Annual Report 2010

STS GROUP

Software for Trusted Services ™

Content

Message from the Chairman

Dear Shareholders,

Over the 2010 financial year, **STS GROUP** strengthened its position as a software publisher with the release of its new PEA software suite which is already used by EUROGROUP for the archiving of interbank flows, as well as its worldwide coverage thanks to its partner network, operational in over 20 countries (Digital Trust platforms – JV).

Thanks to its latest acquisitions:

- **CODASYSTEM:** the Group integrates a mobility product into its software suite processing the probative value of a photographic object
- **DEAL IT**: the Group has a financing offer for its customers and partners

And thanks to its investment in the capital of its partner, **RISC GROUP** (Cloud Computing Provider), **STS GROUP** has further positionned its software offer on the SaaS market.

Similarly to social networks, this sector, combining SaaS (on-demand software usage) and Digital Trust, offers the highest growth rates on the market since it contributes to the development of the digital economy: without Digital Trust, the digital economy cannot exist.

This positioning brings us new opportunities for partnerships with key players in technology, such as **MICROSOFT**, and allows major service providers to be approached to resell our software solutions in SaaS mode regardless of the market they adress (key accounts, e–government, healthcare, SME/VSE, etc).

In financial terms, the decision to acquire and consolidate our Digital Trust platforms from 31 December 2010 had a very negative impact in terms of consolidated figures (though without cash effect) but it allows one of the Group's essential assets in terms of development potential to be protected.

This international network of Digital Trust platforms unique in the world, giving **STS GROUP** the capacity to distribute its solutions on on an international scale while avoiding the risks and the fund-pooling traditionally required to create a worldwide Group.

The Board of Directors and myself would like to thank you for your trust and commitment to our Group.

Bernard CALVIGNAC

Profile & Strategy

1. Preamble

STS GROUP was born in 2000 from the observation that despite the fast development of the electronic document management market, no solution existed at the time both to archive and exchange electronic documents, all the while guaranteeing their legal value.

The ongoing demand for productivity, increased storage costs and the awaited change in legislation regarding electronic documents would be the driving factors for such a project for at least 10 years.

The product, which brings together all the best productivity tools in terms of archiving, and the legal component was sure to be of interest to a wide scope of customers: from key accounts to small and medium companies (SMEs) and very small companies (VSEs), and even individuals.

In 2010, **STS GROUP** chose to position Digital Trust in Cloud Computing and mobility so as to generate new opportunities with key market players (**MICROSOFT**, telecom operators) and thus cover all market segments (from key accounts to VSEs, not forgetting e-government) on an international level.

2. History

COMPANY FOUNDED

2000

- Creation of STS France in Toulouse (which became **STS GROUP** in 2005).
- Constitution of the Board of Directors.
- Launch of the design of **STS Suite** in DOTNET format (**MICROSOFT**), whose development was outsourced. Launch of simple services to process IT exchanges and to automatically read documents, with restitution on CD.

GROUP DEVELOPMENT

2001

- Creation of STS ESPANA
- Signing of the first contracts with agents and the first customers: SAINT GOBAIN, MERIEUX, ESSILOR, etc.

2002

- In parallel to the development of **STS Suite**, signing of the first electronic document management customers on the thin **STS Suite** client server: NUMERICABLE/CANAL +, GROUPE des MUTUELLES PYRENNES-BIGORRE, RENAULT, NISSAN, CREDIT ITALIA, etc.

2003

- Development (outsourced) and delivery of the first JAVA/UNIX version of **STS Suite** to WINTHERTUR Spain.

TOWARDS A GLOBAL OFFER

2004

- End of the development of **STS Suite**.
- Distribution of the product in Belgium, Switzerland and Germany

2005

- Public call for tenders for Legal Electronic Archiving from Banque de France won, in partnership with **STERIA**.
- Launch of the **STROMBOLI** electronic archiving platform in partnership with **EMC** and **STERIA**.
- Quoted on the free market via Euronext Paris (28 October 2005)

2006

- **STS GROUP** buys the Logon SI company, publisher and integrator of electronic archiving solutions

2007

- **STS GROUP** strengthens its legal archiving offer as majority shareholder in the **KEYVELOP**, specialist in probative electronic document exchange

2008

- **STS GROUP** creates the «**STS SAAS FACTORY**» offer targeted at operators wanting to set up an SaaS platform, integrating all Digital Trust functions and on which it will integrate its own online services.
- **STS GROUP** and Arvato Services create the «**DOCUMENT CHANNEL**» project which consists of creating a «100% online in SaaS mode» office automation suite so that each company can benefit from the digital economy applied to document management.

2009

- **STS GROUP** acquires **IPSCA**, a Spanish company specialising in electronic certification, and completes its digital trust software offer that leans on three pillars: Proof (**IPSCA** software), Exchange (**KEYVELOP** software), and Archiving (**STS GROUP** software).
- **STS GROUP** is the first company to work with the Université de la Méditerranée de Marseille – Fondation Univmed – as part of new French laws on the autonomy of universities.

STRATEGIC MILESTONES

2010

- **STS GROUP** becomes the reference shareholder of **RISC GROUP**, leading European provider of IT security services for small & medium-sized companies. This majority share acquisition in **RISC GROUP** enables **STS GROUP** to access a new client base potential of over 37,000 company contracts, and simultaneously positions the group in Cloud Computing.
- **STS GROUP** acquires «**DEAL IT**», a service company specialising in the Rental and Evolutionary Management of New Technologies (IT, medical, security, telecoms, office tools, etc).
- **STS GROUP** now has over 250 corporate international clients and 1,200 SMEs and 20,000 VSE customers through **RISC GROUP**.

2011

- **STS GROUP** announces the release of the first version of the STS PEA solution. This new line of software, resulting from many years of research and development, confirms **STS GROUP**'s product offer convergence in terms of evidence management and probative value electronic exchanges and archiving.
- **STS GROUP** acquires 96.57% of **CODASYSTEM**, French publisher of a mobile capture and processing software suite for multimedia content. Created in 2001, **CODASYSTEM** has developed an innovative technology for certified digital photography, guaranteeing the security and integrity of data captured. **CODASYSTEM**'s solutions come as a genuine extension to **STS GROUP**'s Digital Trust Services offer, providing a Digital Trust solution adapted to mobile applications. This combined offer opens an new distribution channel to **STS GROUP** in terms of telecom operators.

3. Strategy and objectives

3.1. The switch to the digital economy

From the creation of **STS GROUP** in 2000, its founders understood that the switch to a digital economy was becoming the major challenge for all companies and governments. However, although it seems necessary, this development still represents a sea change, a real «industrial revolution», and as such, it raises many questions.

- How can the identification of people acting in an electronic environment be guaranteed?
- How can the integrity of data and documents transmitted be ensured during an electronic exchange?
- How can confidentiality be maintained for information and data exchanged or preserved on a digital support?
- How can a clear link be established between an electronic document and a person, enforceable in legal terms?

In order to provide a real answer to all these questions, **STS GROUP** designed and developed **STS Suite**, the leading software suite fully dedicated to the management of Digital Trust.

STS GROUP set itself the mission to provide the market with a real answer to all these questions, by supplying all the functions needed to build a genuine Digital Trust Environment, namely:

- establishment of digital proof;
- management of traceable, secure exchanges;
- preservation of digital proof.

STS Suite integrates both the diversity of software and hardware, thus providing the market with the only universal Digital Trust solution.

3.2. The objective of STS Group is to become the world leader in Digital Trust solutions

The ambition of **STS GROUP** is to develop its leadership on a sufficiently mature market to grow exponentially:

- the legal framework has now been stabilised: the electronic object is defined and recognised in all European countries;
- broadband internet allows high volumes to be processed;
- demand is high, pushed by economic, security, and compliance requirements. Highly integrated by major groups, the challenge of dematerialisation is currently reaching SMEs, VSEs and shortly, the general public.

The development of **STS GROUP** is specifically based on:

- the development of its offer designed for its key account customers (via the **STS PEA** offer);
- an increasing number of distribution partnerships with the main market players;
- the development of its Cloud offer to target the SME/VSE market.

3.3. Global development

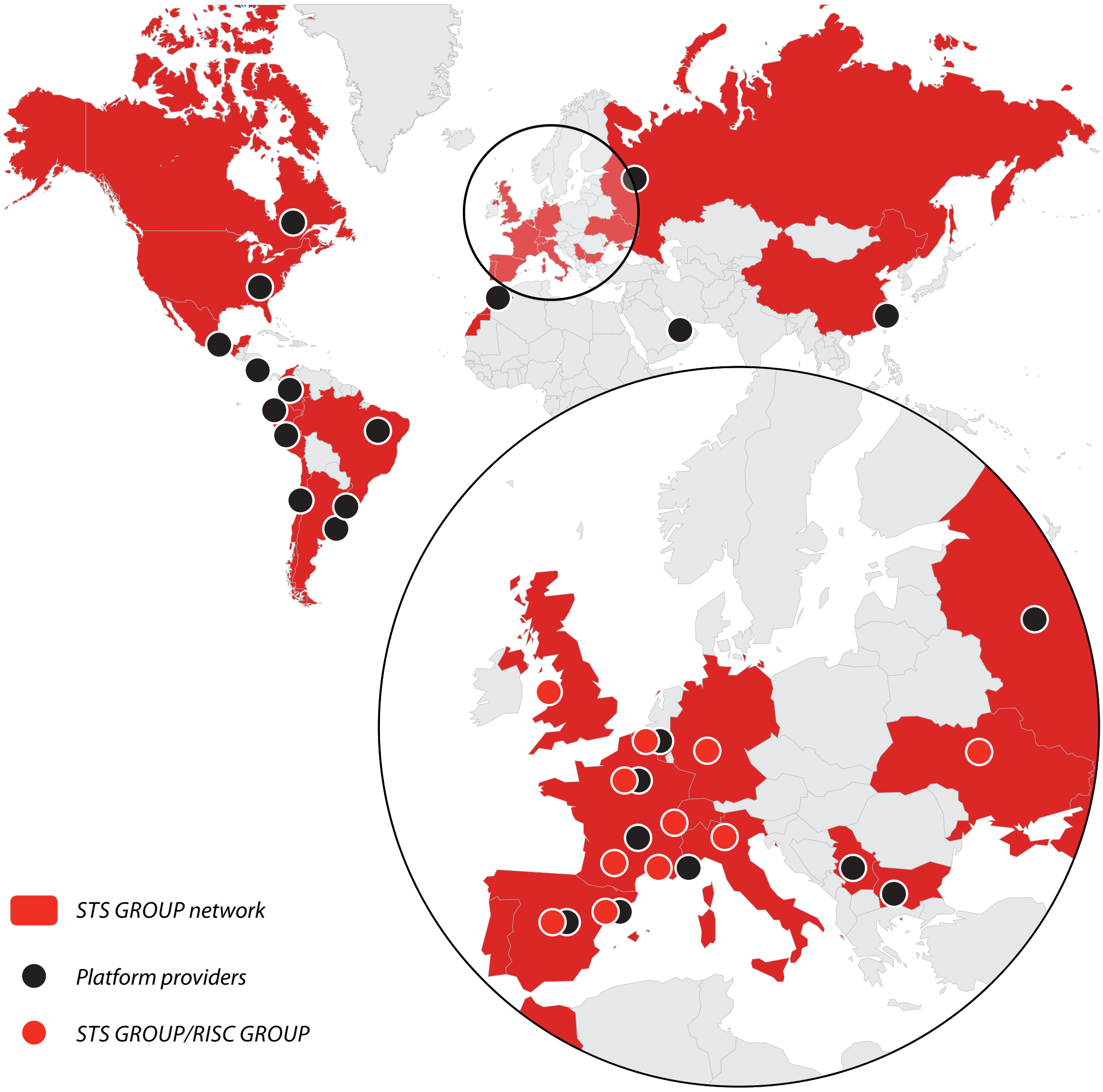
STS GROUP has entered into a range of strategic partnerships internationally in order to create the world's leading network of Digital Trust platforms.

These partners develop and distribute added-value solutions based around **STS GROUP**'s Digital Trust services in fields as diverse as Business Process Outsourcing, telecommunications, the postal sector, finance, insurance and many more.

To date, the **STS GROUP** Digital Trust network has 30 partners operating Digital Trust platforms, present in 20 countries throughout the world.

Region	Number	Country
EMEA	17	France (5), Belgium (2), Italy, Andorra, Bulgaria, Monaco, Serbia, Portugal, Russia, Spain (2), Morocco
North America	2	Canada, United States
Latin America	9	Mexico, Ecuador, Colombia, Chile, Argentina (2), Costa Rica, Peru, Uruguay
Asia	2	United Arab Emirates, Hong Kong

STS Group around the world



Key Figures

1. Leader in Europe

Volumes

- **4,500** online servers /
  Over **605** Tb of data stored
- Per day: **4** To of data saved and over 400 online retrievals
- > **2000 billion** objects archived by our customers
- > **100,000** personal certificates issued (Certification Authority)

Presence

- Locally in **8** European countries (FR, BE, DE, UK, IT, SP, CH, UKR)
- Globally through **350** partners
- Internationally via **30** SaaS Digital Trust platforms

The leading French publisher of universal Digital Trust solutions

- Created in **2000**
- **397** employees
- R&D: **15%** of workforce

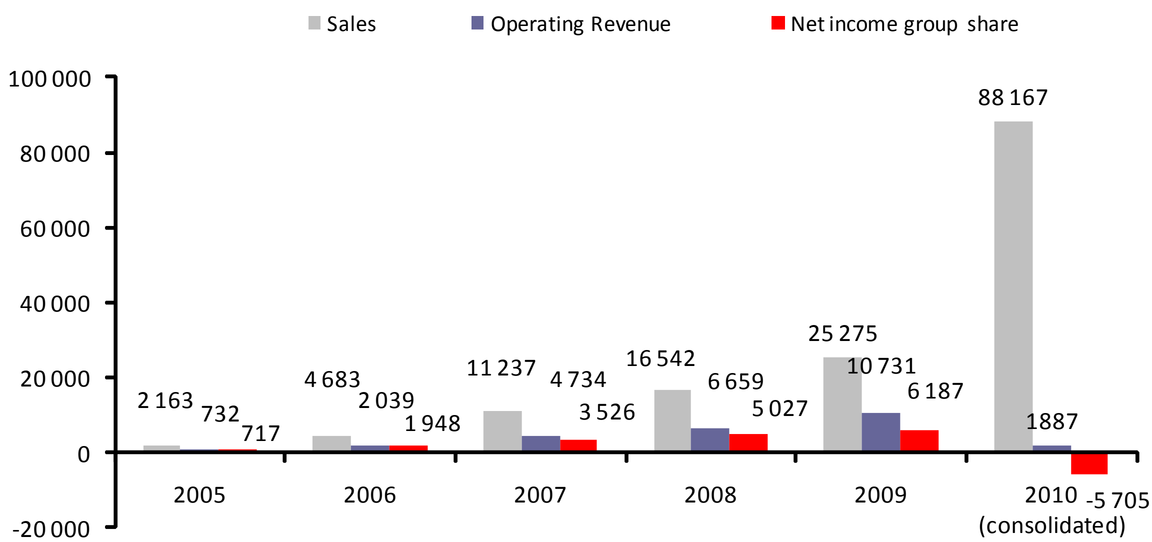
Installed base

- **20,000** VSE customer contracts
- **1,200** SME customer contracts
- **250** Key Account customer contracts (Fortune 1000, CAC 40)

Stock Market Listing

Quoted on the free market of the **NYSE EURONEXT** Paris since October **2005**, then transferred to the **NYSE ALTERNEXT** Paris in September **2010** (ALSTS) and **NYSE ALTERNEXT** Brussels in February **2011.**

2. Sustained growth



3. Technological acquisitions

2006

- Acquisition of Logon SI, publisher/integrator of archiving solutions

2007

- Acquisition of **KEYVELOP**, a publisher of sure probative value electronic exchange solutions

2009

- Majority investment stake in **IPSCA**, a company specialising in the publication of electronic signature software

2010

- Acquisition of a **96.57%** stake in **CODASYSTEM**, a company offering the only solution worldwide for certified photography
- Consolidation of **RISC GROUP** from 15/1/2011 and Deal IT from 1/5/2011
- Net income: **29%** of **RISC GROUP** and **100%** of **DEAL IT**

Deal IT

Acquisition of **100%** of shares in **DEAL IT** for **€1.85M** in April 2010

- Specialising in the rental of computer solutions
- Revenues of **€12M** for a net result of €150K in 2009
- Revenues of **€18M** for a net result of €175K in 2010
- Net position of **€550K** (at 31/12/2010)

Objective: to provide all commercial networks of both **STS GROUP** and **RISC GROUP** with financing solutions encouraging sales development and margin optimisation.

