, in accordance with the rules described above,
- Set the conditions under which approval will be given for options; Determine the period in which these options must be exercised; Decide the conditions under which the price and number of shares can be changed, in particular under the conditions provided for in Articles 225-137 to 225-142 of the Commercial Code;
- Provide the option to temporarily suspend the exercising of options in the event of financial transactions that imply the exercising of a right attached to the shares,
- Complete or have completed all procedures and formalities that may result from the implementation of this delegation of authority, modify the by-laws and, in general, do anything necessary,
- Allocate the cost of capital increases to premiums relating to these increases, and deduct from this amount any amounts required to bring the legal reserve up to 10% of share capital after each increase at its own discretion, if he deems it appropriate; and,
- Determine the individual and/or collective performance conditions related to the award of options, to the benefit, if applicable, of the managers, it being pointed out that Mr Jacques Mottard, Executive Chairman, and Ms. Françoise Fillot, Executive Vice President, will under no circumstances benefit from share subscription options.
- More generally, establish the rules of the share subscription option plan that will define the conditions governing the allocation and exercise of the options, which will be signed by every recipient at the time of the allocation of these options.

In accordance with the provisions of Article R 225-144 paragraph 2 of the Commercial Code, the Auditors of the Company will present to you a report on the methods proposed for setting the subscription price.

30. Delegation of authority to increase the share capital to the benefit of the Group’s employees subject to the condition subsequent of the transfer of the headquarters to Luxembourg

We remind you that, in accordance with the provisions of Article L. 3332-18 of the Labour Code and Articles L 225-129-6 and L 225-138-1 of the Commercial Code, it is for the Board of Directors to submit to the General Meeting of Shareholders, on the occasion of each capital increase operation, a draft resolution designed to conduct a capital increase carried out under the conditions set out in L.3332-18 of the Labour Code.

Given the capital increase authorisations proposed to the Meeting, the Extraordinary General Meeting should rule, in accordance with Article L 225-129-2 of the Commercial Code, on a draft delegation to grant to the Board of Directors to increase the capital, in one or several times, within the proportions and at the times it will decide, within twenty-six months, and within the limits of a total number of shares representing 3% of the equity capital on the date of the Board’s decision, through the issue of ordinary shares or marketable securities giving access by all means, immediately and/or in the future, to ordinary shares in the Company and, if applicable, through the allocation of free shares.

This authorisation would include the cancellation of the shareholders’ preferential rights on new shares and other securities to be issued to the benefit of the Company’s employees and/or those of companies related to the Company in the sense of the provisions of Article L. 225-180 of the Commercial Code which are, if applicable, holders of a Group Corporate Savings Plan (or any Mutual Fund to be set up, of which such employees would be shareholders).
Regarding the price of the shares to issue, we suggest that you set the discount to 20% as compared to the average of listed prices for the Company shares on Euronext Paris S.A.'s Eurolist during the twenty stock market days preceding the day of the decision setting the subscription start date. However, we ask that you authorise the Board of Directors to reduce the aforementioned rebate if it deems necessary.

If you accept this proposal, please delegate all authority to the Board of Directors, with the ability to sub-delegate as provided for by law, to:

- set a list of beneficiaries and the number of shares allocated to each one of them;
- set the date and terms of the issues that will be conducted under this delegation, in accordance with legal and statutory provisions, and in particular, determine the purchase price in compliance with the above-mentioned rules, set the application opening and closing dates, the due dates, and the share issue timeframes;
- confirm the completion of the capital increases up to the amount of shares that will be actually applied for;
- accomplish all operations and formalities, either directly or via a proxy;
- amend the by-laws in accordance with the share capital increases;
- And generally do anything that is useful or necessary for the final completion of the capital increase or successive capital increases.

In accordance with the provisions of Article L225-135 of the Commercial Code, the Company's Auditors have drawn up a report on the removal of the preferential right, which shall be read out to you.

We point out that an additional report will be drawn up by the Board when it uses the authorisation granted by the General Meeting to:

1. Describe the final conditions for the operation, determined in accordance with the authorisation granted by the Extraordinary General Meeting;
2. Determine, in accordance with the provisions of Article 225-115 of the Commercial Code, the impact of the proposed issue on each individual shareholder's situation, particularly regarding his share of the equity capital, and the theoretic impact on the current value of the share.

Likewise, the Company's Auditors will draw up the additional report required by Article R.225-116 paragraph 2 of the Commercial Code.

These additional reports will be made available to you at the headquarters, no later than fifteen days following the meeting of the Board of Directors, and read out to you during the first subsequent General Meeting.

The activities conducted during the previous financial year were described to you earlier.

As far as the course of the Company's business since the beginning of the current financial year is concerned, it is presented to you in paragraph 3.11 above.

31. Transfer of the headquarters to the Grand Duchy of Luxembourg

I. Description of the proposed Transfer

1.1 Company identity and features

The Company is a European Company under French law with a capital of €9,289,965. Its headquarters are located 9, avenue Charles de Gaulle at Saint Didier au Mont D'Or Cedex (69771). Its unique identification number is 438 305 054 RCS Lyon.

Sword SE is the holding company of an international group that specialises in providing IT products and solutions to regulated industries. Sword SE is a leading global solutions for risk management and compliance.

The term of the Company will expire, except in case of early dissolution or extension decided by the Extraordinary General Meeting of Shareholders, on 1 July 2100.

The capital of Sword SE is divided into 9,289,965 shares of €1 par value each, all of the same class and fully paid.

Its shares are and will remain listed on NYSE Euronext Paris after the transfer.

NYSE EURONEXT Paris is a "regulated market" under section 4 (a) paragraph 14 of the MiFID directive known as 2004/39/EC of 21 April 2004 and as referred to in particular in Directive 2004/109/EC on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market and Directive 2004/25/EC on takeover bids.

1.2 Reasons of the transfer

As part of discussions held by the Board of Directors of the Company to strengthen the Group's integration and to improve its organisation and its competitiveness, it is proposed to transfer the registered office in the Grand Duchy of Luxembourg.

To come to that proposal, the Board of Sword SE noted the following facts and data:

- In 2011, the Group disposed of 3 software activities:
    - AML,
    - Insurance,
    - Document Management for the construction and public works industry.

Following these disposals, the Group operates in 15 countries through its subsidiaries, and is involved in projects in 50 countries.

At year end, the Group's pro forma business broke down as follows:

Benelux	28.90%
UK	23.80%
France	16.80%
	9.10%
Switzerland	8.00%
Other countries	13.40%

Benelux is therefore Sword Group's main market.

In pro format terms, Sword SE's business breaks down into three divisions:

1. Software Division	34.40% of the turnover
2. Solutions Division	
- IT Services Division	47.10% of the turnover
- Communication Technologies Division	18.50% of the turnover

21.90% of the IT Services division and 100% of the Communication Technologies turnover are generated in Benelux.

- Most of Sword Group's turnover (over 83%) is generated outside France and requires multilingual skills, which are much easier to find in Luxembourg than in France.

- At 31 December 2011, the trend of turnover from international organisations amounted to more than 35% of total turnover, a figure that has been increasing steadily over the past two years.

- Actually, Luxembourg is a preferred partner of international institutions, that country being one of the capitals of the European Union. Transferring the headquarters to Luxembourg would therefore make it possible to serve our global clients and international organisations much more efficiently.

- Management control of the Sword SE Group is decentralised to date on three sites, namely Lyon, London and Luxembourg. The Luxembourg site has recently strengthened and should continue to grow very quickly, which will result in the transfer of the Company's headquarters to Luxembourg. n addition, management of Sword SE has been handled, since the beginning of 2011, via Financière Sémaphore, a company incorporated in Luxembourg.

- Luxembourg is a major financial hub and moving Sword Group to that city would give credibility to our "banking and finance" offer, which is in particular borne by our APAK business.
- The positioning of the Grand Duchy of Luxembourg would give the new group a more neutral image internationally and therefore one that is more compatible with the Group's desire to globalise. Transferring the headquarters to that country will thus strongly enhance the Group's image vis-à-vis its customers.

- Finally, Luxembourg offers a legal and regulatory framework that is favourable to business, thereby encouraging investment and R&D. In addition, the workforce there is highly skilled and multilingual. Finally, this is a place of choice for investors, which could be a very important asset for the future.

Given these observations, and given the comforting image of neutrality offered by the Grand Duchy of Luxembourg, the Board considered it in the interest of Sword Group and the Company to transfer its headquarters and central administration to Luxembourg, which will also become the Group's place of central administration.

1.3 Conditions of the Transfer

Under the provisions of Article 8 § 1 of the SE Regulations, the registered office of a European Company may be transferred to another Member State. Such transfer gives rise to neither dissolution nor creation of a new corporation.

Sword has been a European Company since 30 January 2009. It can therefore transfer its headquarters to another Member State.

1.4 Legal status

Transfer of headquarters hereunder is governed by (a) section 8 of the SE Regulations, (b) the provisions of Articles L 229-2 and R 229-3 et seq. of the French Commercial Code and (c) Articles 101-11 to 101-17 of the Luxembourg law of 10 August 1915 on commercial companies as amended (the "Luxembourg Law").

1.5 Company name after the Transfer

After the final completion of the Transfer of the headquarters, the Company's name will remain Sword Group SE.

1.6 Headquarters and central administration of Sword SE

The headquarters and central administration of Sword SE will be located at the following address: 105, Route d'Arlon, L-8009 Strassen, Grand Duchy of Luxembourg.

1.7 By-laws and structure of Sword SE

Sword SE will retain a unitary structure, in accordance with Articles 38 b) and 43 to 45 of the SE Regulations and will continue to be governed by a board of directors. The laws of Luxembourg do not impose a minimum and/or a maximum number of board members for European companies. The rules that govern composition and appointment, however, remain unchanged.

Thus, the Board of Directors of the Company will consist of five members at least appointed by the General Meeting for a term of four years.

1.8 Sword SE shares and double voting rights

The number of shares issued by Sword SE will not change simply because of the transfer. Sword SE shares will remain listed on NYSE Euronext's Eurolist.

However, the laws of the Grand Duchy of Luxembourg do not allow shares with double voting right; therefore, the double voting rights enjoyed by shareholders in accordance with Article 19-E of the Company's by-laws will be automatically cancelled.

Such cancellation will become effective upon the change in the law applicable to the Company, which will take place on the registration date of the Company in the trade register of Luxembourg.

1.9 Sword SE control and management bodies

SE Regulations lay down the limited number of rules that govern the operations of a European Company by referring to the provisions of national legislation in that area. The operation of the Board of Sword SE will be mainly governed by the provisions of Articles 50 to 60bis of the Luxembourg Law.

The Extraordinary General Meeting of the Company voting on the proposed transfer will also be asked (i) to approve the new by-laws that will govern the Company from the date of the change of law applicable to the Company and (ii) to appoint the board members and an independent auditor in order to audit the annual accounts.

a) Directors

You are proposed to appoint, in this context, the following directors:

- Mr Jacques Mottard, domiciled at 1 rue Président Carnot, 69450 Saint-Cyr au Mont d’Or (France),
- Ms Françoise Fillot, domiciled at 286 route de la Glande, 69760 Limonest (France),
- Mr Nicolas Mottard, domiciled at 1 rue Président Carnot, 69450 Saint-Cyr au Mont d’Or (France),
- Mr François Barbier, domiciled at 18 rue Henri Barbusse, 75005 Paris (France),
- Mr François-Régis Ory, domiciled at 600 Chemin de la Ronze, 69480 Morance (France).