Codasystem

Acquisition of **96.57%** of shares in **CODASYSTEM** for **€150K** in January 2011

- Created in 2001, **CODASYSTEM** has developed certified innovative digital photography technology. **CODASYSTEM** is also the publisher of a mobile capture and processing software suite for multimedia content, and a trusted operator guaranteeing data security and integrity.
- This acquisition was made via capital increase subscribed to by **STS GROUP** for the sum of **€150,000**. It has a tax credit on a tax basis of **€4.3M**.
- Its annual revenues is in the region of €350,000 with balanced operating costs. Its capital stands at €1,572,682.50.

Risc Group subsidiaries

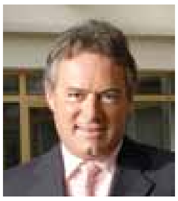
Acquisition of 100% of shares in **RISC GROUP ITALY**, **RISC GROUP BELGIUM**, **RISC GROUP SWITZERLAND** and **RISC GROUP SPAIN** in December 2010.

- On 30 June 2010, these four subsidiaries represented **€10.7M** of revenue, out of a total of **€64.8M** (under IFRS standards), or **16.5%**
- **€9.25M** in losses out of a total of **€35M**, or **26.4%**.
- They have around **€11M** in losses that **STS GROUP** can carry forward and use. In 2011, **STS GROUP** – apart from using tax loss carried forwards from its local subsidiaries – expects to obtain an overall revenue of **€8M** from these four acquisitions, from a pre-tax profit of **€1M**.

Human Resources

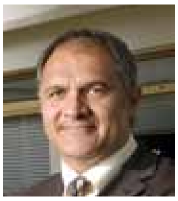
1. Founders

2. Biographies of members of the Board of Directors



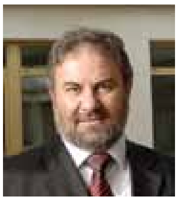
Bernard Calvignac – Founder and Chairman

Bernard Calvignac is the founder and current Chairman of **STS GROUP**. A graduate of the prestigious *Ecole Supérieure des Sciences Commerciales* in Angers, Mr Bernard Calvignac was the co-founder and director of ECONOCOM from 1985 to 1999. In 1986, he also co-founded TOPDIS as a majority shareholder.



Henry Cremades – Chief Executive Officer (CEO)

After more than 25 years of professional experience in IT companies (publishers, distributors and IT consulting specialists) in executive positions, Henry Cremades is the co-founder of **STS GROUP** and is the Group's CEO.



Pierre Fort – VP Strategy

Pierre Fort occupies the position of Vice-President of IT. President of the Production Division of the Languedoc-Roussillon Region from 1983 to 2005, he was the founder and director of SNL, a CONNEXION franchise, from 1978 to 1982. From 1983 to 1999, he was the founder and manager of SNRI (an IT consulting company of 50 people).

Pierre Leijder – VP Marketing and Communication

Pierre Leijder is the Group's Vice-President for Marketing and Communication. An engineer with a degree from the University of Brussels, he worked for IBM for six years and in 1993, created the LOGON SI group with IBM.

James Cohen – VP Sales

James Cohen is the Vice-President of Sales of **STS GROUP**. An accountant by training, James Cohen was Account Manager at SPERRY UNIVAC and UNISYS from 1979 to 1991, then Regional Director of ECONOCOM from 1991 to 1995. He joined **STS GROUP** in 2000 as a director.

A PLUS FINANCE, a limited company with capital of €300,000

Head office: 8 Rue Bellini, 75016 Paris, France. Appointed as a director by the Ordinary General Meeting on 24 June 2010, for a term of six years which will end after the AGM held in 2016, to rule on the accounts for the financial year ended on 31 December 2015.

3. Workforce

Consolidated workforce on 31/12/2010 is 397 employees (compared with 78 employees on 31/12/2009 – excluding **RISC GROUP**).

	STS Group	Risc Group Inbox	Risc Group IT Solutions	Deal IT	31/12/2010	STS Group	31/12/2009
France	85	104	84	8	**281**	62	**62**
Belgium	8	34			**42**	8	**8**
Germany		6			**6**		
Spain	8	18			**26**	8	**8**
Switzerland		6			**6**		
Italy					**0**		
England		10			**10**		
Ukraine			26		**26**		
	101	**178**	**110**	**8**	**397**	**78**	**78**

Highlights

1. Over the 2010 financial year

ENTRY INTO RISC GROUP'S CAPITAL .... JANUARY 2010

The general meeting of **RISC GROUP** shareholders accepts the entry of **STS GROUP** into its capital.

STS GROUP becomes the reference shareholder of **RISC GROUP**, a specialist in computer security for SMEs and VSEs. The majority stake in **RISC GROUP** gives **STS GROUP** an additional potential customer base of 37,000 companies.

CB ISSUE ....APRIL 2010

STS GROUP provided the means for its development from both an organic and an external growth standpoint, by raising more than €10m in the form of Convertible Bonds with a term of six years, and bearing interest at the rate of 8%. In the event of total conversion, the convertible bond would lead to the creation of 673,000 new shares to be added to the 6,051,133 shares currently constituting the capital of **STS GROUP**.

DEAL IT JOINS THE GROUP ....APRIL 2010

The Board of Directors meeting on 15 April 2010 decided on the full acquisition of shares in **Deal IT**, specialising in the rental of computerised solutions. Up to the end of 2009, **DEAL IT** made revenues of €12m for a net profit of €150K. The amount of the transaction stands at €1.85m for a net position of €520K. The acquisition of **Deal IT** meets the objective of providing all **STS GROUP** and **RISC GROUP** business networks with financing solutions that encourage sales development and margin optimisation.

STS GROUP WINS THE PRIX DE L'AMBITION ....MAY 2010

In May 2010, **STS GROUP** won the Prix de l'ambition in the Growth category, awarded by Banque Palatine and financial newspaper La Tribune.

1ST STS GROUP INTERNATIONAL DIGITAL TRUST CONVENTION ....JUNE 2010

On 3 and 4 June, 2010, **STS GROUP** organised the first International Digital Trust Convention.

This unique event brought together over thirty international partners from Europe, China, the United States, Latin America and the United Arab Emirates. These strategic partners develop and commercialise added-value solutions based on **STS GROUP**'s Trusted Services, addressing a number of markets such as Business Process Outsourcing (BPO), telecoms, postal services, finance, insurance and many more. Around ten technical and legal experts also participated in this international convention.

STS GROUP MOVES INTO THE OFFICES OF RISC GROUP..JULY 2010

Since 1 July 2010, **STS GROUP** employees from Rueil Malmaison, Toulouse and Brussels have been working on the **RISC GROUP** premises in these three cities, allowing better optimisation of office areas and stronger joint working links between the Group's teams.

TRANSFER TO NYSE ALTERNEXT PARIS .... SEPTEMBER 2010

NYSE EURONEXT ANNOUNCED ON 30 SEPTEMBER 2010 THE TRANSFER OF **STS GROUP** FROM THE FREE MARKET TO **NYSE ALTERNEXT**.

«We welcome this opportunity to assist STS GROUP as it enters a new stage in growth, and to contribute to the development of innovative new technologies that ensure the confidentiality, durability and legal value of digital records,» said Ronald Kent, Group Executive Vice-President and Head of International Listings at NYSE EURONEXT. «The company's transfer to NYSE ALTERNEXT will enhance the environment of trust it has already established and give STS GROUP the benefits of a supervised market that supports liquidity.»

Bernard Calvignac, Chairman and CEO of **STS GROUP**, added: *«Listing on NYSE ALTERNEXT is an important stage in our development and will help extend the international reach of our company and our software.»*

SIGNATURE OF A GLOBAL PARTNERSHIP DEAL WITH MICROSOFT ....OCTOBER 2010

On 20 October 2010, **STS GROUP** and its subsidiary, **Risc IT Solutions**, signed the Bpos Syndication contract with **MICROSOFT**, authorising the distribution in 40 countries worldwide of a part of **MICROSOFT**'s offer in SaaS mode alongside the Digital Trust offer of the Group. **STS GROUP**'s network of Digital Trust platforms associated to **Risc IT Solutions**' experience in hosting were the two key drivers in **MICROSOFT**'s decision.

STS GROUP and its subsidiary, Risc IT Solutions, become **MICROSOFT**'s ninth global partner after three international telecom operators and five hosting providers.

MICROSOFT Business Productivity Online Suite (or BPOS) is a set of messaging and collaboration tools. It includes **MICROSOFT** Exchange Online, **MICROSOFT** SharePoint Online, **MICROSOFT** Office Live Meeting and **MICROSOFT** Communications Online. The aim of this solution is to give businesses the means to provide their employees with the daily working tools (e-mail account, collaborative workspace, etc.) without the need to deploy and maintain software and hardware on-site, since everything is hosted on servers managed by **MICROSOFT**'s selected Partner.

ACQUISITION OF FOUR RISC GROUP SUBSIDIARIES .... DECEMBER 2010

The Boards of Directors of **RISC GROUP** and **STS GROUP** met on 22 December 2010 to ratify the sale by **RISC GROUP** of 100% of the shares in:

- **RISC ITALY**, **RISC BELGIUM** and **RISC SWITZERLAND** to **DEAL IT**, a fully-owned subsidiary of **STS GROUP**
- **RISC SPAIN** to **IPSCA**, an 85%-owned subsidiary of **STS GROUP**

The **INBOX** activity of **RISC GROUP** is carried out in France and internationally in six countries: Germany, Belgium, Spain, Italy, the United Kingdom and Switzerland. It represented 48% of activity on 30 June 2010, all regions combined. Despite the substantial restructuring measures in progress, it is still challenging to turn a profit in the **INBOX** division due to its direct sales model and the absence of critical mass on the markets where **RISC GROUP** is present, except for France. The overall transfer of the **INBOX** division was considered but the still loss-making activities did not allow for a satisfactory offer, with the best totalling just €5.1m for 51% of the business.

In these conditions, it appeared more beneficial for **RISC GROUP** to refocus its **INBOX** activity on France, to concentrate on large, high development potential international markets – the UK and Germany – and to seek a reliable partner for the four non-strategic countries that would enable it to maintain its exclusive services for its data vaulting software.

On 30 June 2010, these four subsidiaries represented €10.7m of revenue, out of a total €64.8m (under IFRS), or 16.5%, and €9.25m in losses out of a total of €35m, or 26.4%. They have around €11m in losses that **STS GROUP** can carry forward and use.

Deal IT and **IPSCA** have sufficient cash and so chose to buy these four subsidiaries; however, given the links binding **RISC GROUP** and **STS GROUP**, it was agreed that these companies would be valued by an independent expert from the firm BMA (Bellot Mullenbach et Associés).

2. Highlights since the end of the 2010 financial year

RELEASE OF STS PEA .... JANUARY 2011

This new line of software, resulting from many years of research and development, confirms **STS GROUP's** product offer convergence in terms of evidence management and probative value electronic exchanges and archiving.

Rolled out in three major versions, this offer will gradually replace the publisher's historic products (**STS Report**, **STS WEB** and **STS KEYVELOP**), since the company can now offer its customers a single fully-integrated hub for all applications in the Digital Trust domain.

ACQUISITION OF CODASYSTEM .... JANUARY 2011

In January 2011, **STS GROUP** acquired a 96.57% stake in **CODASYSTEM**, a limited company with capital of €1,572,682.50.

CODASYSTEM, created in 2001, has developed an innovative technology for certified digital photography. **CODASYSTEM** is the publisher of a mobile capture and processing software suite for multimedia content, and a trusted operator guaranteeing data security and integrity.

CODASYSTEM's workforce stands at six people and its annual revenues are in the region of €350,000.

CODASYSTEM's software offer perfectly complements that of **STS GROUP** and will be offered to all its partners, in particular **RISC GROUP** for its thousands of customers who must make probative value reports (bailiffs, architects, experts, etc.).

The acquisition of **CODASYSTEM** has come about thanks to a capital increase subscribed to by **STS GROUP** for €150,000, thus affording it 96.57% of the capital and voting rights. **CODASYSTEM** expresses a tax credit on a fiscal basis of €4.3m.

LISTING ON NYSE ALTERNEXT BRUSSELS .... FEBRUARY 2011

On 22 February 2011, **NYSE EURONEXT** announced the cross-listing of **STS GROUP** on **NYSE ALTERNEXT** in Brussels under the symbol ALSTS.

According to Bernard Calvignac, Chairman of STS GROUP: «This dual listing is an important stage in our development as it will help to further enhance the international reach of our company and our software.»

CAPITAL INCREASE WITH A VIEW TO FINANCING AN ACQUISITION ....MARCH 2011

A letter of purchase intent issued by **STS GROUP** on 12 February 2011 and confirmed on 14 March 2011 based on the financial statements 2010 received, deals with the full acquisition of an international IT group (the target), specialising in documentary and communication software.

The capital increase, initially conditioned upon the completion of investment in the target, was finally subscribed to by most shareholder funds in two forms:

- A first non-conditional portion of €2.3m based on a share value of €16
- A second non-conditional TEPA portion of €2.5m based on a share price to be set by the Board of Directors of between €16 and €20
- A third portion, conditional upon completion of the target of €1.7m based on a share price of €16

The remaining financing required to purchase the target will be obtained via a debt taken on by the target, since it has the cashflow needed to repay this.

The new size of its customer base following the acquisition would see **STS GROUP** increase its lead in worldwide terms, with consolidated revenues in the region of €400m.

HITACHI CONTENT PLATFORM CERTIFICATION ....MARCH 2011

STS GROUP obtained Hitachi Content Platform (HCP) certification for its trusted archiving offer, thus proposing an integrated electronic archiving solution with high-performance storage.

LAUNCH OF DIGITAL TRUST OFFERS ....APRIL 2011

STS GROUP announces the launch of Digital Trust offers via SaaS platforms in several countries: in Costa Rica (**CODISA**), in Colombia (**SECURE DATA**), in the USA (**POSSIBLENOW**)and in France where dedicated solutions are being launched for the VSE market (Risc **CONFIDENCE SERVICES**) and the Output management market (**DOCOON**)

PUBLICATION OF THE 2011 TRUFFLE 100 RANKINGS .... MAY 2011

The 2011 classification of French software publishers released by Truffle100 confirms, for the fourth year running, the progress of **STS GROUP**, which this year jumps 14 places, now ranked 17th in French software publishing.

References, Applications and Partnerships

1. Prestigious references

STS GROUP has customer references in all areas of business (banking, insurance, industry, services, healthcare, BPO, etc.) including major groups along with SMEs and VSEs.

Key accounts operate and exploit the Digital Trust solution themselves. **STS GROUP** relies on integrator and IT consulting specialists to support implementation of Digital Trust projects with these customers.

Other markets (SME and VSE) are covered by platform-operating partners offering applications used in SaaS, ASP, or Cloud Computing mode, for whom Digital Trust is made available 'as a service', invoiced per use or via subscription and is powered by **STS GROUP**.

Key Accounts

Banque de France, Banques Populaires, Orange, BNP Paribas, MBDA, La Banque Postale, Société Générale, Renault Trucks, Cofinoga, etc.

SaaS clients

Club Med, Sitel, RR Donnelley, Correo de Argentina, Barreau de Bruxelles, etc.

SME/LME - Cloud Computing

1,200 SME/LME contracts, including:

CFDT, ZANNIER Group (Garsys), MIDAS, PONTICELLI, Versailles CI

TPE - Cloud Computing

France:	11 000
Belgium:	4 500
Germany:	2 500
Spain:	1 500
Switzerland:	500

20 000 CONTRACTS

2. Multiple scopes of application

Messaging and mail
- Secure messaging
- Electronic Registered Letter

Banking, Insurance
- Bank statements
- Insurance policies
- Banking agreements

Human Resources
- Payslips
- Employment contracts

Electronic invoicing
- Purchasing
- Invoices, estimates
- Contracts

Voting and elections
- Notice to attend and voting at the General Meetings
- Remote online voting

E-government E-administration
- Digital safe
- G2C/G2B/C2G communication

Business Process Outsourcing
- Telephonic minutes archiving
- Dematerialisation of back-office processing
- Debt Collection

Large-volume object archiving
- Video/Audio
- Images (X-rays, etc.)
- Large files

Exchange and preservation of sensitive information
- Medical files
- Financial documents
- Patents

3. Main technological partners

EMC²

Hitachi Data Systems
HITACHI Inspire the Next

Business Partner IBM

INFINITE SOLUTIONS

Do it Once. Do it Right. MAGIC SOFTWARE

Microsoft

ORACLE

vdoc

4. Main institutional partners

GARTNER PUBLICATIONS MAKING REFERENCE TO STS GROUP

North American and European Electronic Signature Suite and Service Market
Gregg Kreizman - Publication Date: 4 January 2010 - ID Number: G00173599
© 2010 Gartner, Inc. and/or its Affiliates.

Hype Cycle for Regulations and Related Standards, 2010
French Caldwell - Publication Date: 30 March 2010 - ID Number: G00175154
© 2010 Gartner, Inc. and/or its affiliates.

Q&A: Smart Tokens and Common Access Cards
Ant Allan - Publication Date: 23 June 2010 - ID Number: G00200478
© 2010 Gartner, Inc. and/or its Affiliates.

Hype Cycle for Identity and Access Management Technologies, 2010
Gregg Kreizman- Publication Date: 19 July 2010 - ID Number: G00201318
© 2010 Gartner, Inc. and/or its Affiliates.

Hype Cycle for Data and Application Security, 2010
Jay Heiser - Publication Date: 26 July 2010 - ID Number: G00201373
© 2010 Gartner, Inc. and/or its Affiliates.

Hype Cycle for Governance, Risk and Compliance Technologies, 2010
Jay Heiser - Publication Date: 28 July 2010 - ID Number: G00205229
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Hype Cycle for Life Insurance, 2010
Kimberly Harris-Ferrante, Steven Leigh, Juergen Weiss - Publication Date: 30 July 2010 - ID Number: G00205402
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5. Main platform-operating partners

Here are a few examples of platform-operating partners:

5.1. EMEA Region (Europe, Middle East, Africa)

CONFIDENCE SERVICES, a platform operated by **RISC GROUP** and powered by **STS GROUP**, is the probative value archiving and exchange solution for SME/VSE customers. Enter the digital economy by archiving all your documents in your electronic vault and use your virtual «post office» to send secure digital registered letters.

DOCOON, a Digital Trust operator powered by **STS GROUP**, specialises in the processing and distribution of data in SaaS mode for all types of companies. **DOCOON** integrates Digital Trust technology from **STS GROUP** with its own business solutions.

ERYNNIS shows how you perform your business in the digital world. **ERYNNIS** improves confidence in your solutions, enables cost savings and allows you to speed up performance of your day-to-day tasks. **ERYNNIS**' mission is to deliver solutions that enable business processes innovation.

E-VELOP, the first ever digital envelope that is traceable, secure and registered!

SECURE FILE has built a Digital Trust environment in Spain, Portugal and Uruguay. In order to be more accessible, its main offer is based on Digital Trust services offered in SaaS (Software as a Service) mode.

INTERNET SECURED DOCUMENTS / Kronos Projects offers Digital Trust services to firms and public authorities in Spain, meeting their requirements for probative value electronic document preservation.

HAMILTON DATA SERVICES is a key player providing Business Process Management (BPM) solutions along with Documentary Management and Data Processing solutions. HDS has built a Digital Trust platform in Bulgaria designed for companies and governments in the Balkan region.

INFINITE SOLUTIONS gives a new dimension to Digital Trust by integrating **STS SUITE** into SAP. **INFINITE SOLUTIONS** has developed a highly competitive SaaS solution for probative value electronic archiving and secure exchange, directly connected to SAP, offered in pay-per-use form.

Digital Trust Software Group is contributing to the emergence of digital technologies in Morocco. Created in June 2010, the company is intended to be the cornerstone of Digital Trust for **STS GROUP** in all of French-speaking Africa and all countries in the Indian Ocean.

SOVAM SOFTWARE built the first SaaS Digital Trust platform in Russia and commercialises probative value digital archiving services for the public and private sectors in Russia.

5.2. North America Region

POSSIBLENOW, the North American leader in confidentiality management solutions, complies with technological and infrastructure standards. We open doors of compliance for you in terms of international marketing.

5.3. Latin America Region

ARCHIVING SERVICES provides digital governmental applications in Mexico, giving probative value to their documents thanks to the integration of Digital Trust services with their electronic signature solutions.

CODISA / Digital Vault is a Cloud Computing operator in Costa Rica and the leader on its market. **CODISA** has created a real Digital Trust environment, giving its customers access, via SaaS, to additional electronic signature solutions, digital safes and probative value secure exchanges.

SECURE DATA Colombia, Chile, Ecuador, Peru have introduced the latest in probative value electronic archiving to their markets, aiming to create an environment of legal and technological security in the dematerialisation of processes, documentary flows and information conservation.

Financial Overview

1. The first consolidated accounts, covering STS Group, Deal IT and Risc Group were certified at 30 June 2010.

The development of **STS GROUP**/**RISC GROUP** centres around:

- Digital Trust and Cloud Computing offers, sold in SaaS mode.
- The growing number of Digital Trust platforms powered by STS Group, encouraged by the recent global agreement signed with **MICROSOFT**, designed to jointly bring our respective offers to market in SaaS mode.

2. Consolidation at 31 December 2010 of group investment in Digital Trust platforms (JV)

Over the past three years, **STS GROUP** has developed a worldwide network of Digital Trust platforms (JV) by giving these joint ventures, created with leading local partners, its Digital Trust software package. In return for the sale of its licence, **STS GROUP** receives JV securities, and as soon as the JV is operational, a percentage of the revenue as royalties.

In 2008/09, **STS GROUP** thus created 10 JVs (one in France and nine in various other countries) and with the aim of remaining the software publisher, sold these 10 investment stakes in June 2010 (directly or indirectly via its subsidiary, **RISC GROUP** IT Solutions) to a company external to the Group in the United States, IPS Nevada.

Over the 2010 financial year, **STS GROUP** created an additional 20 JVs (created or in progress) of which one is in France and 15 in various countries, initially designed to be sold to IPS Nevada.

The capital entry into **RISC GROUP**, followed by the repositioning of **RISC GROUP** IT Solutions on the Cloud Computing market, has changed the JV outsourcing strategy. Also, in December 2010, **STS GROUP** wished to buy back from IPS Nevada its investment in the first JV which had fully matured, and made this clear to the partner in question in accordance with the protocol in force. At the end of March 2011, the partner told **STS GROUP** that it was considering the use of its pre-emptive right, thus depriving **STS GROUP** of the development potential for the JV in question.

This issue led the **STS GROUP** board to review its strategy in terms of management of JV investments, which are the main focus for development of the Group internationally. Given the very high long-term potential for capital gain of these JVs, the board thus deemed it necessary to manage these investments directly so as to avoid the risk of pre-emption set down in the agreements linked to JV buyback from the unit as they develop. It was thus decided to acquire IPS Nevada and its investments in JVs 2009 (the deed of purchase will occur in May 2011) resulting in their consolidation at 31 December 2010, due to the event which took place at the end of 2010.

In light of this decision, the 20 JVs created in 2010 also had to be consolidated at 31 December 2010 using the equity method, since investment stakes were systematically below 50%.

This consolidation decision mainly affected:

1) The consolidated profit and loss account:

The elimination of the revenues achieved with JVs in 2010 (licence sales) on a pro rata basis of the percentage held in the JV, i.e. the sum of €13.9m over the 2010 financial year.

2) The consolidated balance sheet:

The activation of the JVs as securities according to the equity method (€22.8m) and debts for JVs currently being securitised (€11m), resulted in goodwill of €0.6m.

In order to comply with the 99-02 regulation, the activated securities were further subject to a depreciation test carried out by an independent firm. This test gave rise to the posting of depreciation of €2.1m, since the asset value of the JVs (100% of shares) was assessed at €88m.

3. Reminder of the Joint Ventures strategy

STS GROUP software has unique competitive advantages on the digital proof market, due to the integration in the same suite of three essential functions, that is to say Capture (now including photographic capture thanks to **CODASYSTEM**), Exchange and Archiving of a digital object along with the ability to process the highest archived volumes on the planet.

The confidence and exchange platforms (PEC) contract awarded by the state modernisation agency (DGME) to us, alongside **BULL** and **ORACLE**, strengthens the **STS GROUP** position as a leader on the Digital Trust market, opening up the probative value exchange and archiving markets of most ministries.

Since the creation of **STS GROUP**, the ambition has always been to build a group with worldwide coverage of its offer instead of creating yet another French software publisher focused on its internal market.

This network of JVs has been developed over three years without resorting to capital increases (the only requests made to shareholders have been in respect of acquisitions to be financed) thanks to the monetisation of our only asset, the STS suite which is systematically assessed by a local Registrar then added to the JV's capital. No cash contribution is made in the JV and no legal risks are taken, with **STS GROUP** always remaining a minority shareholder in the beginning; however, **STS GROUP** has purchase options on the rest of the capital at defined financial conditions, which allows it to control 100% of a JV's capital when the day comes.

This unique coverage in the world is now acknowledged by major order-making partners: **MICROSOFT**, **ARVATO Services**, **RR DONNELLEY**, **SITEL**, and **CORREOS de ARGENTINA** – the Argentine postal service. The originality of the JV network allows, for instance, digital objects to be captured in Europe according to European probative rules, and then sent to Asia, retaining the probative value so that they can be indexed respecting local probative and archiving rules.

4. Investment in Risc Group on 15 January 2010

In order to counterbalance the JV strategy, which will yield significant results in the medium term, **STS GROUP** acquired a 29.41% stake in **RISC GROUP** SA on 15 January 2010.

In fact, the control of a direct business entity working with a customer base of 25,000 contracts allows the short-term development of Digital Trust offers bundled with those of **RISC GROUP**. Launched over the first quarter of 2011, **RISC GROUP** has already sold €200K of «confidence services» contracts, and this figure should increase sharply over the coming quarters due to the extension of this offer to **RISC GROUP IT Solutions**.

The operation was carried out via subscription to a reserved capital increase for €10,850K. This acquisition generated goodwill of €9,737K, amortised over 20 years, representing €466K recorded for 2010. Despite the percentage of interests standing at 29.41% and given the exclusive control, the company is consolidated according to the global integration method.

5. Restructuring of Risc Group

STS GROUP continued with the restructuring plan already underway when it joined the **RISC GROUP** board of directors, specifically with the implementation of an employment preservation plan (EPP), approved in April 2010 and completed in July 2010. In under 12 months, the total workforce went from 653 to 298.

All charges and provisions linked to the restructuring plan for **RISC GROUP's** financial balance represents an overall non-recurring charge of €-14.8m on the **RISC GROUP** profit and loss account consolidated in the **STS GROUP** profit and loss account at 31 December 2010. Page 4 of 5

The restructuring is now complete:

- The commercial take-off of **RISC GROUP IT Solutions** is eagerly awaited, and in turn, it has just won the contract to host computer applications for the state modernisation agency (DGME), representing €1m in income per year for three years; work over 15 months covering the rationalisation and streamlining of the organisation has ended, allowing the production apparatus to be made compliant with the market's standards, and above all to standardise contractual relations with numerous suppliers;
- The replacement of the traditional refinancing partner, whose financial conditions were very costly, by **Deal IT** created ad hoc operating disruptions which will settle down over the coming quarters, after which the **INBOX** division should show an improvement in its revenues, linked to better financing conditions and development of the Digital Trust offer;
- Legal proceedings have been instigated so as to protect the customer base which is subject to unfair competition by some competitors.

6. Acquisition of the Deal IT company on 30 April 2010

On 20 April 2010, **STS GROUP** acquired 100% of the **Deal IT** limited company. The operation was carried out for €1,850K. This acquisition generated goodwill of €1,387K, amortised over 20 years.

The principal mission of **Deal IT** consists of refinancing **RISC GROUP's INBOX** division remote back-up contracts at better conditions than those previously achieved, alongside the new bundled Digital Trust offer bringing together the STS Digital Trust offer with the «hosting and back-up» offer from **RISC GROUP**.

7. Outlook 2011

STS GROUP's outlook for 2011 looks for the most part to be promising:

- the first sales of digital trust solutions by **Risc Belgium** appear very promising in terms of the average agreement size, thus making the profitability of the sale easier;
- thanks to sales of digital trust solutions by the entire **RISC GROUP** to its 25,000 customers, **STS GROUP** guarantees the enduring nature of this and so shall have a second high-performance distribution network in addition to that of the JVs;
- around 10 (those established globally in 2008 and 2009) of the 20 JVs currently incorporated shall be included in the Group scope in 2011 – thanks to the purchase options available to **Risc IT Solutions** and **STS GROUP** – due to fulfilling the contractual revenue and profit objectives.