For a term expiring at the Annual General Meeting ruling on the accounts for the year ended 31 December 2015.

b) Auditors

In accordance with Article 3 (4) of the Luxembourg law of 11 January 2008 on transparency requirements for issuers of marketable securities, and section 340 of the Luxembourg law of 10 August 1915 (as amended) relating to business companies, from the day of its registration in the trade register of Luxembourg, the Company will have the obligation to have its financial statements controlled by one or more auditors appointed from among the accredited auditors whose names appear on the list established by the *Commission de Surveillance du Secteur Financier*.

The terms of office of the current auditors may therefore not continue due to the change in *lex societatis*.

We therefore suggest that you appoint:

- MAZARS S.A., a firm whose headquarters is located at 10a, rue Henri M. Schnadt, L-2530 Luxembourg,
and
- DELOITTE Audit Sàrl, whose headquarters is located at 560, rue de Neudorf, L-2220 Luxembourg,

as auditors of the Company for a term expiring at the Annual General Meeting ruling on the accounts for the year ended 31 December 2012; it being specified that MAZARS S.A. and DELOITTE Audit Sàrl will be required to give a joint opinion on the financial statements of the Company closed on 31 December 2012.

c) CSSF

Subsequent to the transfer, the Company will be subject to review by the CSSF (*Commission de Surveillance du Secteur Financier*), which is the equivalent of the French AMF in Luxembourg.

The CSSF will be duly notified of the proposed transfer in due time and no later than the day of change of law applicable to the Company by e-mail sent to transparency@cssf.lu.

II. <u>Consequences of the proposed Transfer</u>

2.1 Consequences for shareholders

Transfer of the headquarters will not affect the rights of shareholders of the Company, who will remain shareholders of Sword SE without any action on their part being required.

Thus, the financial commitment of each shareholder will remain limited to the one he/she had subscribed prior to transfer of the Company's headquarters. The transfer will not affect each shareholder's share of single voting rights in the Company.

However, as noted above, the double voting rights enjoyed by shareholders in accordance with Article 19-E of the by-laws will be removed, as the laws of the Grand Duchy of Luxembourg do not allow the creation of shares with double voting rights.
The transfer of the headquarters will not, in itself, have any impact on the value of Sword SE securities.

From a tax perspective, since the transfer of the headquarters - which is taking place within the European Union - is not considered by French law as a discontinuation of business, it should not, subject to the legal provisions applicable in the shareholders' State of residence, affect any tax deferral that shareholders benefit from, if any, regarding their Sword SE securities.

Furthermore, in accordance with Luxembourg law, distributions of dividends paid to non-residents may be subject to 15% withholding tax. This rate may nevertheless be reduced under applicable tax treaties and Community law, according to the tax residence of the beneficiary and on his/her own responsibility. Moreover, in principle, according to international tax treaties, any withholding tax in the Grand Duchy of Luxembourg should entitle to a tax credit of equal amount on the tax due in the beneficiary's State of resident, which should prevent any double taxation. It should be noted that according to the current law, shareholders of Sword SE who are tax residents in France and hold their shares through a "PEA" (Plan d'Epargne en Actions, a Share Savings Plan), can't use these tax credits, insofar as the income from shares held in a "PEA" is exempt from income tax.

2.2 Protection of shareholders

Transfer of the headquarters shall be approved by the Extraordinary General Meeting of shareholders of Sword SE. If the vote is favourable, the decision to transfer the headquarters will be subject, in accordance with the provisions of Article R 229-5 of the Commercial Code, to a notice inserted (i) in a legal gazette of the Rhône *département* and (ii) in the French Bulletin of Mandatory Legal Notices (BALO).

In accordance with Articles L 229-2 paragraph 3 and R 229-3 of the Commercial Code, Sword SE shareholders who voted, at the Extraordinary General Meeting referred to above, against the proposed transfer, may file an opposition to the proposed Transfer (shareholders abstaining or having issued a positive vote at the meeting will not benefit from the opposition procedure described below).

In case of opposition, shareholders may obtain the redemption of their shares. In order to be acceptable, the opposition or redemption request must be issued within a month of the latest publications required by Article R 229-5 of the Commercial Code and be sent by registered mail with acknowledgement of receipt. No later than 30 days before the General Meeting convened to rule on the proposed Transfer, Sword SE will appoint an independent expert, in charge of approving the per share price to be offered to shareholders who redeem their shares and the multicriteria method referred to in Article L.433-4 II of the Monetary and Financial code.

The independent expert will produce a fairness opinion consistent with the provisions of Article 262-1 of the AMF General Regulations and the AMF instruction taken under this article and shall deliver his certificate 15 days before the date the general meeting referred to above, which will be published on the website of Sword and SE will be the subject of a press release.

The Company will then send shareholders who request it, a bid for their securities by registered mail with acknowledgement of receipt within 15 days of receipt of the redemption request. The redemption offer will include:
- the per share price offered, which will be determined in accordance with the provisions of Article L 433-4 of the Monetary and Financial code (multicriteria method),
- the suggested means of payment,
- the validity of the offer, which shall be no less than 20 days,
- the location where the offer can be accepted.

Any protest filed by a shareholder regarding the price offered will be brought before the Court with jurisdiction attached to the Court of Appeal of Lyon, within the period specified in the bid.

The shares repurchased from shareholders in accordance with the procedure referred to above will be retained by the Company and will be awarded by the Board in accordance with goals set by the Annual Ordinary and Extraordinary General Meeting of 17 May 2011, in its seventh resolution; it being specified that, to date, the Company has no plans to cancel the repurchased shares massively.

2.3 Consequences of the Transfer for creditors

The transfer in itself will not result in any change in the rights of the Company's creditors.

Creditors will also retain the benefit of sureties that have been granted before the final completion of the Transfer (unless otherwise provided in the surety instrument).

One month before the general meeting convened to rule on the transfer, the creditors of Sword SE shall have the right to review, at the current headquarters of Sword SE, the proposed transfer and the Board's report on such proposed Transfer. They may obtain free copies of these documents upon request.

In accordance with the provisions of articles L 229-2, paragraph 6 and R 229-11 of the Commercial Code, creditors of Sword SE who are not debenture holders, and whose claim is prior to the transfer of the headquarters, may however file an opposition to it within 30 days of the latest publication on the notice of Proposed Transfer, mentioned in Article R 229-3 of the Commercial Code. The judge may then either dismiss the opposition, or order the repayment of the debts or order the setting up of sureties.

2.4 Consequences of the Transfer for employees

Sword SE and its direct subsidiaries have no employees. Consequently, the proposed transfer of the headquarters will have no impact on employee involvement in the operation of Sword SE.

If, on the Transfer date, Sword SE has employees, the latter will continue to be employees of the Company, without their employment contracts being amended as a result of the Transfer of the headquarters. Thus, their employment contracts will continue under the same terms and conditions as prior to the final completion of the transfer of the headquarters.

2.5 Tax aspects of transfer

In the context of the Transfer, it is envisaged that the management of securities held by Sword SE be provided from the Grand Duchy of Luxembourg. Under that assumption, the Transfer of the headquarters will result in the actual transfer of assets on the balance sheet of Sword SE in the Grand Duchy of Luxembourg, and therefore the immediate taxation in France of unrealised gains associated with these assets (mainly shares in Sword SE subsidiaries).

III. Review of lawfulness

3.1 Publicity of the proposed Transfer

The proposed transfer will be filed with the Commercial Court of Lyon at least two months before the first meeting called to approve the transfer.

The Company will publish, within the same period of time, in accordance with Article R 229-3 of the Commercial Code, a notice concerning the proposed transfer in a legal gazette of the Rhône *département* and the French Bulletin of Mandatory Legal Notices (BALO).

3.2 Approval of the proposed Transfer and of the new by-laws for Sword SE

In accordance with Articles 8 § 6 of the SE Regulations and L. 229-2, paragraph 2 of the Commercial Code, the Extraordinary General Meeting of the Company will rule regarding the proposed Transfer and the new by-laws of Sword SE under the quorum and majority conditions required for amending the by-laws.

3.3 Intervention of a Notary

In accordance with Articles 8 § 8 of the SE Regulations and L. 229-2 paragraph 7 of the Commercial Code, a French notary will issue a certificate attesting conclusively of the completion of the deeds and formalities prior to transfer.

3.4 Registration of Sword SE in Luxembourg

The registration of the Company in the trade register of its new headquarters will take place upon submission of a certificate by the aforementioned Notary and of evidence of completion of the formalities required in the Grand Duchy of Luxembourg.
The transfer will result in the publication of a notice in the Official Journal of the European Union, in a legal gazette of the former headquarters of Sword SE and in the French Bulletin of Mandatory Legal Notices (BALO).

3.5 Effective date of the Transfer

The transfer and the resulting amendment of the by-laws shall become effective for the shareholders, on the day of registration in the trade register of the new headquarters. With respect to third parties, the resulting transfer and modification of the by-laws will be binding as of the publication of such registration as provided by regulations of the Grand Duchy of Luxembourg.

It is stated explicitly that the Board of Directors of the Company wishes the transfer to be approved by the overwhelming majority of shareholders, the proposed transfer being approved by Mr Jacques Mottard, the reference shareholder.

32. Delegation of authority to be granted to the Board to increase the equity capital by any means, including the issue of shares or any marketable securities giving access to the capital with or without removal of the pre-emptive right, under condition subsequent of the transfer of the headquarters to Luxembourg

We ask you to accept, under condition subsequent of the transfer of the headquarters to Luxembourg, to delegate to the Board of Directors the authority to increase the share capital of the company, in one or more times, by any means, including by issuing shares or any marketable securities giving access to capital, and by increasing the nominal value of shares issued for a period of 5 years from the date of publication in the Memorial C, Report of Companies and Associations, of the Company's registration in the Trade Register of Luxembourg. In the context of this delegation of authority, the Board may limit or cancel any existing pre-emptive subscription rights. The Board may set all the terms and conditions of issue, including the place and date of issue or successive issues, the issue price, with or without additional paid-in capital, and the terms and conditions of subscription and release of new securities. The Board may accept such stock subscription against payment in cash or in kind, under the conditions laid down by law, and the issue of new shares by capitalisation of reserves and/or of the additional paid-in capital, and the free award of shares. The Board may also delegate the authority to accept the subscription of new shares.

In the context of this delegation of authority:

a. the amount of capital increases likely to be carried out immediately and/or eventually under the authority granted by this resolution, could not be more than €5 million in nominal
b.
c. the Board could use such delegation for any purpose participating to the achievement of the corporate purpose, including to issue shares or other instruments giving access to shares, to employees and/or corporate officers of the Company and/or companies that are included in the consolidation scope of the Company, within the limit of a total of 200,000 shares issued as part of the delegation referred to above. Other conditions governing the issuance of these shares, including the determination of the beneficiaries of these shares, and the individual and/or collective performance requirements, would be set by the Board.

The by-laws we ask you to adopt are entirely embedded in the text of the draft resolutions.

Your Board invites you, after reading the reports presented by your Auditor, to adopt the resolutions submitted to your vote, except for the resolution regarding the capital increase conducted in accordance with the terms set out in Article L 3332-18 of the Labour Code, which, for now, is not in line with the Company's objectives.