Given the stabilisation work which is still underway at **RISC GROUP** and the development action underway in JVs, the **STS GROUP** management considers that the second half-year 2011 will carry more weight than that of the first half-year, in the region of 60/40.

However, your attention is drawn by **STS GROUP** management to the permanent risk of a JV achieving results more slowly than planned: the risk of loss does not exist, due to the fact that no cash is invested, but **STS GROUP** could be obliged to record a provision for depreciation (with no cash impact) after half-yearly value tests in addition to the annual straight-line depreciation of goodwill. Depreciation of €2.1m was thus posted on 31 December 2010 for three JVs which have taken longer than initially expected to achieve returns.

Stock Market Overview

1. Liquidity contract

Under the liquidity contract entrusted by the **STS GROUP** to Oddo Corporate Finance, on 31 December 2010, the following resources were present in the liquidity account:

- 13,256 securities / €50,481.51 in cash

You are reminded that when the contract was implemented on 29 September 2010, the following resources were present in the liquidity contract:

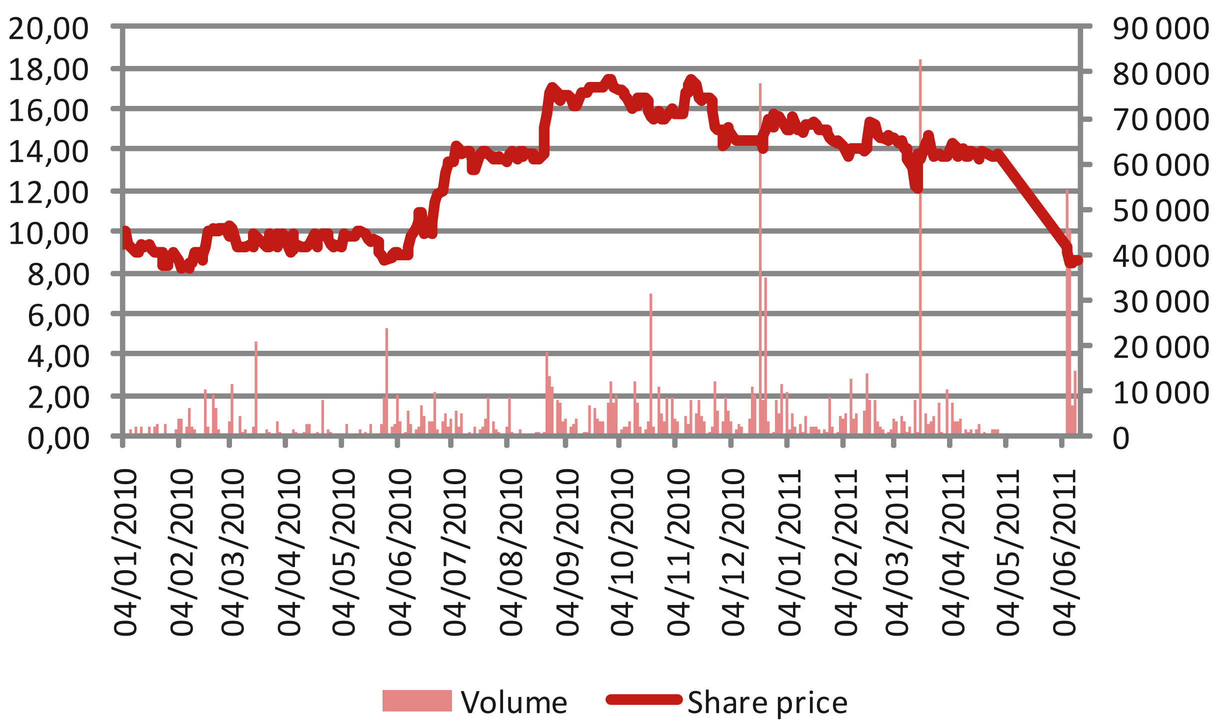
- 10,000 securities / €100,000 in cash

2. Share price progress on NYSE Alternext Paris

STS GROUP has been listed on the stock market via **NYSE EURONEXT** Paris since 28 October 2005 (with an introductory price of €8.15) under ISIN code: FR0010173518.

On 30 September 2010, the company was transferred to the **NYSE ALTERNEXT** Paris market (mnemonic: ALSTS).

Since the beginning of 2010, the share price and volumes have progressed as follows:



3. Share ownership

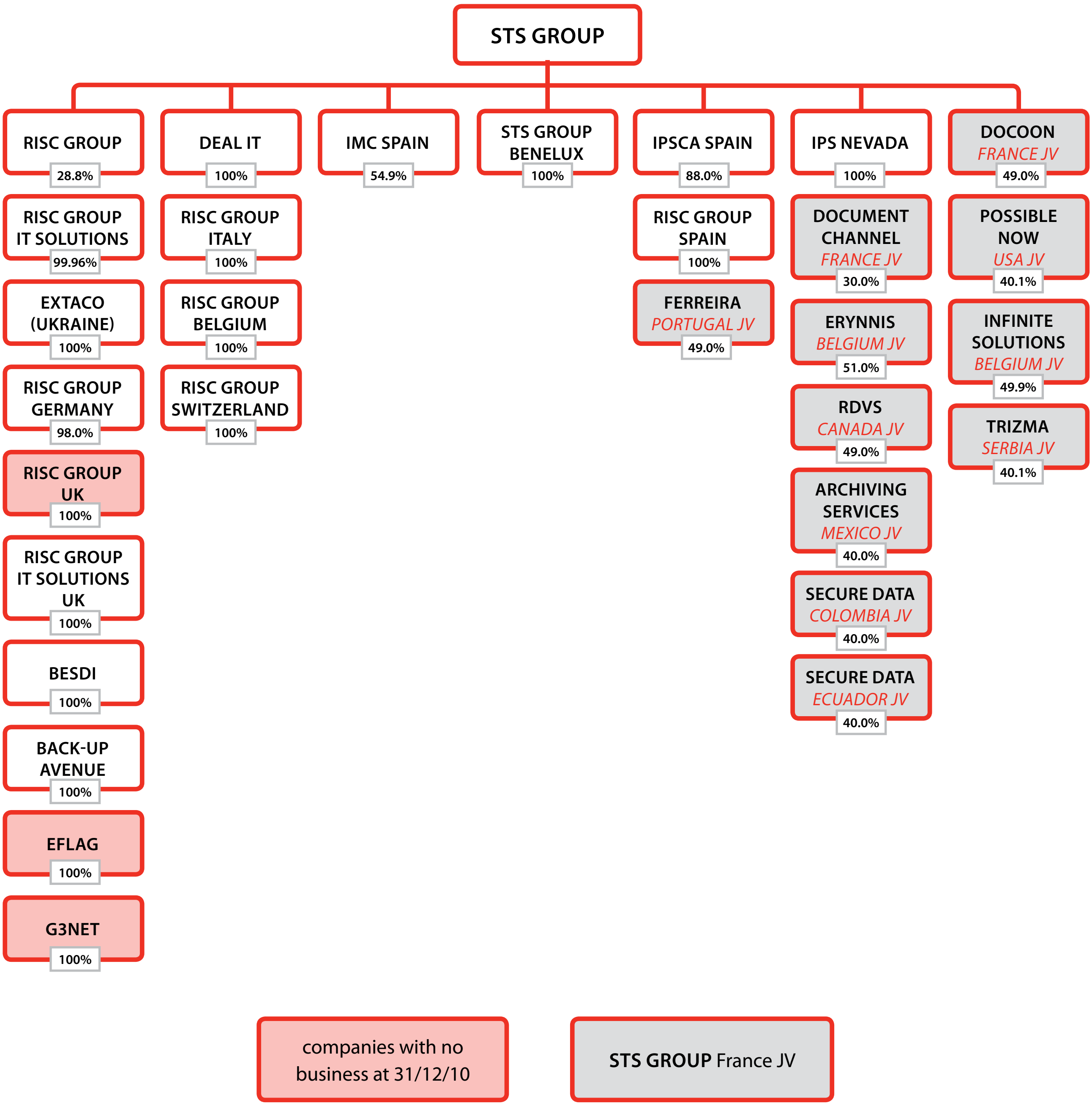
At 31 December 2010, the Company's capital was made up of 6,217,884 shares.

Shares held continuously since at least years ago, in nominative form, have double voting rights.

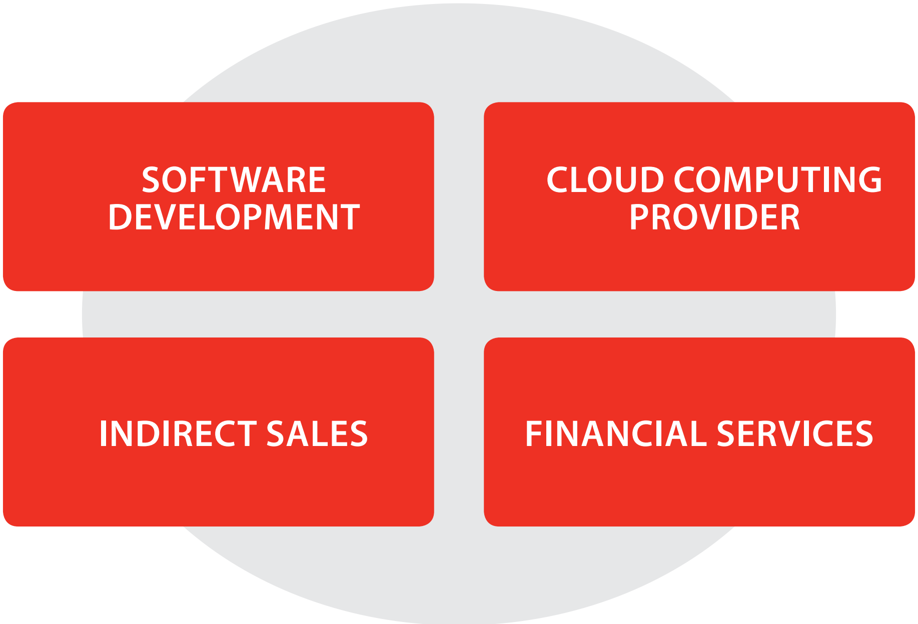
Share ownership	Number of shares	% Shares	% Voting rights
Founders and Directors	2,096,411	33.71%	39.01%
Other investment funds	3,350,318	53.88%	48.82%
Public	771,155	12.41%	12.17%
Total	**6,217,884**	**100%**	**100%**

Structural Developments

1. Legal organisation chart of the Group



2. STS Group is henceforth one group and four business lines



2.1. Publishing

The historical business of **STS GROUP** is software publishing. The acquisition of **IPSCA** and **CODASYSTEM** complete the scope of this activity.

STS Group

STS GROUP
Software for Trusted Services ™

STS GROUP is the leading European software publisher in the Digital Trust field. The **STS GROUP** software package contains authentication, capture, exchange and archiving modules, affording probative value to any object or digital process and storing it in the long term.

STS GROUP markets its software offer in Licence or Services (Software as a Service, SaaS) mode, via a worldwide network of Digital Trust Cloud Computing (Trust in the Cloud) platforms and partners.

STS GROUP has designed and developed STS Suite, the first software suite fully dedicated to the management of Digital Trust. STS Suite provides all the technology required to implement a genuine Digital Trust environment, which is an essential condition for the development of applications such as: probative value archiving, probative value exchanges and transactions, probative value dematerialisation, establishing a probative value certification chain, universal electronic safe, issue and management of formal evidence, electronic proxy voting via the Internet.

Codasystem

codasystem
who • what • when • where

CODASYSTEM is the publisher of the mobile software suite **SHOOT & PROOF**. **SHOOT & PROOF** is a technological solution allowing the creation of originals of digital photos. These photos have probative value in the legal system since they comply with the laws in force in France and Europe, and an initial favourable case was upheld in court. In addition, **CODASYSTEM** is acknowledged as a trusted third party and meets the ISO/IEC 27001:2005 certification standards.

CODASYSTEM is positioned as a mobile software publisher and a mobile technology provider in terms of digital media certification.

IPSCA

IPSCA is a software publisher specialising in the manufacture of electronic invoicing and signing tools, and a European pioneer in terms of Certification Authority (CA). With over twelve years' experience, **IPSCA** offers a wide range of electronic certification tools.

IPSCA actively participates in all worldwide electronic certification and signing events, and has entered into technological agreements with over 350 partners throughout the world, including Adobe, **MICROSOFT**, Sun Microsystems, IBM, SafeNet, Actividentity, Xerox, and more.

The **IPSCA** software produces over 40 million electronic signature validations daily for hundreds of thousands of users.

2.2. Cloud Computing Provider

The hosting business is carried out within the Group by **RISC GROUP IT Solutions**, which is also a Digital Trust platform operator:

Risc Group IT Solutions

RISC GROUP IT Solutions supports medium and large companies in the management and optimisation of their information systems, by providing them with a full, flexible range of solutions and outsourced services in terms of networks, communication, hosting & information management, online backup and SaaS («Software as a Service») mode applications.

RISC GROUP IT SOLUTIONS is the Vertical Cloud Computing branch of **STS GROUP**.

The company, directed by Pierre Fort, brings together historic activities (telecom operator, hosting and information management, online application provider) dedicated to SMEs with over 100 computer workstations, as well as all investments (Joint Ventures) in international platforms hitherto held by **STS GROUP**.

RISC NETWORK SERVICES & RISC TELEPHONY SERVICES

Multi operator / Mutli technology (XDSL, FIBRES, LL, ...)

- ToIP operator on Centrex Converse platform
- Security SAS and unlimited Internet Transit
- Mobility managed services (Blackberry, ...)

COMMUNICATION SERVICES

RISC HOSTING SERVICES

- Geo-clustered multi datacenter
- 3 levels: Security, MCO, Managed Services
- Multi-environments
- Wintel, AS 400, Unix, VM Ware, Citrix, Oracle, SQL, ...

HOSTING AND MANAGED SERVICES

RISC MAIL, BACKUP & SECURITY SERVICES

- Exchange and Mobile messaging (Blackberry, ...)
- Online backup IBM TIVOLI STORAGE MANAGER
- McAfee Antivirus
- Secure Mail

ONLINE SOLUTIONS

2.3. Indirect Sales

The **STS Suite** is marketed indirectly via partners: integrators, IT consulting companies, platform operators and resellers, including:

Risc Group Inbox

RISC GROUP INBOX has been the European leader for over 15 years in the IT security field, and **RISC GROUP** has unique know-how in supporting VSEs/SMEs in their IT policy without damaging their profitability due to heavy investment.

2.4. Financial Services

The financing business is fully performed by the Deal IT company:

Deal IT

DEAL IT is a computer asset rental company:

- Providing all the commercial networks of both **STS GROUP** and **RISC GROUP** with financing solutions encouraging sales development and margin optimisation.
- Continuing its original business, in indirect mode, via the development of partnership agreements of many types (agent contacts, joint ventures).