Jacques Mottard
Executive Chairman
Sword Group

26.2 Board's report on stock options (year ended 31/12/2011)

Ladies and Gentlemen,

In accordance with the provisions of Article L 225-184 of the Commercial Code, the purpose of this report is to inform you of the operations conducted under the provisions of Articles L 225-177 to L 225-186 of the said Code relative to share purchase and subscription options.

I Authorisation granted by the General Meeting of 30 January 2009 (in its eighth resolution):

The Board of Directors held 30 January 2009, in accordance with the permission granted by the Extraordinary General Meeting of Shareholders of the Company held 30 January 2009, granted, under the provisions of Articles L 225-177 et seq. of the Commercial Code, options entitling their holders to the subscription of 150,000 new shares of the Company. In the context of that authorisation, two share subscription option plans have been established, it being pointed out that Messrs Heath Davies and Jean-Marc Sonjon, having left the Group in the course of financial 2010, have had their options lapse.

	Plan Nr.1	**Plan Nr.2**
Date of the General Meeting	30 January 2009	
Date of the Board Meeting	30 January 2009	
Total number of options allocated	150,000	
Number of options that can be subscribed	100,000	50,000
Beneficiaries: Heath Davies	100,000	

Françoise Fillot Jean-Marc Sonjon		40,000 10,000
Option exercise start date	30/01/11	30/01/12
Expiry date	30/01/12	30/01/13
Subscription price	10.60	
Number of shares subscribed at 31 January 2012	0	0
Number of cancelled or lapsed options	100,000	10,000
Share subscription or purchase options remaining at the end of the period	0	**40,000**

We inform you in that respect that, in accordance with AFEP/MEDEF recommendations, insofar as some of the beneficiaries of the share subscription options are also corporate officers of the Company, the aforementioned decision of the Board of Directors has been covered by a press release.

- **Further details regarding the exercising of options:**

Performance conditions: the beneficiaries may exercise their options only if the two conditions below are fulfilled, for the accounting period preceding the exercising of the options:

- Company's consolidated EBIT in excess of 15%
- Consolidated turnover in excess of €220 million (not including the sale of assets)

Shares resulting from the exercising of options to be kept: in accordance with the provisions of article L 225-185 of the Commercial Code, the Board of Directors has decided that the aforementioned corporate officers must keep 10% of the shares resulting from the exercising of the options, up until the end of their terms of office.

The Board of Directors held **29 March 2011**, in accordance with the permission granted by the Extraordinary General Meeting of Shareholders of the Company held **30 January 2009**, granted, under the provisions of Articles L 225-177 et seq. of the Commercial Code, options entitling their holders to the subscription of **48,000** new shares of the Company. In the context of that authorisation, two share subscription option plans have been established, it being pointed out that Mr John Higgins, having left the Group in the course of financial 2011, has had his options lapse. Furthermore, Phil Norgate, Deborah Young, Pradeep Banerji and Fabrice Liénart waived their options in the course of fiscal 2011.

	Plan Nr.1	**Plan Nr.2**
Date of the General Meeting	30 January 2009	
Date of the Board Meeting	30 January 2009	
Total number of options allocated	48,000	
Number of options that can be subscribed	38,000	10,000
Beneficiaries: Phil Norgate	10 000	
Deborah Young	8,000	
Pradeep Banerji	10,000	
John Higgins	10,000	
Fabrice Liénart		10,000
Option exercise start date	29/03/14	29/03/15
Expiry date	29/03/15	29/03/16
Subscription price	21.945	
Number of shares subscribed at 31 January 2012	0	0
Number of cancelled or lapsed options	38,000	10,000
Share subscription or purchase options remaining at the end of the period	0	0

II Authorisation granted by the General Meeting of 17 May 2011 (in its tenth resolution)

The Board of Directors held **6 October 2011**, in accordance with the authorisation granted by the Ordinary and Extraordinary Shareholders of the Company dated **17 May 2011**, consented, under the provisions of articles L 225-177 et seq. of the Commercial Code, options entitling to subscription of new shares **188,000** new shares of the Company. As part of that authorisation, four share subscription plans have been established.

	Plan Nr.1	**Plan Nr.2**	**Plan Nr.3**	**Plan Nr.4**
Date of the General Meeting	17th May 2011			
Date of the Board Meeting	6 October 2011			
Total number of options allocated	188,000			
Number of options that can be subscribed	63,000	87,000	30,000	8,000
Beneficiaries: Phil Norgate	12 000			
Deborah Young	9,000			
Pradeep Banerji	15,000			
Nick Ginn	9,000			
Clara Van Heck	9,000			
Terry Coyne	9,000			
Philippe Le Calvé		12,000		
Jean-Louis Vila		9,000		
Olivier Leblanc		9,000		
Philippe Blanchard		12,000		
Pierre Gachon		9,000		
Fabrice Liénart		9,000		
Alain Broustail		9,000		
Laurent Fromont		9,000		
Maxime Grinfeld		9,000		
Anys Boukli			12,000	
Jörg Schorr			9,000	
Philippe Demay			9,000	
Lalitha Balakrishnan				5,000
Kamal Kumar Rajanbabu				1,500
Rex Mohan Kumar				1,500
Option exercise start date	06/10/14	06/10/15	06/10/14	06/10/14
Expiry date	06/10/15	06/10/16	06/10/15	06/10/15
Subscription price	12.115			
Number of shares subscribed at 31 January 2012	0		0	
Number of cancelled or lapsed options	0		0	
Share subscription or purchase options remaining at the end of the period	0		0	

The Board of Directors held **16 December 2011** in line with the authorisation granted by the Ordinary and Extraordinary General Meeting of Shareholders of the Company of **17 May 2011**, granted, in accordance with the provisions of Articles L 225-177 et seq. of the Commercial Code, options entitling to the subscription of **9,000** new shares of the Company. As part of that authorisation, one share subscription plan has been established.

Date of the General Meeting	17th May 2011
Date of the Board Meeting	16 December 2011
Total number of options allocated	9,000
Number of options that can be subscribed	9,000
Beneficiaries: Guy de San	9,000
Option exercise start date	01/01/15
Expiry date	31/12/21
Subscription price	12.40
Number of shares subscribed at 31 January	0

2012	
Number of cancelled or lapsed options	0
Share subscription or purchase options remaining at the end of the period	0

Reminder of the plans within the subsidiaries:

The Board of Directors of **Sword Technologies**, a Luxembourg subsidiary of our Company, on 15 July 2008, approved and ratified a stock options plan consisting in the granting of options to third party consultants bound to the Company via a service agreement ("freelance" contract) and stock options to the employees of the Company. The Ordinary General Meeting of Sword Technologies held 4 August 2008 approved the terms of the stock options master agreement.

	Plan Nr.1	**Plan Nr.2**
Date of Board meeting	15 July 2008	1st September 2008
Date of the General Meeting	4 August 2008	
Total number of options allocated	240	32
Option exercise start date	01/01/2010	01/10/2010
Exercise price	640	
Discount	None	
Beneficiaries / number of options allocated	Dieter Rogiers: 60 Tony Claes: 70 Thierry Guiot: 25 Paulo Apolinario: 60 Luc Lejoly: 25	Dieter Rogiers: 20 Paul Kaisin: 12
Number of options exercised at 31 December 2010	180	0
Number of lapsed options	60	32
Expiry date	01/01/2011	01/10/2011

At 31 December 2011, all options from plans Nr. 1 and Nr. 2 had lapsed.

Done in Saint Didier au Mont d'Or
The Board of Directors

26.3 Text of draft resolutions at the Ordinary and Extraordinary General Meeting of 26 March 2012

Ordinary resolutions

First resolution
(Approval of corporate financial statements)

The General Meeting, ruling under the conditions of quorum and majority required for ordinary general meetings, after having become aware of the Board's report and the Auditors' report on the financial statements for the year ended 31 December 2011, approves the company accounts as they appear for that year. These accounts show a loss of €4,743,615.81.

The Meeting also approved operations translated in the accounts or summarised in these reports, which have not given rise to any non-deductible expense from the result for tax purposes within the meaning of Article 39-4 of the General Tax Code.

The General Meeting gives the directors a discharge for executing their terms of office for the elapsed financial period.

Second resolution
(Approval of consolidated financial statements)

The General Meeting, ruling under the conditions of quorum and majority required for ordinary general meetings, after having become aware of the Board’s report and the Auditors’ report on the consolidated accounts for the financial year ended 31 December 2011, approves the consolidated accounts, as they have been presented, prepared in accordance with the provisions of Articles L. 225-100 of the Commercial Code, displaying a profit of 1,421,484 and a Group's share of profit of €1,313,171.

Third resolution
(Regulated agreements in the sense of Article L 225-38 of the Commercial Code)

After hearing the reading of the Auditor’s special report on the agreements referred to in Article L. 225-38 of the Commercial Code, the General Meeting successively approves, under the conditions of Article L. 225-40 of said code, each of the agreements mentioned there.

Fourth resolution
(Appropriation of earnings)

The General Meeting, ruling under the conditions of quorum and majority required for ordinary general meetings, after having become aware of the Board’s report, decides to allocate the loss of €4,743,615.81 as follows:

- **To the "Balance brought forward":** **-€1,916,188.05**
  Which shall drop from €1,916,188.05 to €0

It is stipulated that the "Balance brought forward" account has already been impacted by €15,792,940.50 of interim dividends determined by the Board of Directors of 7 July 2011, being an interim dividend of €1.70 per share, the payment of which occurred 19 July 2011

- **the balance, being:** **-€2,827,427.76**
  to the "Additional paid-in capital",
  which thus drops from €100,909,097.64 to €98,081,669.88.

The General Meeting decides to distribute to shareholders as dividends, the sum of €6,410,075.85, which is charged pro rata to the "Additional paid-in capital",
which thus drops from €98,081,669.88 to €91,671,594.03.

The net dividend per share will therefore be €0.69 per share. It will be paid out on 10 April 2012. The total dividend in respect of fiscal 2011, after taking into account the interim dividend of €1.70 per share referred to above, will therefore amount to €2.39 per share.

From a tax perspective, with respect to individual shareholders in accordance with point 2° of paragraph 3 of Article 158 of the Tax Code, and subject to changes in tax law, the distributed dividends will be subject to income tax after applying a 40% discount on the gross amount of dividends received. Subject to changes in tax law, such dividends will also be eligible for fixed annual allowance under point 5° of paragraph 3 of section 158 of that code.

However, individual shareholders domiciled in France may opt for the taxation of their dividends according to the standard deduction of income tax under section 117 quater of the General Tax Code, liquidated at the rate of 21% (excluding social security, without entitlement to the allowances referred to above and subject to changes in tax law).

Besides, dividends paid to individual shareholders having their tax residence in France are subject to social security contributions at the overall rate of 13.5% (subject to changes in tax law). Pursuant to Article L.136-7 of the Social Security Code, the payroll taxes will be withheld at source by the Company in its capacity as paying agent.

The General Meeting gives full authority to the Board of Directors or its Chairman to allocate to the credit balance brought forward, the dividends that may become due to own shares.

In accordance with the provisions of Article 243bis of the General Tax Code, the General Meeting acknowledges that the value of the dividend distributed for the last three financial years and the corresponding tax credit were as follows:

Financial year	Net dividend per share
31 December 2010	€0.69
31 December 2009	€0.65
31 December 2008	€0.60

Fifth resolution
(Directors' fees)

The General Meeting, ruling under the conditions of quorum and majority required for ordinary general meetings, after having become aware of the Board's report, sets to €160,000 the total directors' fees allocated to the Board of Directors for the current financial year.