Products

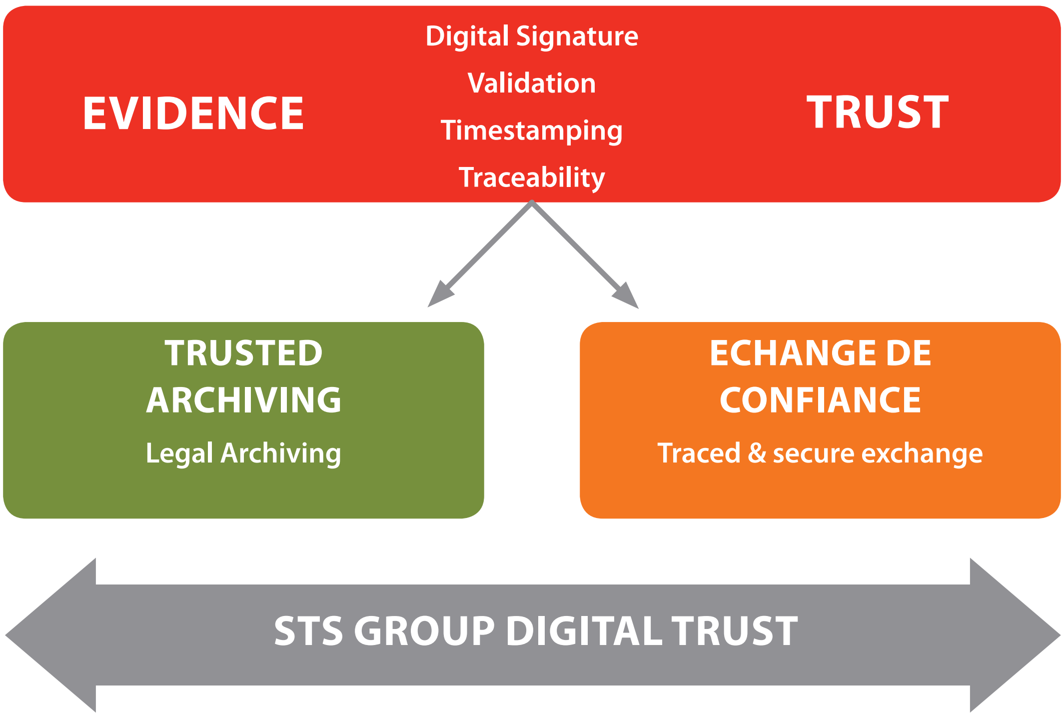
1. STS Suite, a modular offer

STS Suite provides all the technology needed to implement a genuine Digital Trust environment, which is an essential condition for the development of applications such as:

- Probative value archiving
- Probative value transactions and exchanges
- Probative value dematerialisation
- Implementation of the probative value certification chain
- Universal electronic safe
- Issuance and management of formal evidence
- Electronic postal voting etc.

2. Digital Trust with STS Suite

STS Suite allows Digital Trust to be installed at all levels:



2.1. Evidence management

Electronic evidence relies specifically on data collected automatically by the information system, capable of showing the use that was made of it. Use of these items may be deemed necessary in the event of a dispute as to the authenticity of a document, dispute over an electronic exchange or else to prove that an archive has been deleted.

In terms of evidence management, **STS Suite** provides the following features:

- Generation of evidence items linked to the archive
- Verification of evidence items provided by third-party applications
- Sustainability of evidence items linked to the archive and exchange
- Logging and traceability of events linked to the archive and exchange
- Secure electronic signature, checking and time-stamping: data sent with the recipient's counter-signature allow the sender and recipient of a message to be identified beyond doubt, and to guarantee its integrity. Supported by reliable time-stamping, it allows the date and time of signatures and events to be established in a reliable way.

2.2. Trusted Exchange

It is important to draw up a rigorous confidentiality policy, and the integration of Trust into electronic exchanges is becoming a key challenge to prevent the aforesaid risks. From a schematic perspective, Trust consists of sending data between a sender and a recipient guaranteeing data security and traceability. Trusted exchange items include:

- Identification and authentication of the sender and recipient.
- Confidentiality: Data encryption allows only those people authorised to read and process the contents.

- Integrity of sent data: The information exchange solution calculates a digital key (encryption function) before sending data. If the key received by the recipient is the same as that sent by the sender, then the data has not been altered since sending.
- Traceability of exchanges and processing applied to data throughout its life cycle mean that all the operations performed are stored in full, reliably and with no chance of alteration.

The term «exchange» as used in this document does not deal with the method of transporting an object between a given sender and recipient(s), but rather:

- The identification of parties (sender and recipient(s))
- Definition of the exchange
- Creation of the secure envelope
- Checking of opening conditions
- Traceability of events that are linked to the exchange.

In fact, the transfer and access method for the secure envelope may be an e-mail, an FTP transfer, an optical disc, and so on. This feature is specifically covered in the STS offer in the form of an independent web messaging system, **STS KEYVELOP** Web Post, or integrated in the **STS SaaS Manager** portal.

2.3. Trusted Archiving

Archiving is all actions, tools and methods implemented to store information in the medium or long term, with a view to its possible usage at a later date.

So-called «probative value» archiving consists of implementing a range of procedures that enable digital data to be sustainably stored, guaranteeing its authenticity, integrity and sustainability, from its initial processing to retrieval, transfer or destruction.

The storage period may vary from a few months to a great many years depending on the nature of the archive (invoices, bank statements, medical files, etc.). Some archives, known as «patrimonial» archives, are stored indefinitely.

The «probative value» terminology is used to signify that the archived data can be admitted from a legal standpoint, as long as the following can be demonstrated in a sure, reliable way from initial processing by the archiving system, at any given time:

- that it is indeed what it purports to be (authenticity);
- that it has not been changed or altered, whether voluntarily or not (integrity);
- that it can still be reconstituted in an intelligible way (sustainability);
- that all evidence linked to the actions performed can be produced (traceability).

The processes implemented by **STS Suite** include the use of authentication, logging, encryption, electronic signature, and so on.

3. An offer tailor-made to all customer bases

STS GROUP software is used by some 250 key account customers in Europe, in the banking, insurance, government, service and industry sectors, among others.

STS GROUP not only covers the Digital Trust market in terms of the «on-site» segment (software installed directly on customer premises) but also in terms of the «SaaS» (archiving outsourced via the web) and also in the long term in the Cloud domain (private, public or hybrid).

«ON SITE»..

- An offer designed for key accounts, already marketed by some major national and international IT service companies: these IT service companies specialise in the integration of electronic archiving features in the information systems of major public and private customers. The objective is to provide, in partnership with them, a tailor-made solution that complements the standard software.
- «Packaged business line» or «packaged corporate function» offers. **STS GROUP** has experience working with local government bodies, insurance experts, real estate cooperatives, motor dealerships, health establishments, health insurance bodies, human resource departments from major companies, financial and accounting services, legal services, and so on.

«SAAS» ....

The Group develops «general SaaS» offers for Key Accounts and Individuals, as well as «SaaS Business Line» offers for SME/VSE customers and the liberal professions, which are hosted and operated by hosting professionals, in partnership with vertical software publishers for the business lines in question.

STS GROUP has a policy of developing interfaces designed to communicate with an increasing number of «general» and «business» management software packages on the market. The offer will be commercialised via these partners, who will thus provide the features of its Digital Trust base to customers who do not as yet have any.

The **STS Suite** software package can meet the needs of Key Accounts, SME/VSE customers and Individuals alike, with no changes necessary.

«CLOUD» ....

The emergence of Cloud Computing has brought new uses to the fore, allowing information to be disseminated into a universe that mixes public, private or hybrid spheres of influence, requiring extensive flexibility and communication between multiple systems and applications.

Currently, **STS GROUP** is carrying out several new projects including the development of its Cloud offer, and is set to achieve a position as a Trusted Cloud provider.

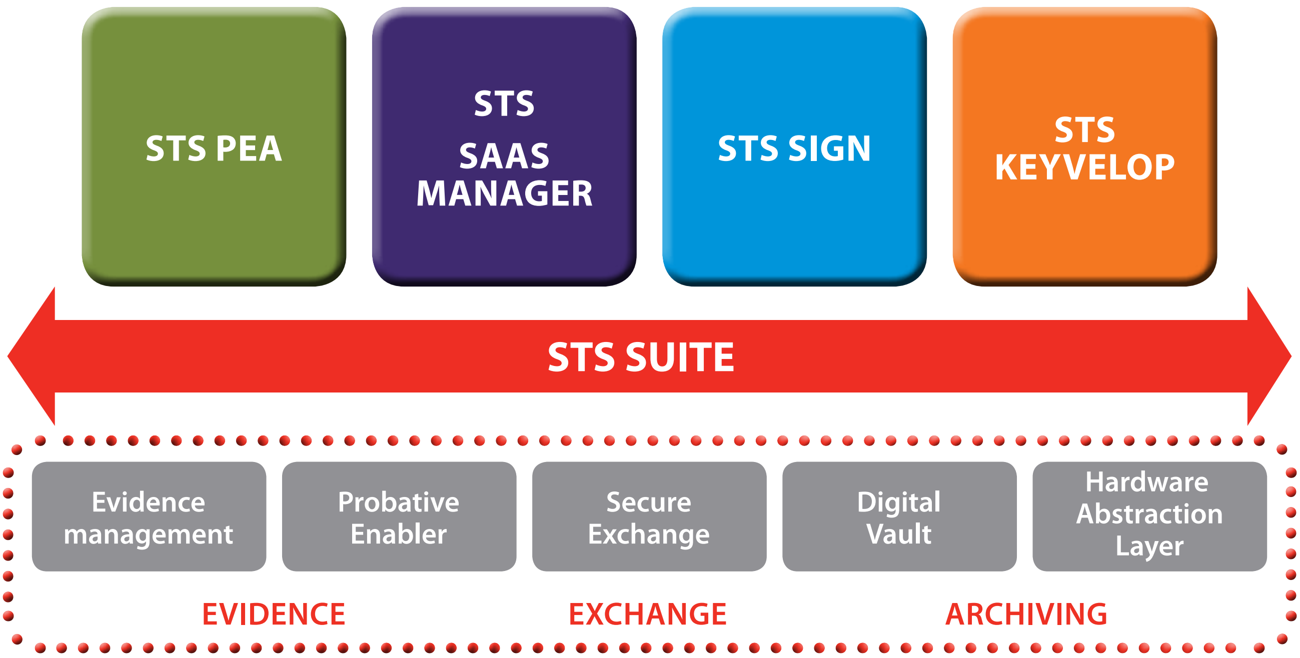
With this in mind, Trust has many facets, stretching across the following themes:

- provide a high level of security via the implementation of authentication, authorisation and confidentiality systems;
- ensure that data is secure, as is its exchange over the network, and ensure accessibility over time in tandem with access to services;
- provide the relevant evidence.

Some of **STS GROUP's partners** (such as **RISC GROUP IT SOLUTIONS** in France or **CODISA** in Latin America) are already providing solutions «powered by **STS GROUP**» over virtual Cloud private or hybrid infrastructures today.

4. STS Suite, a modular offer

STS GROUP designed the **STS SUITE** offer creating a Digital Trust Environment within companies, in respect of individuals and governments. Digital Trust allows the document to be stored and exchanged, without its alteration and with the ability to prove this. **STS SUITE** thus guarantees the integrity, security, confidentiality, sustainability and traceability of electronic documents sent and archived thanks to the four products of which it is composed: **STS PEA**, **STS SAAS MANAGER**, **STS SIGN** and **STS KEYVELOP**.



Digital Trust components

The four major products making up **STS Suite** are:

- STS PEA: Probative value, high-volume archiving
- STS SAAS MANAGER: Secure exchange, archiving and evidence management in SaaS mode
- STS SIGN: An advanced modular offer covering electronic signature, time-stamping and signature verification
- STS KEYVELOP: Traced, confidential, secure electronic exchanges.

4.1. STS PEA: Probative value electronic archiving platform

STS PEA has been optimised for the implementation of probative value archiving in environments where high data volume and integration are the key factors for roll-out.

STS PEA performs all the functions of an Electronic Archiving System:

- stream capture including integrity control and metadata extraction;
- input of the captured documentary stream and storage management;
- definition of the retention period;
- indexing;
- optimised archive search and consultation;
- rights and privileges management;
- archiving profile configuration;
- archive life cycle management.

STS PEA relies on a highly efficient, open, scalable and available architecture.

4.2. STS «SaaS Manager»: Digital Trust in SaaS mode

STS SAAS MANAGER allows you to federate services and rapidly set up Digital Trust solutions in SaaS mode with security of exchange, archiving and evidence management.

Technologies provided by **STS SaaS Manager** provide Evidence and Security in Exchange and Archiving. They include:

- authentication
- encryption
- audit trail
- traceability
- integrity check
- time-stamping (internal and third party).

Diverse levels of administration allow these features to be provided for business customers, administration and the general public, in a flexible, progressive way.

4.3. STS SIGN: An integrated electronic signature solution

STS Sign is a software offer that allows organisations to roll out electronic signature services to all participants in the document chain: users, third-party applications as well as other modules in the **STS Suite** offer.

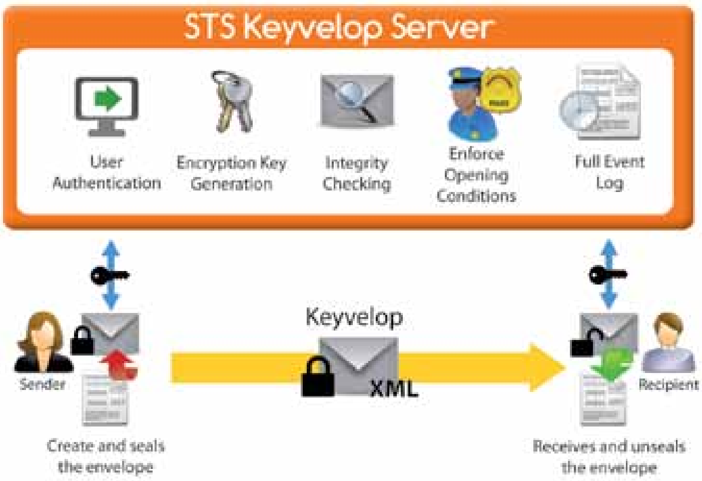
The components of **STS Sign** specifically enable:

- creation of simple (PDF, CMS, PKCS#1) or advanced (XAdES, PAdES, CAdES) electronic signatures and counter-signatures;
- automated «mass signatures» for large document volumes;
- electronic signature initiated by an appointed individual (desktop or web);
- time-stamping of signatures via certified external time-stamping authorities;
- verification of signatures (signature policies, certificate validation).

4.4. STS Keyvelop: A platform for secure electronic exchange

STS KEYVELOP provides encryption and monitoring functions that guarantee probative value, traced and confidential exchange.

STS **KEYVELOP** enables authorised users to create a secure electronic envelope, called a «**KEYVELOP**», defining its recipients, signatories and opening restrictions. Electronic files, regardless of format, can be included in the electronic envelope. Sent to recipients by all possible means of transport (e-mail, FTP, USB key, CD-ROM, etc), this **KEYVELOP** can then be opened according to the conditions affording access to its content, subsequent to an integrity check. Rights transfer management allows recipients' unavailability to be managed where appropriate.