Sixth resolution
(Delegation of authority to be granted regarding a new programme under which the Company would repurchase its own shares)

The General Meeting, ruling under the quorum and majority conditions applicable to ordinary general meetings, and having considered the report of the Board, pursuant to the provisions of Articles L. 225-209 et seq. of the Commercial Code and Regulation No. 2273/2003 of the European Commission of 22 December 2003, authorises the Board of Directors, which may further delegate as provided by law and the by-laws, to cause the Company to purchase its own shares representing up to 10% of the shares comprising the share capital, or 928,996 shares, provided that the number of shares used to calculate the limit of 10% is the number of shares purchased minus the number of shares sold during the term of the authorisation pursuant to paragraph 1 of Article L.225-209 of the Commercial Code. The number of shares acquired by the Company with a view to keeping them and eventually using them as payment or as a means of exchange in the context of a merger, spinoff, or contribution operation, may not exceed 5% of the share capital, in accordance with the provisions of article L. 225-209 paragraph 6, of the Commercial Code.

The General Meeting decides that the Board of Directors, with the ability to sub-delegate under the conditions provided for by law, may proceed or cause to proceed to repurchases in order to:

- Boost the market or the liquidity of shares in the Company through an investment services provider using a liquidity contract compliant with the AFEI ethical policy recognised by the AMF,
- Purchase shares to hold them and eventually trade them or use them as payment for potential external growth operations;
- The allocation to employees or representatives of the Company or the Group, under the conditions and in accordance with the methods provided for in the Law, in particular as part of the distribution of the fruits of the growth of the Company, for the share purchase option service as part of the company savings plan, or for the free allocation of shares to employees as a function of their performance in accordance with the provisions of Article L 225-197-1 and subsequent Articles of the Commercial Code,
- Cancel the shares, in the case of the latter, subject to the Extraordinary General Meeting voting for a specific resolution.

The General Meeting decides that:
- The maximum purchase price per unit may not exceed €30,
- the minimum purchase price per unit may not be less than €7,
- The maximum theoretic amount of funds the Company may allocate to the operation is €27,869,880,

In case of a capital increase through capitalisation of reserves and an allocation of free shares, or in case of a division or a grouping of shares, the prices specified above will be adjusted using a multiplying coefficient equal to the ratio between the number of shares making up the capital before and after the operation.

Shares may be purchased, sold, or transferred by any means allowed by applicable regulations, either on the market or by amicable settlement, particularly through the purchase or disposal of batches, at any time, including at times of public offerings.

The General Meeting grants full authority to the Board, with the ability to sub-delegate under the conditions provided for by law and by the Company's by-laws, to enter into any deed or agreement, conduct any formality and, more generally, to take any action necessary for the implementation of this resolution.

This authorisation is granted for a period of eighteen (18) months. It cancels and replaces the authorisation that was granted by the seventh resolution of the Company's General Meeting of 17 May 2011.

Seventh resolution
(Authority to complete formalities)

The General Meeting, ruling under the quorum and majority conditions required for ordinary general meetings, grants full authority to the bearer of an original copy, a copy, or an extract of this report to conduct all filings and publications required by Law.

Extraordinary resolutions

Eighth resolution
(Delegation of authority granted to the Board of Directors to reduce the share capital by cancelling the shares purchased under the share repurchase scheme)

The General Meeting, ruling under the quorum and majority conditions required for extraordinary general meetings, after having become aware of the Board's report and the Auditors' special report:

- Authorises the Board of Directors to cancel, at its sole discretion on one or more occasions, within the limits of 10% of the capital, the shares that the Company may hold under Article L. 225-209 of the Commercial Code, as a result of the repurchase conducted under the sixth resolution of this Meeting, and purchases made to date if applicable, and to reduce the share capital accordingly, in accordance with applicable laws and regulations;
- Sets to 18 months, from the date of this meeting, the validity period of this authorisation;
- Grants the Board, with the ability to delegate, full authority to conduct the operations necessary for such cancellations and correlative capital reductions, to amend the Company's by-laws accordingly and conduct all formalities required.

Ninth resolution
(Delegation of authority granted to the Board to increase the equity capital through the issue of ordinary shares or any marketable securities giving access to the capital with preservation of the pre-emptive right, subject to the condition subsequent of the transfer of the headquarters to Luxembourg)

The General Meeting, ruling under the quorum and majority conditions to extraordinary general meetings, subject to the condition subsequent of the transfer of the headquarters to Luxembourg (the subject of the sixteenth, eighteenth and nineteenth resolutions below) and after reviewing the Board's report and the Auditors' special report, and in accordance with the provisions of Articles L. 225-129-2, and L. 228-92 of the Commercial Code:

1°) terminates, effective immediately, the delegation of authority given by the Ordinary and Extraordinary General Meeting of 28 April 2010 through the voting of its eleventh resolution,

2°) Delegates to the Board the authority to determine, at its sole discretion, in one or several steps, in the proportions and at the times it appreciates, both in France and abroad, in euros or foreign currency or unit of account set by reference to several currencies, the issue, with preservation of the pre-emptive right, of shares, equity securities or marketable securities – including warrants issued in an autonomous manner, on a free of charge or paid-for basis or purchase warrants – giving or likely to give access to the capital or entitling to the allocation of debt securities.

The delegation that is thus granted to the Board of Directors, is valid twenty-six months from the date of this General Meeting.

The issue of preferred shares and the issue of securities or marketable securities giving access to preferred shares, is ruled out.

3°) Decides:

- that the amount of capital increases likely to be completed immediately and/or in the long run, cannot exceed €5,000,000 of face value, plus, if applicable, the additional amount of shares that would have to be issued to preserve, in accordance with the law, the rights of holders of marketable securities entitling them to shares,

- that the face value of debt securities giving access to capital, likely to be issued under this delegation, cannot exceed €100,000,000 or its equivalent in foreign currency on the date of issue

4°) Decides that the shareholders have a pre-emptive right on the securities issued under this resolution that is proportionate with the amount of shares they hold.

5°) Decides that, if the applications made on a non-reducible basis or, if applicable, on a reducible basis, do not absorb the entire issue of shares or marketable securities as defined above, the Board may offer the public all or part of the securities that have not been applied for.

Tenth resolution
(Delegation of authority granted to the Board to increase the equity capital through the issue of ordinary shares or any marketable securities giving access to the capital with removal of the pre-emptive right, subject to the condition subsequent of the transfer of the headquarters to Luxembourg)

The General Meeting, ruling under the quorum and majority conditions to extraordinary general meetings, subject to the condition subsequent of the transfer of the headquarters to Luxembourg (the subject of the sixteenth, eighteenth and nineteenth resolutions below) and after reviewing the Board's report and the Auditors' special report, and in accordance with the provisions of Articles L. 225-129-2 and L. 225-135, L 225-136 and L. 228-92 of the Commercial Code:

1°) Delegates to the Board the authority to determine, at its sole discretion, in one or several times, in the proportions and at the times it appreciates, both in France and abroad, in euros or foreign currency or unit of account set by reference to several currencies, the issue, with removal of the pre-emptive right, of shares, equity securities or marketable securities – including warrants issued in an autonomous manner, on a free of charge or paid-for basis or purchase warrants – giving or likely to give access to the capital or entitling to the allocation of debt securities.

The delegation that is thus granted to the Board of Directors, is valid twenty-six months from the date of this General Meeting.

The issue of preferred shares and the issue of securities or marketable securities giving access to preferred shares, is ruled out.

2°) Decides to remove the shareholders' pre-emptive right on these shares, equity securities, and marketable securities, and to grant to the Board of Directors the authority to institute, to the benefit of the shareholders, a priority right to apply, in accordance with the provisions of Article L 225-135 of the Commercial Code.

3°) Decides:

- that the amount of capital increases likely to be completed immediately and/or in the long run, cannot exceed €5,000,000 of face value, plus, if applicable, the additional amount of shares that would have to be issued to preserve, in accordance with the law, the rights of holders of marketable securities entitling them to shares. The maximum face value of capital increases likely to be conducted under this delegation will be entered against the overall capital increase cap of €5,000,000 set in the ninth resolution,

- that the nominal amount of the marketable securities representative of claims giving access to equity capital, likely to be issued under this delegation, won't exceed €100,000,000 or the equivalent in foreign currency on the issue date, it being specified that the said nominal amount will be recorded against the nominal amount of €100,000,000 set in the ninth resolution,

4°) Decides that the amount perceived or to be perceived by the Company for each of the shares issued or to be issued under the delegation discussed above, after taking into account, if applicable, in the case of the issue of share purchase warrants, the issue price of such warrants, would be at least equal to the weighted average of the prices of the last three market sessions prior to the setting of the same, minus a maximum rebate of 5% if applicable, in accordance with the provisions of Article R225-119 of the Commercial Code. It being specified that the issue of shares carried out by an offer referred to in paragraph II of article L. 411-2 of the Monetary and Financial Code, is limited to 20% of the share capital per annum.

The General Meeting decides, subject to the condition subsequent of the transfer of the headquarters to Luxembourg (the subject of the sixteenth, eighteenth and nineteenth resolutions below), that the adoption of this resolution cancels the effect of any previous delegation having the same purpose.

Eleventh resolution
(Increase in the number of shares, securities, or marketable securities to be issued in case of a capital increase with or without preferential subscription right subject to the condition subsequent of the transfer of the headquarters to Luxembourg).

The General Meeting, ruling under the quorum and majority conditions to extraordinary general meetings, subject to the condition subsequent of the transfer of the headquarters to Luxembourg (the subject of the sixteenth, eighteenth and nineteenth resolutions below) and after reviewing the Board's report and the Auditors' special report, authorises the Board of Directors, in accordance with the provisions of Article L. 225-135-1 of the Commercial Code, for a period of twenty-six (26) months from the date of this General Meeting, to increase, at its sole discretion, within the limits of the overall cap set under the tenth resolution, the number of shares, securities, and marketable securities to be issued in case of a capital increase of the Company, with or without pre-emptive rights for shareholders, within thirty (30) days of the closing of applications for the initial offering, within the limits of 15% of the initial issue, and at the price set for the initial issue, in accordance with the provisions of the amended Article 225-118 of the Commercial Code or any other applicable provision.

The meeting certifies that the limit provided for in paragraph 1 of I of Article L. 225-134 of the Commercial Code will be increased by the same proportions, and states that this authorisation will supersede any prior authorisation granted regarding the same issue.

Twelfth resolution
(Delegation to proceed to the issue of shares, securities, and miscellaneous marketable securities to remunerate the contributions in kind granted to the Company, subject to the condition subsequent of the transfer of the headquarters to Luxembourg)

The General Meeting, ruling under the quorum and majority conditions to extraordinary general meetings, subject to the condition subsequent of the transfer of the headquarters to Luxembourg (the subject of the sixteenth, eighteenth and nineteenth resolutions below) and after reviewing the Board's report as per Article L. 225-147, paragraph 6, of the Commercial Code,

Delegates, for a period of twenty-six (26) months from the date of this General Meeting, to the Board of Directors, the authority necessary to issue shares, securities, and miscellaneous marketable securities giving or likely to give access to the capital of the Company, within the limits of 10% of the share capital, at the time of issue, in order to remunerate the contributions in kind granted to the Company, and made up of shares or marketable securities giving access to capital, whenever the provisions of Article L. 225-148 of the Commercial Code, do not apply. The meeting points out that, in accordance with law, the Board of Directors then rules on the contribution auditors' report mentioned in Article L. 225-147 of the Commercial Code.
The delegation mentioned above will cancel the effects of any previous delegation regarding the same issue.