5. Key components: «Digital Vault» and «Hardware Abstraction Layer»

The **STS** «**Digital Vault**» component offers the electronic safe function responsible for ensuring the durability and availability of archived objects. Specifically, it offers the following functions:

- Deposit, with or without checking: Transfer to the safe of an object to which a storage life is assigned. Checked deposit is based on the verification of a unique key provided with the object when it is deposited;
- Reading: Access to an archived object in the form and condition in which it was provided. The integrity of the object provided is guaranteed by the safe;
- Change to the storage life: The storage life can be extended if necessary;
- Self-regulating: Process allowing checks to be made as to the exhaustive nature of the safe's reference database and the integrity of each object;
- Purge: Permanent deletion of an archived object. The object is physically removed from the storage device. Purging is only possible once the storage life has been reached or exceeded. The purge operation is not automatic at the end of the storage life – it must actually be triggered by the applicant;
- Export: Reading then purge of an archived object;
- Extraction: A process allowing export (reading then purge) of all objects deposited in the safe.

All actions carried out in terms of an object, from deposit to purge, are referenced in a log file specifically covering the electronic safe. This log file is used for auditing in the event that the archiving system is monitored. It also allows reconstitution of the electronic safe in the event of an accident.

The **STS HAL** hardware abstraction layer is part of secure management of archiving objects. This layer provides secure, transparent access to the storage hardware/software, comprising:

- secure storage of archiving objects on fixed, re-writable WORM formats (**EMC** Centera, IBM IIA, NetApp, Snaplock, HDS HCP) for a defined holding period, whereby the formats used can be heterogeneous;
- data consultation;
- object destruction (if the storage time has expired);
- file system management (cache).

Communication about Progress

1. Initiatives

EUROCLOUD DEVELOPMENT ....APRIL 2010

The 5th edition of the SaaS and Cloud Computing summit took place at the Paris Chamber of Commerce and Industry (CCIP) on 20 April 2010. This event was the only one of its kind, comprised of a full day dedicated to the commercial development of SaaS and Cloud Computing in France. **STS GROUP** was in attendance as a founding member of EuroCloud in France, Belgium and Spain.

PARLIAMENTARY SEMINAR ON CLOUD COMPUTING ....JUNE 2010

On 24 June 2010, Henry Cremades, CEO of **STS GROUP**, made a presentation to the National Assembly on the Challenges and Outlook of Digital Trust in the Cloud during the parliamentary seminar entitled: «Can we trust Cloud Computing?».

STS GROUP PARTICIPATES IN THE GOL DE LETRA TOURNAMENT .... DECEMBER 2010

For the third year running, **STS GROUP** took part in the annual charity tournament organised by the **GOL DE LETRA** Association. Founded by Raï and Leonardo, the goal of this association is to finance school attendance programmes for children in shanty towns or *favelas.*

As is the case every year, it was a great opportunity to mix business with pleasure, with 24 companies taking part, and a roll-call of football's greats, both past and present.

STS GROUP INVITED TO THE E-G8 FORUM.. MAY 2011

Initiated by the French President, Mr Nicolas Sarkozy, also current Chairman of the G8, the Heads of State and Governments of the Group of Eight – Germany, Canada, USA, France, Great Britain, Italy, Japan and Russia – decided to put on the agenda of the G8 summit in Deauville a discussion about the Internet and the digital ecosystem. This was the first time that Information Technology was to be discussed formally at a summit of Heads of States – a way to recognise the role of this sector in enabling economic growth.

e-G8 FORUM
24-25 MAI 2011, PARIS

The Chairman of the **E-G8 FORUM**, Maurice Levy, also Chairman of the Board of Directors of Publicis, invited **STS GROUP** and Henry Cremades to attend this historic event, underlining it is fundamental that all the stakeholders in the world representing the digital ecosystem should be heard. Participation was by invitation only.

The discussions which took place in the **E-G8 FORUM** followed various formats: plenary sessions, workshops, interviews; and various different themes were addressed:

- The Internet as a key driver of growth
- The emergence of a digital citizen
- Technologies of the future
- The creation of new centres for innovation
- The mobile revolution and its impact on trade, media and advertising
- Protection of personal data and intellectual property

The ideas generated by the **E-G8 FORUM** were presented at the G8 summit held in Deauville, ensuring for the first time that the voices of businesses and stakeholders who make the Internet were taken into consideration, at the highest political level.

2. Going Paperless

STS GROUP wants to ensure that its development is part of a responsibile civic process. This commitment became reality with the Group's membership of the United Nations Global Compact, which invites companies to adopt, support and apply in their sphere of influence, a set of 10 fundamental values in various fields such as human rights, working standards, the fight against corruption, and environmental conservation. With this in mind, and in accordance with the French and European laws in effect, **STS GROUP** offers its customers the option of switching to a fully dematerialised invoicing method.

For over a year now, the Group has also implemented dematerialisation of its payslips. Employees receive their monthly payslip in a completely secure and confidential manner, which they can then save. To date, across **STS GROUP**/**RISC GROUP** as a whole, this represents almost 300 monthly payslips which are no longer printed out or sent by post.

Furthermore, **STS GROUP** has dematerialised its staff files. Employees can now access the contents of their file electronically (contract, riders, sundry letters, payslips, etc.). Managers can also access their employees' files and as such, they have, in real time, all the administrative information required to manage their team.

Finally, for the past year, dematerialisation tools for internal administrative procedures have been implemented: leave management, expense claims, requests for expenses and travel, customer contract processing and more, thus avoiding paper exchanges and risks of loss of information.

Financial Report 2010

STS GROUP

Software for Trusted Services ™

I. Consolidated accounts and notes

Contents

1 BALANCE SHEET ASSETS

ASSETS	Notes		31-Dec-10		31-Dec-09
In EUR		Gross	Deprec./Prov.	Net	Net
Goodwill	3.1	40,402,337	4,399,613	36,002,723	26,189,131
Intangible assets	3.2	20,979,876	14,663,284	6,316,592	5,497,873
Tangible assets	3.3	14,020,603	6,781,964	7,238,638	1,901,850
Financial fixed assets	3.4	1,271,037		1,271,037	2,906,452
Securities in equity	3.5	22,746,470	1,925,000	20,821,470	-
	Fixed assets	**99,420,322**	**27,769,861**	**71,650,461**	**36,495,306**
Inventories	3.6	1,253,978	375,039	878,939	17,664
Advances on orders		78,598	-	78,598	0
Trade accounts receivable	3.7	32,684,456	3,714,288	28,970,168	10,470,955
Other debts	3.8	4,965,495	-	4,965,495	11,273,946
Investment securities	3.9	7,894,191	98,055	7,796,136	9,680,627
Cash and cash equivalent	3.9	5,403,063		5,403,063	6,651,269
	Current assets	**52,279,779**	**4,187,382**	**48,092,397**	**38,094,461**
Accrued income	3.10	4,025,945	-	4,025,945	358,527
TOTAL		**155,726,887**	**31,957,243**	**123,768,804**	**74,948,294**

2 BALANCE SHEET – LIABILITIES

LIABILITIES In EUR	Notes	31-Dec-10	31-Dec-09
Share capital	4.1	6,217,884	6,051,133
Issue premiums		36,196,076	33,984,861
Legal reserve			215,854
Parent reserves and balance carried forward			
Other reserves			3,986,609
Consolidated retained earnings		16,116,785	5,190,808
Currency translation reserve		- 925,151	
Balance carried forward			
Group consolidated income		- 5,704,743	6,186,796
Minority interests assigned to Group net income		- 6,023,177	
Equity capital	**4.2**	**45,877,674**	**55,616,061**
Minority interests		512,693	583,128
Other equity capital		512,693	583,128
Provisions for risks and charges	4.3	7,706,655	206,981
Deferred tax provisions	4.4	1,212,176	1,296,305
Total provisions		**9,021,112**	**1,503,286**
Financial debts	4.5	36,775,371	11,146,660
Advances on orders		8,297	0
Trade accounts payable	4.7	15,481,356	1,589,653
Tax & soc. security debts	4.7	10,924,797	3,752,742
Other debts	4.7	1,852,211	419,917
Total debts		**68,459,606**	**16,908,972**
Accrued liabilities	4.8	3,417,573	336,847
TOTAL		**123,768,804**	**74,948,294**

3 PROFIT AND LOSS ACCOUNT

PROFIT AND LOSS ACCOUNT list	Notes	*12 months STS 31/12/2010*	*12 months RISC 31/12/2010*	12 months STS/RISC 31/12/2010	12 months 31/12/09
In EUR					
Turnover	5.1	*34,634,256*	*52,580,777*	87,215,033	25,133,530
Other operating income		*163,407*	*788,308*	951,715	141,292
Total Operating Income		*34,797,662*	*53,369,085*	88,166,747	25,274,822
Operating costs:					
Consumables		*13,594,694*	*15,487,974*	29,082,668	357,811
Staff overheads		*7,697,551*	*20,839,619*	28,537,170	6,193,108
Other operating costs		*4,570,425*	*17,242,801*	21,813,226	5,303,553
Taxes and fees		*589,517*	*1,096,504*	1,686,021	503,335
Allocations to depreciation and provisions		*2,444,223*	*2,716,367*	5,160,590	2,186,139
Total operating costs		*28,896,410*	*57,383,265*	86,279,675	14,543,946
Operating income		***5,901,253***	***- 4,014,180***	**1,887,072**	**10,730,876**
Financial income and expenses	5.2	*- 1,109,733*	*- 25,185*	- 1,134,918	- 292,001
Operating income of integrated companies		***4,791,520***	***- 4,039,365***	**752,154**	**10,438,875**
Exceptional income and expenses	5.3	*- 278,693*	*- 9,619,589*	- 9,898,282	- 218,683
Result before corporation tax and amortisation of goodwill		***4,512,828***	***-13,658,954***	**-9,146,127**	**10,220,192**
Amortisation / Provision of goodwill	3.1	*3,568,022*	*466,580*	4,034,602	1,399,457
Investment		*304,488*	-	304,488	425,625
Income tax	5.5	*2,174,489*	*16,666*	2,191,155	2,534,400
Deferred taxation	5.5	*-337,915*		- 337,915	- 631,274
Net income of integrated companies		***-1,196,255***	***-14,142,200***	**-15,338,455**	**6,491,984**
Share of income of companies consolidated using the equity method		*- 77,000*		- 77,000	
Consolidated net income as a whole		*-1,273,255*	*-14,142,200*	-15,415,455	6,491,984
Minority interests share		*- 24,973*	*9,735,685*	9,710,712	- 305,188
Net Income		***-1,298,228***	***- 4,406,515***	**- 5,704,743**	**6,186,796**
Number of shares				6,217,884	6,051,133
Income per share				- 0.91	1.02

4 CASH FLOW STATEMENT

CASH FLOWS in €K	Dec-10	Dec-09
Business operation		
Net income of integrated companies	(5,705)	6,187
Minority interests	(9,156)	
Depreciation	10,174	3,586
Provisions and deferred taxation	3,956	(206)
Capital gains on disposals		
Other		
Self-financing capacity over the period	**(731)**	**9,567**
Variation of stock and work in progress	114	(5)
Customer variation	(11,050)	(8,076)
Supplier variation	2,587	786
Other variations	4,741	(3,526)
Variation in working capital requirements	(3,608)	(10,821)
Net cashflow generated by business	**(4,339)**	**(1,254)**
Investment operations		
Acquisition of tangible and intangible assets	(3,995)	(10,740)
Acquisition and increase of financial fixed assets	(20,339)	0
Total	**(24,334)**	**(10,740)**
Disposals of fixed and tangible assets	(433)	0
Disposals and reductions to financial fixed assets	0	0
Total	**(433)**	**0**
Net investment for the period	(23,901)	(10,740)
Impact of variations in scope of consolidation		0
Variation in working capital requirements		0
Acquisition cost of consolidated companies	0	0
Net cashflow linked to investment operations	**(23,901)**	**(10,740)**
Financing operations		
Capital increase	2,914	10,296
Costs related to the public offer for share exchange		
Dividends paid to shareholders in the parent company		
Shareholder current accounts		
Total	**2,914**	**10,296**
Variation in loans and financial debts	22,194	(2,140)
of which Loans taken out:	27,741	0
of which Loans repaid:	(5,547)	(2,140)
Variation in working capital requirements		0
Net cashflow linked to financing operations	**25,108**	**(2,140)**
Impact of variation in exchange rates		
Variation in cash position	**(3,132)**	**(3,838)**
Cash position at opening	**16,332**	**20,170**
Cash position at end	**13,199**	**16,332**
of which - cash and cash equivalent	5,403	6,651
- Investment securities	7,796	9,681

II. NOTES TO THE CONSOLIDATED ACCOUNTS AT 31 DECEMBER 2010

1 EVENTS DURING THE YEAR

1.1 Consolidation at 31 December 2010 of group investment in digital confidence platforms (JV)

Over the past three years, STS Group has developed a worldwide network of digital confidence platforms (JV) by giving these joint ventures, created with leading local partners, its digital confidence software package. In return for the sale of its licence, STS Group receives JV securities, and as soon as the JV is operational, a percentage of the revenues as royalties.

In 2008/09, STS Group thus created 10 JVs (one in France and nine in various other countries) and with the aim of remaining the software publisher, sold these 10 investment stakes in June 2010 (directly or indirectly via its subsidiary, Risc Group IT Solutions) to a company external to the Group in the United States, IPS Nevada.
Over the 2010 financial year, STS Group created an additional 20 JVs (created or in progress) of which one is in France and 15 in various countries, initially designed to be sold to IPS Nevada.

The capital entry into Risc Group followed by the repositioning of Risc Group IT Solutions on the Cloud Computing market has changed the JV outsourcing strategy. Also, in December 2010, STS Group wished to buy back from IPS Nevada its investment in the first JV which had fully matured, and made this clear to the partner in question in accordance with the protocol in force. At the end of March 2011, the partner told STS Group that it was considering the use of its pre-emptive right, thus depriving STS Group of the development potential for the JV in question.

This issue led the STS Group board to review its strategy in terms of management of JV investments, which are the main focus for development of the Group internationally. Given the very high long-term potential for capital gain of these JVs, the board thus deemed it necessary to manage these investments directly so as to avoid the risk of pre-emption set down in the agreements linked to JV buyback from the unit as they develop.
It was thus decided to negotiate the acquisition of IPS Nevada and its investments in JVs in 2009 (the deed of purchase will occur in June 2011) resulting in their consolidation from 1 December 2010, due to the event which took place at the end of 2010.
The operation was carried out for €30K. This acquisition generated goodwill of €6K, amortised over 20 years.

In light of this decision, the 20 JVs created in 2010 thus had to be consolidated at 31 December 2010 using the equity method, since investment stakes were systematically below 50%.

This consolidation decision mainly affected:

1) The consolidated profit and loss account:

The elimination of margin (turnover less direct associated costs) achieved with JVs in 2010 (licence sales) on a pro rata basis of the percentage held in the JV, i.e. the sum of €13.9m over the 2010 financial year.

2) The consolidated balance sheet:

The activation of the JVs as securities according to the equity method (€22.8m) and debts for JVs currently being securitised (€11m), resulted in goodwill of €0.6m.

In order to comply with the 99-02 regulation, the activated securities on the consolidated balance sheet were further subject to a depreciation test carried out by an independent firm. This test gave rise to the posting of depreciation of €2.1m, since the asset value of the JVs (100% of shares) was assessed at €88m.
See note 3.5.