In any event, the amount of capital increases carried out under this resolution is recorded against the overall cap provided for by the ninth resolution.

The General Meeting, subject to the condition subsequent of the transfer of the headquarters to Luxembourg (which is the subject of the seventeenth, eighteenth and nineteenth resolutions below), fully empowers the Board to approve the valuation of the contributions, decide the resulting capital increase, record its completion, deduct from the contribution premium the amounts necessary to increase the legal reserve to the tenth of the new capital resulting from each increase and amend the articles.

Thirteenth resolution
(Delegation of authority to decide to increase the capital by capitalisation of reserves, profits or premiums subject to the condition subsequent of the transfer of the headquarters to Luxembourg)

The General Meeting, subject to the condition subsequent of the transfer of the headquarters to Luxembourg (which is the subject of the sixteenth, eighteenth and nineteenth resolutions below), after reviewing the Board's report, ruling as per Articles L. 225-129, L. 225-129-2, and L. 225-130 of the Commercial code, under the conditions of quorum required for Extraordinary General Meetings:

1°) Delegates its powers to the Board of Directors, for a period of twenty-six (26) months from the date of this meeting, to decide to increase the share capital, at its sole discretion, in one or several steps, at the times it determines, through the incorporation of reserves, profits and premiums into the capital, followed by the creation and free allocation of equity shares or the increase of the face value of existing equity shares, or a combination of both methods;

2°) Decides that the fractional rights will be neither marketable, nor disposable, and that the corresponding securities will be sold, and that the proceeds of the sale will be allocated to the holders of rights, within a timeframe set by a Decree of the Council of State;

3°) Decides that the amount of the capital increase likely to be thus conducted, plus the amount necessary to preserve, in accordance with the law, the rights of holders of marketable securities entitling them to shares and regardless of the cap set by the ninth resolution, may not exceed the amount of reserves, premiums, and profits specified above, which exist at the time of the capital increase.

4°) Grants the Board, with the ability to sub-delegate under the conditions set out by law and the Company's by-laws, full authority to implement this resolution and ensure its success;

5°) Acknowledges the fact that this delegation cancels and overrides any previous delegation regarding the same issue.

Fourteenth resolution
(Delegation of authority to be granted to the Board to grant share subscription options reserved for all or part of the employees and/or corporate officers of the Company and or the companies related to it in the sense of Article L 225-180 of the Commercial Code, subject to the condition subsequent of the transfer of the headquarters to Luxembourg)

The General Meeting, subject to the condition subsequent of the transfer of the headquarters to Luxembourg (which is the subject of the sixteenth, eighteenth and nineteenth resolutions below) and after hearing the reading of the Board's additional report and the Auditors' special report established as per Article R 225-144 of the Commercial Code:

- Authorises the Board of Directors, within the context of Articles 225-177 set seq. of the Commercial Code, to grant, in one or several instalments, to the benefit of all or some of the employees and/or corporate officers of the Company and/or its related companies in the sense of Article L 225-180 of the Commercial Code, options entitling their holders to subscribe new shares in the Company to be issued in the context of a capital increase;

- Decides that this authorisation is granted to the Board of Directors for a period of 38 months from that date, to be used under the following conditions:

  - Rules that in accordance with the provisions of Article L 225-177 paragraph 4 of the Commercial Code, the share subscription price will be fixed for beneficiaries on the date the options are approved by the Board of Directors and be equal to their average price during the 20 trading sessions on the Bourse prior to the decision to allocate the shares, with no discount;
  - Decides that the total number of options to be approved during this period cannot result in the subscription of more than 200,000 shares at a nominal value of €1 each. Under no circumstances can the total number of options to be offered give rise to a right to subscribe a number of shares greater than the limit set in Articles L 225-182 and R 225-143 of the Commercial Code and subject to any other legal limitations;
  - Decides that options must be exercised no later than 10 years after the date of allocation of these options;
  - The exercise of options, by the Company's managers, would be subject to individual and/or collective performance conditions, which would be set by the Board of Directors.

- Decides that this authorisation constitutes the express waiver by shareholders of their preferential subscription right to shares as a result the exercising of options to recipients of subscription options;

- Delegates all powers to the Board of Directors to set the other conditions and methods for the allocation and exercising of options, in particular to:

  - Determine the names of recipients of the options;
  - Set the subscription price, in accordance with the rules described above,
  - Set the conditions under which approval will be given for options; Determine the period in which these options must be exercised; Decide the conditions under which the price and number of shares can be changed, in particular under the conditions provided for in Articles 225-137 to 225-142 of the Commercial Code;
  - Determine the individual and/ collective performance conditions related to the award of options, to the benefit, if applicable, of the managers, it being pointed out that Mr Jacques Mottard, Executive Chairman, and Ms. Françoise Fillot, Executive Vice President, will under no circumstances benefit from share subscription options.

- Provide the option to temporarily suspend the exercising of options in the event of financial transactions that imply the exercising of a right attached to the shares,
- Complete or have completed all procedures and formalities that may result from the implementation of this delegation of authority, modify the by-laws and, in general, do anything necessary,
- Allocate the cost of capital increases to premiums relating to these increases, and deduct from this amount any amounts required to bring the legal reserve up to 10% of share capital after each increase at its own discretion, if he deems it appropriate; and,
- More generally, establish the rules of the share subscription option plan that will define the conditions governing the allocation and exercise of the options, which will be signed by every recipient at the time of the allocation of these options.

Fifteenth resolution
(Delegation of authority to increase the share capital to the benefit of the Group's employees subject to the condition subsequent of the transfer of the headquarters to Luxembourg)

The General Meeting, ruling under the quorum and majority conditions required for extraordinary general meetings, subject to the condition subsequent of the transfer of the headquarters to Luxembourg (the subject of the sixteenth, eighteenth and nineteenth resolutions below) and after reviewing the Board's report and the Auditors' special report, recognising the provisions of Article L. L 3332-18 of the labour code and ruling in accordance with the provisions of Articles L. 225-129-2 and L. 225-129-6 and L 225-138-1 of the Commercial Code:

- Delegates to the Board of Directors its authority to proceed, if it deems opportune, to a capital increase, on one or several occasions, within the proportions and at the times it appreciates, within twenty-six months from the date of this Meeting, and within the limits of a total number of shares representing 3% of the share capital on the date of the Board's decision, through the issue of ordinary shares or marketable securities giving access, by all means, immediately and/or in the long-run, to ordinary shares of the Company and, if applicable, through the allocation of free shares,

- Decides that this delegation removes the shareholders' pre-emptive right on new shares and other securities to be issued to the benefit of the employees of the Company and/or companies related to the Company in the sense of the provisions of Article L. 225-180 of the Commercial Code which are, if applicable, holders of a Group Corporate Savings Plan (or any Mutual Fund to be set up, of which such employees would be shareholders),

- regarding the subscription price to be issued, decides to set the discount to 20% as compared to the average of quoted prices for the shares of the Company on NYSE Euronext's Eurolist market during the twenty trading days preceding the day of the decision setting the subscription start date. However, the General Meeting explicitly authorises the Board of Directors to reduce the aforementioned rebate if it deems necessary.

The General Meeting, subject to the condition subsequent of the transfer of the headquarters to Luxembourg, delegates full authority to the Board, with the ability to subdelegate, under the conditions set out by law, to:

- set a list of beneficiaries and the number of shares allocated to each one of them;
- set the date and terms of the issues that will be conducted under this delegation, in accordance with legal and statutory provisions, and in particular, determine the purchase price in compliance with the above-mentioned rules, set the application opening and closing dates, the due dates, and the share issue timeframes;
- confirm the completion of the capital increases up to the amount of shares that will be actually applied for;
- accomplish all operations and formalities, either directly or via a proxy;
- amend the by-laws in accordance with the share capital increases;
- And generally do anything that is useful or necessary for the final completion of the capital increase or successive capital increases.

Sixteenth resolution
(Transfer of the headquarters to the Grand Duchy of Luxembourg)

The General Meeting, ruling under the quorum and majority conditions required for extraordinary general meetings, after hearing the reading of the Board's report and observed:

- that the Company has been a European Company since 30 January 2009. It can therefore transfer its headquarters to another Member State,
- that the proposed transfer was filed with the registrar of the Commercial Court of Lyon on 20 January 2012, which was more than two months before that Meeting, said project having been amended by an addendum filed with the registrar of the Commercial Court of Lyon on 23 January 2012,

- that a notice concerning the proposed transfer was published (i) in the legal gazette "*Le Tout Lyon*" of 21 January 2012 and (ii) in the *French Bulletin of Mandatory Legal Notices* (BALO) of 23 January 2012, both notices having been the subject of rectifications published in the BALO of 25 January 2012 and in "Le Tout Lyon" of 28 January 2012,
- and thus that all prerequisites for the transfer of the Company's headquarters to Luxembourg are met,

decides to transfer the registered office and headquarters of the Company to the Grand Duchy of Luxembourg, 105 route d'Arlon, L-8009 Strassen.

The General Meeting recognises that:

- the laws of the Grand Duchy of Luxembourg do not allow providing shares with double voting right. Therefore, the double voting rights enjoyed by the shareholders in accordance with Article 19-E of the Company's by-laws will be automatically repealed, effective from the date of change of law applicable to the Company, which will occur on the date of registration of the Company in the trade register of Luxembourg
- Sword Group SE shares will remain listed on NYSE Euronext's Eurolist,
- subsequent to the transfer, the Company will be subject to review by the CSSF (Commission de Surveillance du Secteur Financier), which is the equivalent of the French AMF in Luxembourg, and residually to review by the AMF,
- in accordance with the provisions of articles L.229-2 paragraph 3 and R.229-3 of the Commercial Code, shareholders of the Company who vote against the proposed Transfer, may file an opposition to the said project. In case of opposition, shareholders may obtain the redemption of their shares. In order to be acceptable, the opposition or redemption request must be issued within a month of the latest publications required by Article R 229-5 of the Commercial Code and be sent by registered mail with acknowledgement of receipt.
- 30 days before this meeting, an independent expert, in charge of approving the per share price to be offered to shareholders who redeem their shares and the multicriteria method referred to in Article L.433-4 II of the Monetary and Financial code, was appointed. Such expert produced a fairness opinion consistent with the provisions of Article 262-1 of the AMF General Regulations and with the AMF instruction taken under this article.

  The Company will send shareholders voting against the proposed transfer of the headquarters and requesting the redemption of their shares, a takeover offer of their securities by registered mail with acknowledgment of receipt within 15 days of receipt of the redemption request. The redemption offer will include:

  - the per share price offered, which will be determined in accordance with the provisions of Article L 433-4 of the Monetary and Financial Code,
  - the suggested means of payment,
  - the validity of the offer, which shall be no less than 20 days,
  - the location where the offer can be accepted.

  Any protest filed by a shareholder regarding the price offered will be brought before the Court with jurisdiction attached to the Court of Appeal of Lyon, within the period specified in the bid.

Seventeenth resolution
(Delegation of authority granted to the Board to increase the equity capital through the issue of shares or any marketable securities giving access to the capital with removal of the pre-emptive right, under condition subsequent of the transfer of the headquarters to Luxembourg)

The General Meeting, ruling under the quorum and majority conditions to extraordinary general meetings, subject to the condition subsequent of transfer of the headquarters to Luxembourg (the subject of the sixteenth, eighteenth and nineteenth resolutions below) and after reviewing the Board's report giving a detailed justification for the proposed removal of the preferential subscription rights:

1°) Delegates to the Board of Directors the authority to increase the share capital of the company, in one or more times, by any means, including by issuing shares or any marketable securities giving access to capital, and by increasing the nominal value of shares issued for a period of 5 years from the date of publication in the Memorial C, Report of Companies and Associations, of the Company's registration in the Trade Register of Luxembourg. In the context of this delegation of authority, the Board may limit or cancel any existing pre-emptive subscription rights. The Board may set all the terms and conditions of issue, including the place and date of issue or successive issues, the issue price, with or without additional paid-in capital, and the terms and conditions of subscription and release of new securities. The Board may in particular accept such stock subscription against payment in cash or in kind, under the conditions laid down by law, and the issue of new shares by capitalisation of reserves and/or of the additional paid-in capital, and the free award of shares. The Board may also delegate the authority to accept the subscription of new shares.

2°) Decides:

a. the amount of capital increases likely to be carried out immediately and/or eventually under the authority granted by this resolution, could not be more than €5 million in nominal,

b. the face value of debt securities giving access to capital, likely to be issued under the delegation granted under this resolution, cannot exceed €100,000,000 or its equivalent in foreign currency on the date of issue,

c. the Board could use such delegation for any purpose participating to the achievement of the corporate purpose, including to issue shares or other instruments giving access to shares, to employees and/or corporate officers of the Company and/or companies that are included in the consolidation scope of the Company, within the limit of a total of 200,000 shares issued as part of the delegation of authority granted to this seventeenth resolution, 2°) c. Other conditions governing the issuance of these shares, including the determination of the beneficiaries of these shares, and the individual and/or collective performance requirements, will be set by the Board.

This resolution will be effective subject to the condition subsequent of the actual transfer of the Company to Luxembourg, or as of the date of registration in the trade register of Luxembourg.

Eighteenth resolution
(Adoption of the new by-laws)

The General Meeting, ruling under the quorum and majority conditions required for extraordinary general meetings, after taking note of the adoption of the foregoing resolution, adopted in full the new by-laws that will govern the Company, which are:

TITLE I

FORM - PURPOSE - COMPANY NAME - REGISTERED OFFICE - DURATION - ACCOUNTING PERIOD - AGE LIMIT

Article 1 - Form

The Company was originally incorporated as a limited company and was transformed into a European Company (*societas Europaea* or "SE") by decision of the Extraordinary General Meeting of 30 January 2009.

It is governed by the provisions of Regulation (EC) No 2157/2001 of 8 October 2001 on the Statute for a European company, by these by-laws when expressly referred to in the above rule, and by the law of 10 August 1915 on commercial companies as amended. Without such provisions, the Company is governed by these by-laws.

Article 2 - Purpose

The Company's purpose includes:

- To take interests, in any form whatsoever, in any business, industrial, or financial company, group of economic interest or other, whether governed by Luxembourg or foreign law;

- To acquire, by way of interests, contribution, subscription, underwriting or option to purchase, negotiation and otherwise, any securities, titles, rights, patents and licenses and other property rights, personal rights and interests, that the Corporation deems appropriate;

- Generally to hold, manage, develop them and sell them in whole or in part, for the price that the Company may think fit and in particular against the shares or securities of any company purchasing them;

- To enter, assist, or take part in financial, business, or other transactions;

- To grant to any holding company, subsidiary or any other company associated in one way or another to the Company or any company belonging to the same group of companies (the **"Affiliate"**), any assistance, loans, advances, guarantees or sureties (in the latter two cases, including to third parties lenders to the Affiliate);

- To borrow or raise money in any manner whatsoever and to guarantee the repayment of any money borrowed;

- The Company may provide administrative services of a consultative nature or carry out any other research, development and supervisory activities; all consultative and production activities in the field of information systems.

- Generally to conduct any sort of activity that might seem incidental or facilitate the attainment of the above purposes or any of them.

- The Company may conduct all commercial, technical and financial tasks, in direct or indirect connection with the areas described above in order to facilitate the accomplishment of its purpose.

It may act directly or indirectly and carry out all these operations on its own behalf or on the behalf of third parties, either alone or 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.

Article 3 - Company name

The name of the Company is:

Sword Group SE

In all deeds, invoices, advertisements, publications and other documents issued by the Company, the name must always be preceded or followed by the words written legibly "European company" or the initials "SE"

Article 4 - Registered office and central administration

The Company's registered office and central administration are established in **Strassen.**

The registered office may be transferred to any other location within the same municipality, via a mere decision of the Board of Directors.

The transfer of the headquarters to another State of the European Union must be in accordance with the provisions of Regulation (EC) No 2157/2001 of 8 October 2001.

Article 5 - Duration

The duration of the Company is indefinite.

Article 6 - Accounting period

The company's accounting period begins on **1 January** and ends on **31 December** of each year.

Article 7 - Age limit for performing the duties of Director, Chairman of the Board, Managing Director and delegate for daily management tasks

No one shall be appointed board member if, being over the age of 70, his/her appointment has the effect of raising to more than one third of the board members, the number of directors above that age. If, due to a board member in office exceeding the age of 70, the above-mentioned proportion of one third is exceeded, the oldest board member is deemed to have resigned at the end of the next ordinary general meeting.

No one shall be appointed Chairman of the Board, Chief Executive Officer or delegate to daily management if aged over 65. On the other hand, if the managing directors or the delegates to the daily management in office reach that age, they are deemed to have resigned at the end of the next meeting of the Board.

TITLE II

SHARE CAPITAL – SHARES

Article 8 - Share capital

I - The share capital is set to **€9,289,965 (nine million two hundred eighty nine thousand nine hundred sixty-five euros)**. It is divided into **9,289,965 shares with a par value of €1 each**, fully paid and all of the same category.

The Company's authorised capital is set to €5,000,000 (five million euros), represented by 5,000,000 shares with a par value of €1 each.

However, as part of new shares issued under the securities representing debt that gives access to the capital, the amount of authorised capital is set at €100,000,000 (one hundred million euros) divided into 100,000,000 shares with a face value of €1 each.

Within the limits of the amounts of the above authorised capital, the Board is authorised, for a period expiring five years from the date of publication in the Memorial C, Report of Companies and Associations, of the Company's registration in the Trade Register of Luxembourg, to increase in one or more times the share capital by any means, including by issuing ordinary shares or securities giving access to capital, and by increasing the value of the shares issued. Under the conditions set by the Extraordinary General Meeting, the Board may cancel or limit the preferential subscription rights.

These capital increases can be subscribed to by cash payment or contribution in kind, in accordance with the legal provisions then applicable or by capitalisation of available reserves, deferred profits, distribution of dividends or additional paid-in capital, in each case at an issue price determined by the Board.

The Board may delegate to any authorised board member or attorney of the Company or any other duly authorised person, the right to accept subscriptions and receive payment for shares representing part or all of the amount of such capital increase.

With each increase of capital of the Company by the Board within the limits of the authorised capital, subsections I and II of this article will be amended accordingly and the Board shall take or authorise any person to take all steps necessary for the performance and publication of such amendment.

II – The share capital was built up as follows:

- Upon the inception of the Company, through contributions in cash for €40,000.

- At the Extraordinary General Meeting of 30 August 2001, the capital was increased by an amount of €3,412,470, through the provision of 682,494 shares of SWORD SA.

- At the Board of Directors of 31 December 2001, the capital was increased by an amount of €167,840, through the subscription of 33,568 new shares of €5 each resulting from the exercise of subscription rights attached to such stand-alone warrants issued by the Company as decided by the Board of 2 November 2001 following authorisation by the Combined General Meeting of 29 October 2001.

- At the Board of Directors of 27 February 2002, the capital was increased by an amount of €615,360, through the subscription of 123,072 new shares of €5 each resulting from the exercise of subscription rights attached to such stand-alone warrants issued by the Company as decided by the Board of 2 November 2001 following authorisation by the Combined General Meeting of 29 October 2001.

- At the Combined General Meeting of 27 February 2002, it was decided to increase the share capital through the issue of 126,089 new shares with par value of €5 each with cancellation of the shareholders' preferential subscription right to the benefit of FCPR 21 DEVELOPPEMENT. The Board of Directors held 12 march 2002 recognised the final cancellation of such capital increase.

- At the Combined General Meeting of 27 February 2002, the Board was authorised to increase the share capital, in one or several instalments, by €5,000,000 maximum. As part of that increase, the Board of Directors dated 12 March 2002 approved a capital increase of €1,295,100 by issuing 259,020 shares with a par value of €5 with cancellation of the preferential subscription rights to enable opening the Company's capital to the public. The Board of Directors held 20 March 2002 recognised the final cancellation of such capital increase.

- At its meeting of 21 January 2004, under the authorisation referred to above, the Board decided to delegate to the Chairman all the powers that were granted by the Combined General Meeting of 27 February 2002.

- Using the powers granted to him, the Chairman of the Board of Directors:

- decided on **26 March 2004** to trigger a capital increase process through the issue of Shares with share purchase warrants (ABSAs),
- set on **5 April 2004** the final features of such issue of ABSAs,
- decided on **7 April 2004** to use the extension clause bringing up to 236,178 the total number of ABSAs to be issued by the Company.

The Board of Directors held **26 April 2004** recognised the final cancellation of such capital increase.

The Board of Directors held **14 June 2005** recognised the exercise of 23,716 share purchase warrants entitling to the payment, to the Company, of an overall amount of €573,808.62, representing additional paid-in capital for €544,163.62 and a capital increase of €29,645, thereby increasing the capital from €7,342,105 to €7,371,750.

The Board of Directors held **19 January 2006** recognised the exercise of 29,336 share purchase warrants entitling to the payment, to the Company, of an overall amount of €709,784.50, representing additional paid-in capital for €673,114.50 and a capital increase of €36,670, thereby increasing the capital from €7,371,750 to €7,408,420.

The Board of Directors held **21 June 2006** recognised the exercise of 182,736 share purchase warrants entitling to the payment, to the Company, of an overall amount of €4,421,297.40, representing additional paid-in capital for €4,192,877.40 and a capital increase of €228,420, thereby increasing the capital from €7,408,420 to €7,636,840.

At the Extraordinary General Meeting of **28 April 2006**, it was decided to grant the Board the authority to decide the issue of new shares, with cancellation of the preferential subscription right, for a period of 26 months. At that same Meeting, the Board of Directors was also authorised to increase, at its sole discretion, the number of shares to be issued in case of capital increase, within the limit of 15% of the initial issue.

At its meeting of **14 February 2007**, the Board decided to use the delegations of authority granted by the Extraordinary General Meeting of 28 April 2006, approved the principle of a capital increase with preferential subscription rights of subscription, with no priority period and sub-delegated all its powers to the Chairman.

As per a decision dated **14 February 2007**, the Chairman, acting as CEO, has decided to issue 1,250,000 new shares.