1.2 Investment of 29.4% in Risc Group on 15 January 2010

In order to counterbalance the JV strategy which will yield significant results in the medium term, on 15 January 2010, STS acquired a 29.41% stake in the Risc Group SA company.

In fact, the control of a direct business entity working with a customer base of 25,000 contracts allows the short-term development of digital confidence offers bundled with those of Risc Group. Launched over the first quarter of 2011, Risc Group has already sold €200K of «confidence services» contracts, and this figure should increase sharply over the coming quarters due to the extension of this offer to Risc Group IT Solutions.

The operation was carried out via subscription to a reserved capital increase for €10,850K. This acquisition generated goodwill of €9,737K, amortised over 20 years, representing €466K recorded for 2010. Despite the percentage of interests standing at 29.41% and given the exclusive control, the company meets the consolidation criteria according to the global integration method.

1.3 Restructuring of Risc Group

STS Group continued with the restructuring plan already underway when it joined the Risc Group board of directors, specifically with the implementation of an employment preservation plan (EPP), approved in April 2010 and completed in July 2010. In under 12 months, the total workforce went from 653 to 298.

All charges and provisions linked to the restructuring plan for Risc Group's financial balance represents an overall non-recurring charge of €-14.8m on the Risc Group profit and loss account consolidated in the STS Group profit and loss account at 31 December 2010.

1.4 Acquisition of 100% of the Deal IT company on 30 April 2010

On 20 April 2010, STS Group acquired 100% of the Deal IT limited company. The operation was carried out for €1,850K. This acquisition generated goodwill of €1,387K, amortised over 20 years.

The principal mission of Deal IT consists of refinancing Risc Group's Inbox division remote back-up contracts at better conditions than those previously achieved, alongside the new bundled digital confidence offer bringing together the STS digital confidence offer with the «hosting and back-up» offer from Risc Group.

1.5 Acquisition by Deal IT and IPSCA Spain of the four Risc Group subsidiaries: Risc Belgium, Risc Spain, Risc Italy and Risc Switzerland

The Boards of Directors of *RISC Group* and *STS Group* met on 22 December 2010 to ratify the sale by *Risc Group* of 100% of the equities or units held in:
Risc Italy, Risc Belgium and *Risc Switzerland* to *Deal IT,* a fully-owned subsidiary of *STS Group*;
Risc Spain to *IPSCA*, an 85%-owned subsidiary of *STS Group*.

The *INBOX* activity of *Risc Group* is carried out in France and internationally in six countries: Germany, Belgium, Spain, Italy, the United Kingdom and Switzerland. The overall transfer of the *INBOX* division was considered initially, but the still loss-making activities meant a satisfactory offer could not be obtained.
In these circumstances, it appeared more beneficial for *Risc Group* to refocus its INBOX activity on France, to keep two large, international markets with high development potential – the United Kingdom and Germany – and to seek a reliable partner for the four non-strategic countries that would enable it to maintain its exclusive services for its data vaulting software.
For its part, *STS Group*, via its subsidiaries *Deal IT* and *IPSCA*, aims to speed up recovery of the financial situation of the four Belgian, Spanish, Swiss and Italian entities, by contributing its expertise in financing and digital trust to a pool of more than 5,000 active agreements.
Deal IT and *IPSCA* thus decided to acquire said four subsidiaries. However, given the links binding Risc Group and STS Group, it was agreed that these companies would be valued by an independent expert from the firm BMA (Bellot Mullenbach et Associés).

This led to the calculation of an overall disposal value of €6.45m for securities and accounts receivable for the four companies in question.
The impact of this disposal in the consolidated accounts of STS Group at 31 December 2010 is balanced out.

It should be noted that these disposals have no impact in terms of employment in France, and that all service agreements between *Risc Group* and the four subsidiaries sold (licensing agreements and online data vaulting performed by *Risc Group*) have been renewed with identical conditions as previously.

2 PRINCIPLES OF CONSOLIDATION

2.1 *General Principles*

The Group is consolidated in accordance with the provisions of regulation 99-02 of the Accounting Regulation Committee.

The length of the financial year is 12 months. The length of the period for the consolidated accounts presented is 12 months.

The amounts given in the balance sheet, profit and loss account and notes are expressed in euros, unless otherwise specified.

2.2 *Consolidated whole*

2.2.1 *Scope of consolidation*

The scope of consolidation and methods of consolidation selected are given below:

Companies	Percentage of interest and control at 31/12/09	Percentage of interest and control at 31/12/10	Type of control	Selected method of consolidation
France				
Risc Group (see sub-group 2.2.2)	-	29.41%	Exclusive	Global integration
Deal IT (see sub-group 2.2.3)	-	100%	Exclusive	Global integration
Spain				
STS Spain	54.85%	54.85%	Exclusive	Global integration
IPSCA Spain	88%	88%	Exclusive	Global integration
Risc Group Spain (see note 1.5)	-	100%	Exclusive	Global integration
Belgium				
STS BENELUX	100%	100%	Exclusive	Global integration
Risc Group Belgium (see note 1.5)	-	100%	Exclusive	Global integration
Switzerland				
Risc Group Switzerland (see note 1.5)	-	100%	Exclusive	Global integration
Italy				
Risc Group Italy (see note 1.5)	-	100%	Exclusive	Global integration
United States				
IPS Nevada (see note 1.1)	-	100%	Exclusive	Global integration
JV Platforms	notes 1.1 & 3.5			Equity method

2.2.2 Risc Group sub-group

The composition of the RISC GROUP sub-group at 31 December 2010 is given below:

Companies	Percentage of interest and control at 31/12/09	Percentage of interest and control at 31/12/10	Type of control	Selected method of consolidation
France				
Risc Group SA		N/A		Parent company
E-Flag	-	100.00%	Exclusive	Global integration
BESDI	-	100.00%	Exclusive	Global integration
Backup Avenue	-	100.00%	Exclusive	Global integration
Risc Group IT Solutions	-	99.90%	Exclusive	Global integration
G3net	-	100.00%	Exclusive	Global integration
Ukraine				
Extaco	-	100%	Exclusive	Global integration
Germany				
Risc Group AG	-	100%	Exclusive	Global integration
United Kingdom				
Risc Group IT Solutions UK Ltd	-	100%	Exclusive	Global integration
Risc Group UK	-	100%	Exclusive	Global integration

It should be noted that the E Flag and G3net companies in France and Risc Group UK in the United Kingdom no longer had any commercial activity as at 31 December 2010.

It should also be noted that on 22 December 2010, Risc Group sold its subsidiaries Risc Belgium, Risc Italy, and Risc Switzerland to Deal IT and its subsidiary Risc Spain to IPSCA (see note 1.5).

2.2.3 Changes to the Scope of Consolidation

Changes occurring within the scope of consolidation since the previous year were as follows:

- **RISC GROUP:** On 15 January 2010, STS acquired a 29.41% stake in the RISC GROUP limited company, located at 7-11 Rue Casteja, Boulogne-Billancourt, Trade and Company Register No. 379 067 390. See note 1.2.

- **Deal IT**: On 20 April 2010, STS acquired 100% of the Deal IT joint stock company, located at 7-11 Rue Casteja, Billancourt. See note 1.4.

- **IPS NEVADA** on 1 December 2010: see note 1.1

2.3 Accounting treatment of Joint Ventures (JV)

STS Group, with its foreign subsidiaries, has developed an economic model, started in 2008, consisting of creating SaaS («Software as a Service») platforms in connection with Joint Ventures established in different countries, whose operational management is carried out by local partners, and in which STS Group and its subsidiaries will hold a minority investment, initially designed to be sold (see below).

JVs in 2009
Licence sales in terms of JVs recorded as income in 2008 and 2009 gave rise to the establishment of 10 JVs which were sold during the first half-year 2010 to IPS Nevada, a company with no capital links to the STS Group. The IPS Nevada company neither managed nor controlled these JVs, nor did it assume the risks therein.

JVs in 2010

Over the 2010 financial year, STS and its subsidiaries took part in the creation of 20 new JVs by selling 20 software licences under the following conditions:

- either by directly contributing the STS software suite to the joint ventures' capital («sales» to «securities» entry);

- or by invoicing this software suite to the future partner, with the resulting account receivable later being incorporated into the joint ventures' capital («sales» to «debt» then «debt» to «securities» entries);

- or finally by invoicing intermediary structures, with the objective of sub-licensing the software suite licence in return for investment in joint ventures. These investments are subsequently subject to an assignment to STS Group as payment for this invoicing process.

In order to carry out these transactions, all sales and all contributions occurring over the financial year taken into account in the financial statements on 31 December 2010 were subject to software delivery and invoicing before the end of the period, and a signed cooperation agreement.

The Group's change of strategy in terms of managing its investments in JVs (see note 1.1) with the acquisition of IPS Nevada, on the one hand, and the decision not to sell the 2010 JVs on the other hand, had the following consequences:

- the consolidation of the 2009 JVs at their gross value recorded on the IPS Nevada balance sheet;
- the consolidation of the 2010 JVs via the equity method, which invokes elimination of the licence margin to each JV proportionally in terms of the Group's holding percentage in each JV.

See note 3.5.

2.4 <u>Goodwill</u>

Initial consolidation goodwill equals the difference noted between the cost of acquiring its securities and the share that the holding company has in the share capital when a company is integrated within the scope of consolidation.

It is amortised over 20 years.

2.5 <u>Intangible assets</u>

Software and fixed research costs are amortised over 7 years.

Business trusts are amortised neither in individual accounts nor in consolidated accounts.

2.6 <u>Tangible assets</u>

Assets were valued at their acquisition or production cost.
The straight-line method was selected for the calculation of depreciation.
Provisions for depreciation are recorded when the actual value is below the net book value.
The methods and durations for depreciation are identical within the integrated group. They are drawn up over the expected duration of use.

Depreciation has been recorded using the following durations:

o	Operating buildings	40 years straight-line method
o	Industrial equipment	3 to 5 years, straight-line method
o	Computer equipment	3 to 5 years, straight-line method
o	Other tangible assets	4 to 10 years, straight-line method

2.7 <u>Finance leasing agreements</u>

At Risc Group, finance leasing agreements transferring risks and advantages linked to ownership (finance leasing agreements) are recorded as fixed assets alongside a counterparty entry for a financial debt.
At STS, leasing agreements are not significant.

2.8 *Deferred taxation*

Temporary differences between taxable income and accounting income, along with certain types of restatement performed on the accounts so as to harmonise them with the accounting principles used for the consolidated accounts, give rise to the recording of a deferred tax assets or liabilities, according to the variable deferral method.

2.9 *Provision for depreciation of receivables*

Provisions are made for all receivables that are subject to dispute or a risk of non-recovery, with the provision percentage determined on a customer-by-customer basis, taking into account the sums covered by credit insurance agencies.

2.10 *Investment securities*

Where appropriate, investment securities were depreciated by way of a provision, to take account of:

- For listed securities, the average price over the final month of the financial year
- For unlisted securities, the expected trading value at the end of the financial year.

2.11 *Pension liabilities and related services*

In accordance with the preferential method advised by the CRC 99-02 regulation, the Group recorded a provision for pension liabilities.

2.12 *Minority interests*

In accordance with regulation CRC 99-02, when following losses, the share due to minority interests within a consolidated company by global integration becomes negative, any surplus and any subsequent losses that can be assigned to minority interests are deducted from those of majority interests, unless the minority shareholders or partners have a formal obligation to clear losses. If, subsequently, the consolidated company makes profits, then any majority interests are then credited with all profits until the share they had assumed in terms of losses that could be assigned to minority interests has been completely eliminated.

To this end, minority interests linked to investment in Risc Group and expressed as Group equity capital stand at €6,023K at 31 December 2010 (see note 4.2).

3 NOTES ON BALANCE SHEET ASSETS

3.1 Goodwill - gross

Movements over the financial year in €K	Gross Values at 31/12/2009	Acquisitions	Disposals - transfers	Gross values at 31/12/2010
STS Belgium	1,183			1,183
Logon Services	3			3
Logon SI France	6,542	-		6,542
IMC	19,697			19,697
Keyvelop	204			204
IMC Spain	1			1
IPSCA	988			988
Deal IT		1,387		1,387
Risc Group		9,737		9,737
JV platforms		654		654
IPS Nevada		6		6
Total	**28,618**	**11,784**	**-**	**40,402**

Risc Group: see note 1.2.
Deal IT: see note 1.4
JV platforms: see notes 1.1 and 3.5
IPS Nevada: see note 1.1

- **Goodwill - depreciation**

Deprec. for the fin. year in €K	Deprec. at 31/12/2009	Allocations	Disposals - transfers	Deprec. at 31/12/2010
STS Belgium	148	59		207
Logon Services				-
Logon SI France	818	327		1,145
IMC	1,417	985		2,402
Keyvelop	20	10		30
IMC Spain	1			1
IPSCA	25	49		74
Deal IT		69		69
Risc Group		467		467
JV platforms				-
IPS Nevada				-
Total	**2,429**	**1,966**	**-**	**4,395**

Goodwill is amortised over a 20-year period.

The profit and loss account recorded a total charge of €4,035K on the allocations to depreciation line and provision for goodwill.
The differential compared to the €1,966K on the table below corresponds to the allocations to provisions expressed on JVs as follows:

- On JVs as securities in equity at 31/12/10 (€1,925K - see note 3.5)
- On JVs still considered as debt at 31/12/10 (€153K - see notes 3.5 and 3.7)

3.2 Intangible assets

- **Intangible assets - gross**

Movements over the financial year in €K	Gross values at 31/12/2009 STS	Change to the Risc scope of consolidation	Acquisitions	Disposals - transfers	Gross values at 31/12/2010
Capital increase fees	1				1
Research and development costs	0	126	124	126	124
Other intangible assets	7,498	4,666	1,198	1,366	11,996
Activation of R&D costs	4,624	4,988	0	754	8,858
Total	**12,123**	**9,780**	**1,322**	**2,246**	**20,979**

- **Intangible assets - depreciation and provisions**

Movements over the financial year in €K	Deprec. at 31/12/2009 STS	Change to the Risc scope of consolidation	Increases - allocations	Reductions - Releases - Recoveries	Deprec. at 31/12/10
Intangible assets	0				0
Set-up costs	1				1
Research and development costs	0				0
Other intangible assets	4,673	1,989	1,754	408	8,008
Activation of R&D costs	1,952	3,749	1,255	302	6,654
Total	**6,626**	**5,738**	**3,009**	**710**	**14,663**

3.3 Tangible assets

- **Tangible assets - gross**

Movements over the financial year in €K	Gross values at 31/12/2009	Change to scope	Acquisitions	Disposals - transfers	Gross values at 31/12/2010
Land and buildings	1,386				1,386
Technical facilities, etc.	198	2,300	113	196	2,415
Other tangible assets	2,108	9,281	2,560	3,730	10,219
Fixed assets under construction					0
Total	**3,692**	**11,581**	**2,673**	**3,926**	**14,020**

- **Tangible assets - depreciation and provisions**

Movements over the financial year in €K	Deprec. at 31/12/2009	Change to scope	Increases - allocations	Reductions - Releases - Recoveries	Deprec. at 31/12/2010
Land and buildings	98		38		136
Technical facilities, etc.	60	492	448	320	680
Other tangible assets	1,632	4,676	2,142	2,484	5,966
Fixed assets under construction					0
Total	**1,790**	**5,168**	**2,628**	**2,804**	**6,782**

3.4 *Financial fixed assets*

Movements over the financial year in €K	Gross values at 31/12/2009	Change to Risc Group scope	Increases	Reductions - Transfers	Gross values at 31/12/2010
Investment securities					
Document Channel (JV)	1,500	-1,500			0
STS Asia (JV)	18	-18			0
Erynnis (JV)	1,230	-1,230			0
Other financial fixed assets					
Loans	14		120		134
Deposits and guarantees	144	726	266		1,136
Other financial assets					0
Total	**2,906**	**-2,022**	**386**	**0**	**1,270**

JVs held by the Group at 31/12/09 were sold over the first six months of the financial year to IPS Nevada. They are consolidated via the equity method at 31/12/10. See note 3.5.