As per a decision dated **1 March 2007**, the Chairman, acting as CEO, exercised the extension option of 15% by increasing the number of new shares to issue to 1,437,500, and set the unit price of new shares at €40.

As per a decision dated **9 March 2007**, the Chairman noted, based on the depositary's certificate issued by “Societe Generale” dated 9 March 2007, the final completion of the capital increase decided by the Extraordinary General Meeting of 28 April 2006, which raised the capital from €7,636,840 to €9,074,340.

By letter dated **28 March 2007**, the Company Bryan, Garnier & Co. notified the Company of the full exercise of the over-allotment option which was granted by the Company and undertook (i) to exercise this option up to 215,625 shares and (ii) to settle, on 2 April 2007, the sum corresponding to such exercise at the price of the original offer, or €40 per Sword Group share.

As per a decision dated **2 April 2007**, the Chairman noted, based on the depositary's certificate issued by “Societe Generale” dated 2 April 2007, the exercise in full of the over-allotment option and the final completion of the capital increase through the subscription of 215,625 new shares, the capital being raised from €9,074,340 to €9,289,965.

Article 9 - Change in capital

1 - The share capital may be increased by any means and in any manner provided by law.

The new shares are paid for either in cash, or by offsetting receivables due and payable to the Company, or by capitalisation of reserves, profits or additional paid-in capital, or by contribution in kind, or by conversion of bonds.

The Extraordinary General Meeting has sole authority to decide a capital increase. It may also delegate such authority to the Board of Directors as part of the capital authorised by the by-laws.

The Board of Directors may decide to limit the capital increase against cash to the amount subscribed.

In case of increase through the issue of shares to be subscribed against cash, a preferential right to subscribe these shares is reserved for owners of existing shares, as permitted by law. However, shareholders may individually waive their preferential rights during the General Meeting that decides or authorises a capital increase. In addition, the shareholders at the General Meeting may cancel such preferential in accordance with legal requirements.

2 - The capital increase may also result from the request by any shareholder to receive payment in shares of all or part of the dividend distribution where such power was granted to shareholders by a decision taken by the General Meeting or by the Board of Directors as part of a capital increase within the limits of the authorised capital as defined in Article 8 of these by-laws.

In that case, the Board of Directors, within the statutory period, finds the number of shares issued under the preceding paragraph and has the statutory changes implemented via a notarial deed.

3 - The Extraordinary General Meeting may also delegate to the Board the implementation of the capital reduction.

The Board of Directors may repurchase shares of the Company, within the limits set by law and by the authorisation granted by the Extraordinary General Meeting.

Article 10 - Ownership and form of the shares

Shares can be either registered shares or bearer shares depending on the choice made by the holder. If Luxembourg law permits, the shares can be dematerialised.

Regarding bearer shares, the Company will issue bearer share certificates to the shareholders concerned, in the form and according to the indications, set out by law. The Company may issue multiple bearer share certificates. The transfer of bearer shares will be effected by mere delivery of the bearer share certificates.

Regarding registered shares, a register of shareholders will be held at the Company's headquarters. Such register will be available for review by all shareholders. Such register shall contain the name of each shareholder and the number of shares they hold, an indication of the payments made on the shares and the share transfers, as well as the dates relating thereto. Any shareholder shall inform the Company of any change of address or other by registered letter. The Company will be entitled to take into consideration the last address that was communicated.

Ownership of registered shares will be evidenced by entries in the register of shareholders. Certificates of entries into the register of shareholders will be issued on behalf of shareholders. The Company may issue multiple registered share certificates.

Shares may be listed on fungible securities accounts opened with banks or other professional custodians or clearing organisations.

The Company may, at any time, in accordance with applicable laws and regulations, ask the body responsible for clearing securities, for the name (or if it is a corporation, the company name), nationality and address of holders of securities giving immediate or future voting rights in its own shareholders' meetings, as well as the number of shares held by each of them and, where applicable, the restrictions the securities may be subject to.

If Luxembourg law authorises the issuance of dematerialised shares, registered shares and bearer shares are obligatorily converted into dematerialised shares within a period of two years from the date when the issuance of dematerialised shares is authorised, under the conditions set by law and implemented by the Board.

Any shareholder, whether acting individually or with another shareholder, who increases their ownership to more than 5%, 10%, 15%, 20%, 25%, a third, half, two-thirds, of shares or voting rights must inform the Company of the total number of shares and voting rights they own, via registered mail with acknowledgement of receipt within 4 trading days of becoming aware of their exceeding these thresholds. The same will apply in the event that said shareholding is reduced to below each of these thresholds.

This information will also be issued to the Commission of the Financial Sector within (i) 6 trading days and (ii) 4 trading days as of the crossing of these interest thresholds due to an event changing the distribution of voting rights.

Unless they have been promptly declared, shares in excess of the threshold that should have been notified do not have voting rights until two years after the regularisation of notification.

Article 11 - Disposal and transfer of shares

Shares are freely tradable in the absence of any legal or regulatory provisions to the contrary.

Any transfer of registered shares shall the subject of the recording, in the register of shareholders, of a statement of transfer, dated and signed by the transferor and the transferee or their representative(s), as well as in accordance with the rules governing the transfer of debt, set out in Article 1690 of the Luxembourg Civil Code. The Company may also accept and record in the register of shareholders, any transfer referred to in any correspondence or other document mentioning the agreement between the transferor and the transferee.

Article 12 - Joint ownership - Usufruct - Bare ownership

Every action is indivisible with respect to the Company.

Joint owners of undivided shares must be represented by one of them or by a single agent. In case of disagreement, the agent is appointed, at the request of any of the more diligent shareholder, by order of the President of the Commercial Court ruling in chambers. The voting rights attached to shares belong to the beneficial owner at Ordinary General Meetings and the bare owner at Extraordinary General Meetings.

TITLE III

BOARD OF DIRECTORS - SENIOR MANAGEMENT

Article 13 - Board of Directors

1 - The Company is managed by a board comprised of at least three and at the most eighteen, members, except in case of temporary exception provided in case of merger.

Except if provided otherwise by Article 7 above, the term of office of board members is four years.

2 - A corporation may be appointed as a board member. Upon its appointment, it is required to name a permanent representative to participate in the deliberations of the Board and generally to hold office as board member. The permanent representative will be in office for the term of office of the corporation, and must be confirmed at each renewal. Except in case of emergency, notices are sent to board members at least two days before the day of the Board meeting.

Upon dismissal by the corporation of its permanent representative, death, or resignation, the corporation is required to notify without delay the Company of such event, as well as of the identity of the new permanent representative.

3 - A Company employee may be appointed administrator. However, the number of board members bound to the Company under an employment contract may not exceed one third of the directors in office.

4 - Board members are appointed or reappointed by the general meeting of shareholders.

However, in case of vacancy by death or resignation of one or more board seats, the board of directors may, between two general meetings, make appointments on a provisional basis. These appointments are subject to ratification by the next general meeting.

If the appointment of board member by the Board is not ratified by the Meeting, all deeds performed by such board member and the resolutions adopted by the Board during the interim management remain, nevertheless, valid.

A board member appointed to replace another board member shall hold office for the time remaining on his predecessor's term.

The appointment of a new board member in addition to current members in office can only be decided by the general meeting that sets the term of office.

Article 14 – Senior Management of the Company

1 - The Board of Directors will select, from among its members, a Chairman who will be awarded the title of "CEO". It may also appoint a secretary who need not be a board member, who will be in charge of holding minutes of the Board meetings.

In the absence of the Chairman of the Board, the Board shall appoint from among its members present a chairman of the board temporarily appointed for that function. In the event that votes are split, the Chairman’s vote will be the casting vote.

2 - The Board meets when called by its Chairman, as often as the interests of the Company require, and at least once every 3 months. Board members, representing at least one third of board members may request that the Chairman convene the Board on a specific agenda if it has not met for more than two months.

Any board member may, by letter or fax, warrant another director to represent him at a Board meeting.

3 - For the Board to deliberate validly, attendance or representation of at least half of its members in office is sufficient. Are considered present for the quorum and the majority those board members attending the Board meeting by videoconference, as determined by applicable law.

However actual presence or representation is required for deliberations relating to:

- the appointment or dismissal of the Chairman of the Board,
- the appointment or dismissal of the person in charge of daily management (Managing Director or delegate in charge of daily management),
- the approval of the annual and consolidated financial statements,
- the establishment of the management report and, where applicable, that of the group.

These types of transactions referred to above give rise to a specific decision of the Board.

Decisions are taken by the vote of the majority of members present, each board member having one vote. In the event that votes are split, the Chairman’s vote will be the casting vote.

The board members, and anyone called to attend a board meeting, have a secrecy obligation regarding any confidential information held as such by the Chairman of the Board.

4 - The deliberations are recorded in the minutes kept at the headquarters of the Company, and signed by the presiding officer and at least one board member, in addition to the secretary if he/she is not a board member.

Copies or extracts of such minutes shall be certified by the Chairman of the Board or the Chairman of the Board temporarily delegated to fill the Chairman, or an attorney fully authorised to that effect.

Article 15 - Powers of the Board

1 - The Board of Directors sets out the company’s business policies and ensures that they are followed. Subject to the authority explicitly granted to shareholder meetings and within the limits of the corporate objective, it rules over any issue regarding the proper operation of the Company and deliberates to solve the issues that concern it.

The Board may delegate the daily management of the Company and its representation for such daily management to (i) one or more managing directors in charge of daily management who have the title of "Deputy CEO" and/or (ii) officers, employees and other corporate officers, whether or not they hold shares of the Company, who will have the title of "delegate in charge of the daily management."

In addition, the Board may delegate special powers or proxies, or entrust determined, permanent or temporary functions, to any individuals or corporate officers as the Board shall determine.

2 – The Board of Directors carries out any controls or checks that it deems necessary. Each director receives all the information necessary to perform his/her duties and may request any documents he/she deems useful.

The Board of Directors determines the amount of the fixed or proportional remuneration to be paid to the managing directors or the delegates in charge of daily management.

Managing directors and delegates in charge of daily management are authorised to grant sub-delegations of authority or power substitutions for one or more transactions or types of transactions. All other delegates and corporate officers may be authorised for the same purpose.

Vis-à-vis third parties, the Company shall be bound by the signature of Chairman of the Board, or the joint signatures of two board members or the individual signature of on managing director, or by the individual signature of a delegate in charge of the daily management of the Company, as part of the daily management, or by the signature of any individual to whom such authority has been delegated by the Board, but only within the limits of such power.

Article 16 - Remuneration of the Board members

Board members are entitled to directors' fees, whose annual total amount is set by the general meeting and is maintained until the meeting makes a new decision. The Board divides the fees between its members in the way it deems appropriate.

Article 17 - Conflict of interest

Should a member of the Board of the Company have or possess any personal interest in one of the Company's transactions, such member shall inform the Board of Directors regarding such interest, and shall not deliberate nor vote regarding such transaction.

Such transaction and that director's personal interest in that transaction shall be subject to a special report to the next general meeting of shareholders before any vote can be expressed by such director for any other resolution.

Article 18 – Agreements relating to current operations

Article 17 does not apply if (i) the relevant transaction is entered into under fair market conditions and (ii) is par of the normal course of business of the Company.

No contract or other transaction between the Company and any other company would be affected or invalidated by the mere fact that a member of the Board or any officer of the Company has a personal interest in, or is a director, partner, member, shareholder, officer or employee of, such a company. No person related as above to a company with which the Company enters into contracts or otherwise engages in business shall, because of such affiliation with such a company, be prevented from deliberating, voting or acting in connection with matters relating to such contract or other business.

TITLE IV

GENERAL MEETINGS - SURVEILLANCE OF THE COMPANY

Article 19 - General rules

A - Notice of meeting

The shareholders meet at the Annual General Meeting, each 28 April of each year at 11 am in the municipality of the Company's registered office or any other venue, as specified in the notice.

If the meeting date falls on a holiday, it shall take place on the immediately following business day.

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

One or more shareholders who together hold at least 10% of the subscribed capital may request the calling of a general meeting. Their request must set those issues to be covered by the agenda.

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 headquarters or at any other location, and its agenda.

B - Agenda

The agenda is set by the person calling the meeting. It may contain proposals by one or more shareholders or by the employee representation body under the terms set by the law.

One or several shareholders who together hold at least 5% of the paid capital may request the registration of one or several new agenda issues for any general meeting, within the timeframe and in the forms set out by 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.

C - Admission to the meetings - Powers

Any shareholder may, regardless of the number of shares held, take part, in person or via a proxy, to the meetings upon justifying his/her identity and the ownership of his/her shares, in the form:
either of a registration in his/her name,
or of the registration of the shares in the name of the shareholder or the intermediary registered on his/her behalf, on the third business day preceding the meeting at 0:00, Paris time, either in the registered share books held by the Company, or in the bearer share books held by the authorised intermediary.

However, the Board of Directors can either shorten or cancel that period of time, subject to that initiative being to the benefit of all shareholders.

Shareholders may vote by mail and must, to that effect, ask the Company for a postal voting form. That form will include references to the relevant meeting and will be written so that the shareholder may cast his/her vote on each proposed resolution, according to their order of submission at the meeting. The request must be issued to the Company by any means and must be filed or received by the headquarters at least six days before the meeting.

The voting form, to be acceptable, must necessarily include the following:

indication of the names, surname and domicile of the shareholder,
indication of the form of the shares (bearer or registered form) and of the number of shares, as well as an statement confirming that the shares are registered, either to registered securities accounts held by the Company, or to bearer securities accounts through the authorised financial intermediary,
signature of the shareholder or his/her legal representative.

To be taken into account, postal votes must reach the Company at least three days before the date of the meeting.

A shareholder may be represented under the conditions set by applicable regulations.

D - Meeting - Board - Minutes

The General Meeting is chaired by the Chairman of the Board or by a board member appointed for that purpose by the Board, if the meeting was called by the Board or, failing that, by an individual designated by the Meeting; it is chaired by the auditor or company auditor where appropriate, by the attorney or the liquidator in other cases. Scrutiny functions are filled by those two members of the meeting who hold the largest number of votes and accept such functions. The officers shall appoint a secretary who need not be a shareholder.

The deliberations are recorded in minutes signed by the officers, as well as by those shareholders who request it.

Copies or extracts of such minutes, to be produced at court or elsewhere, shall be validly certified, regarding ordinary general meetings, by the chairman of the board or a board member or the secretary of the Meeting and, regarding extraordinary general meetings, by the notary who holds the minutes in question.

E - Terms and conditions that apply to the right to vote – Majority

1 - The quorum is calculated from the total number of shares that go to constitute the share capital, 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 - An **ordinary** general meeting shall deliberate validly only if the shareholders attending, represented or voting by mail, own at least, on first call, **one quarter of the share capital**. Failing that, a second general meeting that will not require a quorum, will be convened in the form prescribed by Article 67-1 of the law of 10 August 1915 as amended, on commercial companies.

An **extraordinary** general meeting shall deliberate validly only if the shareholders attending, represented or voting by mail, own at least, on first call, **half of the share capital**. Failing that, a second general meeting that will not require a quorum, will be convened in the form prescribed by Article 67-1 of the law of 10 August 1915 as amended, on commercial companies.

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.

4 - Votes at general meetings are cast by a show of hands, a roll call, a secret ballot, or the use of telecommunication facilities, in other words videoconferencing or any means of telecommunication allowing to identify the shareholder taking part in the Meeting, as determined by the officers or the shareholders.

The Ordinary Meeting shall rule by the majority of votes validly cast. The votes validly cast shall not include those relating to shares for which the shareholder has not taken part in the vote, has abstained or has cast a blank or invalid ballot.

The Extraordinary General Assembly shall rule by a majority of two thirds of valid votes.

Article 20 - Ordinary General Meeting

The Ordinary General Meeting shall rule on issues that are not within the scope of the Extraordinary General Meeting.

Article 21 - Extraordinary General Meeting

The Extraordinary General Meeting may make any changes to the by-laws that are approved by the corporate laws.

Article 22 - Monitoring of the Company

Monitoring of the Company is entrusted to one or more auditors; these are appointed for a term not exceeding six years. They can be re-elected.

If the thresholds set out in Article 35 of the law of 19 December 2002 on the trade register as amended, are met, and/or as long as the Company's shares are admitted to trading on a "regulated market" within the meaning of paragraph 14 of Article 4 (1) of the MiFID directive known as 2004/39/EC of 21 April 2004, and/or as otherwise required by law, the Company shall entrust the control of its annual accounts to one or more auditing firms(s) designated by resolution of the general meeting of shareholders, from among auditors whose names appear on the list established by the “Commission de Surveillance du Secteur Financier”. On appointment of one or more auditors, the term of office of the auditors is terminated as of right.

TITLE V

ANNUAL ACCOUNTS - PROFITS - RESERVES

Article 23 - Annual accounts - Management report

At the close of each fiscal year the Board prepares an inventory and annual accounts in accordance with legal provisions.

The Board prepares an annual management report regarding the Company's situation over the year elapsed.

The annual accounts, consolidated financial statements and management report shall be submitted and presented at the annual general meeting as required by law so that it can deliberate on the annual company accounts and consolidated financial statements.

Article 24 - Appropriation of profit - Reserves

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.

The Extraordinary General Meeting may, as permitted by law, determine the full or partial depreciation of the shares that will lose, in due proportion, their right to a dividend or the repayment of face value.

That meeting may also, as provided by law, determine the conversion into capital shares of fully or partially amortised shares.

Article 25 - Payment of dividends and interim dividends

The cash dividend is paid on the date and at the place determined by the general meeting or, failing that, by the Board.

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 General 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.

Any dividends that have not been collected within five years of payment being made will be forfeited in accordance with the law.

TITLE VI

DISSOLUTION - WINDING UP - DISPUTE

Article 26 – Dissolution Winding Up

The company may be wound up by decision of the general meeting, deliberating under the same quorum and majority conditions as those required for amending the by-laws, unless otherwise provided by law.

Upon winding up of the company, the liquidation will be carried out by one or more liquidators appointed by the general meeting of shareholders which shall determine their powers and their compensation.

Nineteenth resolution
(Acknowledgement of the completion of the headquarters transfer)

As a consequence of the above, the general meeting will note the transfer of the Company's headquarters from Saint-Didier-Au-Mont-D’or (69370 France), 9 avenue Charles de Gaulle to the Grand Duchy of Luxembourg, 105 route d’Arlon, L-8009 Strassen, it being pointed out that the transfer of the Company's official headquarters, and the resulting amendment to its by-laws, will become effective for shareholders, only on the date when it is registered in the trade register of the new headquarters. With respect to third parties, the resulting transfer and modification of the by-laws will be binding as of the publication of such registration as provided by regulations of the Grand Duchy of Luxembourg.

Twentieth resolution
(Appointment of Board members)

The General Meeting, after recognising the resignation of the previous board members, effective on the date of the Company's registration in the trade register of Luxembourg, when their term of office will cease to be governed by French law, decides to appoint as directors of the Company, once the latter is governed by Luxembourg law, namely on the date of the Company's registration in the trade register of Luxembourg:

- Mr Jacques Mottard, domiciled at 1 rue Président Carnot, 69450 Saint-Cyr au Mont d’Or (France),
- Ms Françoise Fillot, domiciled at 286 route de la Glande, 69760 Limonest (France),
- Mr Nicolas Mottard, domiciled at 1 rue Président Carnot, 69450 Saint-Cyr au Mont d’Or (France),

- Mr François Barbier, domiciled at 18 rue Henri Barbusse, 75005 Paris (France),
- Mr François-Régis Ory, domiciled at 600 Chemin de la Ronze, 69480 Morance (France).

For a term expiring at the Annual General Meeting ruling on the accounts for the year ended 31 December 2015.

Twenty-first resolution
(Appointment of two company auditors)

The General Meeting, after recognising that:

- in accordance with Article 3 (4) of the Luxembourg law of 11 January 2008 on transparency requirements for issuers of marketable securities, and section 340 of the Luxembourg law of 10 August 1915 (as amended) relating to business companies, from the day of its registration in the trade register of Luxembourg, the Company will have the obligation to have its financial statements controlled by one or more auditors appointed from among the accredited auditors whose names appear on the list established by the Commission de Surveillance du Secteur Financier,

- the terms of office of the current auditors may therefore not continue due to the change in *lex societatis,*

therefore decides to appoint:

MAZARS S.A., whose headquarters are located at 10a, rue Henri M. Schnadt, L-2530 Luxembourg,
And
DELOITTE Audit Sàrl, whose headquarters are located at 560, rue de Neudorf, L-2220 Luxembourg,

as auditors of the Company for a term expiring at the Annual General Meeting ruling on the accounts for the year ended 31 December 2012.

The General Meeting recognises that MAZARS S.A. and DELOITTE Audit Sàrl will be required to give a joint opinion on the financial statements of the Company closed on 31 December 2012.

Twenty-second resolution
(Authority to complete formalities)

The General Meeting, ruling under the quorum and majority conditions required for extraordinary general meetings, grants full authority to the bearer of an original copy, a copy, or an extract of this report to conduct all filings and publications required by Law.

26.4 List of press releases published in 2011 and 2012

25/01/11: Q 4 2010 turnover

08/03/11: Annual financial statements

11/04/11: Notice of meeting to be used as calling to the General Meeting of 17 May 2011

20/04/11: H 1 2011 results

26/04/11: Conditions under which the documents of the General Meeting of 17 May 2011, will be made available

26/04/11: 2010 financial report available

27/05/11: Disposal of 2 Product lines

07/07/11: Confirmation of payment of the exceptional dividend

20/07/11: Q 2 2011 turnover

30/08/11: H1 2011 financial statements

30/08/11: 2011 half-yearly financial report available

09/09/11: Implementation of a liquidity contract

19/10/11: Q 3 2011 turnover

15/11/11: Disposal of Sword CTSpace

20/01/12: Notice regarding a project to transfer the headquarters to Luxembourg

20/01/12: Changes to the 2011/2012 calendar

25/01/11: Q 4 2011 turnover

14/02/12: 2011 annual financial statements

26.5 Glossary

Developed term	Abbreviation	Meaning
Customer Relationship Management		Strategy, organisation designed to strengthen the relationships and technologies 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 documents 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.
Marketplace		Virtual meeting place for customers and suppliers.
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 inter-bank payment network.
Third party maintenance or application management	TMA	When a company hands over responsibility for an entire functional area of its information system.
Web Content Management	WCM	Expertise to manage and develop multilingual IT systems, in all existing forms: paper, CD-ROM, websites.
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.