Deposits and guarantees resulting from the integration of Risc Group within the scope of consolidation are essentially deposits paid in connection with rental leases for companies belonging to the Risc sub-group.

3.5 *Securities in equity*

Movements over the financial year in €K	Gross values at 31/12/2009	Increases	Reductions - Transfers	Gross values at 31/12/2010
JVs in 2009				
Archiving (Mexico)		3,140		3,140
Document Channel (France)		1,563		1,563
RDVS (Canada)		1,640		1,640
Secure Data (Colombia)		1,640		1,640
Secure Data (Ecuador)		1,640		1,640
Erynnis (Belgium)		1,640		1,640
Antrin (UAE)		1,640		1,640
STS Asia (Hong Kong)		3,140		3,140
Quadraus (Italy)		1,640		1,640
Secure Data (Chile)		1,640		1,640
JVs in 2010				
Infinite (Belgium)		749		749
Possible Now (United States)		602		602
Docoon (France)		735		735
Trizma (Serbia)		602		602
Alve Ferreira (Portugal)		735		735
Total	**0**	**22,746**	**0**	**22,746**

Following the revision of its management strategy for its digital trust platforms (see note 1.1), the Group decided to consolidate its investments in the 2009 JVs and 2010 JVs via the equity method at 31 December 2010.

JVs in 2009:
2009 JVs fall inside the scope of consolidation via the acquisition of IPS Nevada: the disposal of the licence took place in their case in 2008 or in 2009. These JVs are consolidated at their gross value in the IPS Nevada balance sheet.

JVs in 2010:
Disposal of the STS licence to the 2010 JVs took place over the 2010 financial year: as a result, the percentage of the Group's holdings in each JV as regards the sale of the licence is eliminated in the consolidated profit and loss account.

Example of an entry for the «Infinite» JV in which STS Group holds a 49.9% stake:

in €K	Debit	Credit
As corporate		
Turnover		1,500
Securities	1,500	
	1,500	**1,500**
As consolidation		
Securities		1,500
Securities in equity	749	
Goodwill	751	
Turnover	749	
Goodwill		749
	2,249	**2,249**

For some of the 2010 JVs, the capital increase and securitisation of STS was not legally finalised until 31/12/10, although cooperation agreements were entered into and licences were delivered before 31/12/10. In this case, the percentage of the Group's holding in each JV in terms of the sale of the licence is eliminated in the consolidated profit and loss account with the receivable balance as a counterparty.

Example of an entry for the «Infinite» JV in which STS Group holds a 49.9% stake:

in €K	Debit	Credit
As corporate		
Turnover		1,500
Receivable	1,500	
	1,500	**1,500**
As consolidation		
Receivable		735
Turnover	735	
	735	**735**

The remaining balance of the receivable, €735K, will be reposted to securities in equity at the beginning of 2011, as soon as the capital increase has been legally performed. This entry will have no impact on the consolidated result for 2011.

On 31/12/10, the 2010 JVs concerned by this treatment are as follows:

Movements over the financial year in €K	Gross values at 31/12/2009	Increases	Reductions - Transfers	Gross values at 31/12/2010
JVs in 2010				
Hamilton (Bulgaria)		765		765
Digital TS (Morocco)		990		990
Gestinfo (Andorra)		752		752
System ASP (Uruguay)		501		501
System ASP (Peru)		501		501
Systemic (France)		752		752
Inforca (Monaco)		752		752
SAAS Spain (Spain)		765		765
Kronos (Spain)		752		752
Sagem (France)		751		751
E Contracting (France)		751		751
SETA (Argentina)		751		751
SYSASAP		751		751
Codisa		765		765
Sovam		752		752
Total	**0**	**11,051**	**0**	**11,051**

This total receivable of €11,051K is included in the customers entry at 31/12/10.
See note 3.7.

- **Securities in equity - provisions**

All securities (or receivables) of JVs consolidated using the equity method at 31/12/10 were subject to an *impairment test*, made by an independent firm.

This test was performed using an intrinsic valuation approach, by discounting future cash flows.
To do so, the following assumptions were made:

- A risk of failure rate of 40% applied to all JVs except Errynis and Document Channel, which already have proven business;
- A discount rate of 12.6% before account is taken of the country risk and a specific premium;
- A specific premium of 5% on account of the as-yet-prospective nature of business plans;

Based on the valuations obtained, the following provisions had to be expressed, in the event that the useful value calculated is below the net book value.

Movements over the financial year in €K	Gross values at 31/12/2009	Increases	Reductions - Transfers	Gross values at 31/12/2010
Securities in equity				
Archiving (Mexico)		1,055		1,055
Document Channel (France)				0
RDVS (Canada)		406		406
Secure Data (Colombia)				0
Secure Data (Ecuador)		464		464
Erynnis (Belgium)				0
Antrin (UAE)				0
STS Asia (Hong Kong)				0
Quadraus (Italy)				0
Secure Data (Chile)				0
Infinite (Belgium)				0
Possible Now (United States)				0
Docoon (France)				0
Trizma (Serbia)				0
Alve Ferreira (Portugal)				0
Total	**0**	**1,925**	**0**	**1,925**

For JVs still recorded as receivables on 31/12/10, a provision of €153K was expressed in terms of the Inforca JV (Monaco). See note 3.7.

The report concludes on a useful value of €88m for all 30 JVs at 31/12/10.

3.6 Inventories

in €K	31/12/2010	*of which Risc Group*	31/12/2009
Inventories	1,254	*1,251*	18
Total stock	**1,254**	***1,251***	**18**
Stock provisions	(375)	*(375)*	-
Net stock	**879**	***876***	**18**

Stock at Risc Group is made up of back-up software licences integrated on Risc Boxes for the INBOX division and routers for the IT Solutions division.

3.7 Customers and related accounts

in €K	31/12/2010	*of which Risc Group*	*of which Deal IT*	31/12/2009
TTC Customers	21,634	*8,083*	*5,589*	10,919
JV Customers	11,050	-	-	
Total Customers	**32,684**	***8,083***	**5,589**	**10,919**
Customer Provisions	(3,561)	*(3,042)*		(448)
JV Provision	(153)	-	-	-
Net customers	**28,970**	***5,041***	**5,589**	**10,023**

JV Customers and JV Provisions: see notes 2.3 and 3.5.

At Risc Group, customers correspond, in terms of the INBOX division, with contracts being sold by leasers and in terms of the IT Solutions division, the sum of accruing rentals for the next quarter.
Systematic full provision is made for all receivables of over 90 days.

3.8 Other debts

in €K	31/12/2010	*of which Risc Group*	31/12/2009
Status / Tax on Turnover	2,635	*1,124*	76
Other debts	2,330	*1,168*	11,198
Total	**4,965**	***2,292***	**11,274**

All receivables and other assets are due within one year.
STS Group records a corporation tax debt to be recovered of €994K at 31/12/10.

3.9 Investment securities and cash/cash equivalent

in €K	31/12/2010 net	*of which Risc Group*	31/12/2009
Inv. Secs.	7,796	*783*	9,680
Cash and cash equivalent	5,403	*2,361*	6,651
Total	**13,199**	***3,144***	**16,331**

Investment securities accounts include €1,177K of STS shares acquired over the final quarter of 2010 and sold mainly over the first quarter of 2011. As such, they are not restated in equity capital.

3.10 Accrued income

This stands at €4,026K on 31/12/10, corresponding in particular to:

- loan arrangement costs of €461K
- bond repayment premiums of €1,602K (see note 4.3)
- charges stated in advance of €1,962K (of which €1,640 from the Risc sub-group and €155K from Deal IT).

4 NOTES ON BALANCE SHEET LIABILITIES

4.1 Share capital

In EUR	Nominal value	at the beginning of the financial year	created over the financial year	Repaid during the financial year	at the end of the financial year
Shares	€1	6,051,133	166,751		6,217,884
Total capital	**1**	**6,051,133**	**166,751**	**0**	**6,217,884**

4.2 Statement of changes in equity

in €K	Share Capital	Premiums linked to capital	Consolidated retained earnings	currency translation variations	Group net income	Minority interests assigned to the Group	**sub-totals for Group net income**	Minority interests	**Total**
Situation at 31/12/2009	**6,051**	**33,985**	**9,393**	**-**	**6,187**	**-**	**55,616**	**583**	**56,199**
capital increase and issue premium	167	2,211	537				**2,915**		**2,915**
profit allocation			6,187		(6,187)		-		-
changes to scope of consolidation			-				-	3,665	**3,665**
currency translation				(925)			**(925)**		**(925)**
income 31/12/2010					(5,704)		**(5,704)**	(9,758)	**(15,462)**
Minority interests assigned to Group net income						(6,023)	**(6,023)**	(6,023)	-
							-		
Situation at 31/12/10	**6,218**	**36,196**	**16,117**	**(925)**	**(5,704)**	**(6,023)**	**45,879**	**513**	**46,392**

Consolidated retained earnings:
The increase in consolidated retained earnings of €537K comes from Risc Group, and the capital increase made over the period from sale of stock purchase warrants (outside group).

Debit minority interests assigned to the Group:
These stand at €6,023K. See note 2.12.

4.3 Provision for risks and charges

in €K	31/12/2009	Change in scope of consolidation (RISC)	Allocation	Recovered	31/12/2010
STS retirement provision	207		50		**257**
Risc retirement provision		146	37		**183**
STS risk provisions			373		**373**
Risc risk provision		5,528	6,834	4,839	**6,893**
Provisions	**207**	**5,674**	**7,294**	**4,839**	**7,706**

Retirement Provisions (PIDR):
Retirement provisions are calculated based on the following assumptions:

- Discount rate: 2%
- Retirement age: 65
- Salary revaluation: 2%

STS provisions for risks and charges: Essentially, these are made up of:

- Industrial tribunal risks €136K
- Provision for risk: €237K

The provision for risk corresponds to the lease for Rueil abandoned after the STS move to Boulogne in July 2010, provisioned until its expiry in July 2012.

Risc provisions for risks and charges: Essentially, these are made up of:

- Industrial tribunal risks €560K
- Customer disputes: €473K
- Provision for removals & restructuring*: €4,274
- Provision for early return of vehicles: €9K
- Provision on terminated activities and linked disputes: €1,576K

*RISC GROUP EPP: In France, the financial balance restructuring plan entailed the implementation of an employment preservation plan (EPP) which was approved by the Board of Directors of Risc Group on 9 February 2010 and by the Works Council on 14 April 2010. The approved plan schedules the withdrawal of 166 positions, with the opening of 45 positions to reclassification, of which 33 are job creations, giving a net balance of 121 job losses.
This plan ended on 31 December 2010 but provisions continue due to the various types of assistance to which employees are entitled in connection with the plan.

4.4 Provision for deferred taxes

in €K	31/12/2009	Change in scope of consolidation (IPS)	Allocation	Recovered	31/12/2010
Provision for deferred taxes	1,296	273	103	459	**1,213**
Provision	**1,296**	**273**	**103**	**459**	**1,213**

The taxation rate selected is 34.43%.

Deficits that can be carried forward belonging to the Risc sub-group stand at €80m (Risc Group and Risc Group IT Solutions) at 30/06/10 (last statement date). No deferred taxation on assets was recorded in application of the principle of prudence.

4.5 Sundry financial debts and loans

in €K	31/12/2010	*under a year*	*over a year*	31/12/2009
STS bond loans	19,245	*2,327*	*16,918*	8,333
STS OSEO loans	3,664	*220*	*3,444*	882
Other STS loans	1,630	*403*	*1,227*	1,931
Total STS debt	**24,539**	***2,950***	***21,589***	**11,146**
Risc loans	10,194	*6,256*	*3,938*	
Finance leasing restatements	1,964	*977*	*987*	
Other financial debts	78	*78*	-	
Total Risc debt	**12,236**	***7,311***	***4,925***	**-**
Total financial debts	**36,775**	***10,261***	***26,514***	**11,146**

Details of STS bond loans:

- **Loans from 2008**: 150 convertible bonds: There remain 125 bonds of €66,666 each, repayable in nominal form by tranches of 25 each year (1 July).
- **Loan of 450 CB 1/2010** (€2,250K): Issue of 450 CBs of €5,000 repayable at €5,900 at the rate of 8%. Ultimate repayment or conversion into equities. Term 2010/2016. The bond repayment premium stands at €344K at 31 December 2010.
- **Loan of 1,570 CB 3/2010** (€7,850K): Issue of 1,570 CBs of €5,000 repayable at €5,900 at the rate of 8%. Ultimate repayment or conversion into equities. Term 2010/2016. The bond repayment premium stands at €1,258K at 31 December 2010.

Risc loans:

- **€4.4m loan (April 2010)**: this loan taken out by the Risc Group IT Solutions subsidiary has a 36-month term for a repayable amount of €3.4m at 31/12/10.
- **€7m loan (August 2010)**: this loan taken out by the Risc Group IT Solutions subsidiary has a 36-month term for a repayable amount of €5.6m at 31/12/10.
- **Finance leasing restatement**: Finance leasing agreements used by Risc to finance the acquisition of its storage bays and servers are restated as loans in consolidation with a counterparty in tangible assets.

4.6 Net debt

in €K	31/12/2010	31/12/2009
Financial debt	36,775	11,146
Active cash management	13,199	16,331
Net debt	**23,576**	**-5,185**

4.7 Operating debts

in €K	31/12/2010	*of which Deal IT*	*of which Risc Group*	31/12/2009
Supplier debts and related accounts	15,481	*4,146*	*7,838*	1,590
Tax & soc. security debts	10,924	*430*	*4,380*	3,753
Other debts	1,852		*1,795*	420
Total operating debts	**28,257**	***4,576***	***14,013***	**5,763**

All operating debts have a term of under 1 year.

4.8 Accrued liabilities

in €K	31/12/2010	31/12/2009
STS deferred revenue	341	337
RISC deferred revenue	3,076	0
Total	**3,417**	**337**

Risc's deferred revenue comes essentially from the pre-quarterly invoicing method used in the IT Solutions division.

5 NOTES ON THE PROFIT AND LOSS ACCOUNT

5.1 Sales

in €K	31/12/2010 (12 months)	31/12/2009 (12 months)
STS		
Sales Licence (JV)	15,127	18,000
Turnover - others	7,762	7,134
STS Total	**22,889**	**25,134**
RISC GROUP (11.5 months)		
INBOX division	22,112	
ITS division	30,469	
Miscellaneous		
Risc Total	**52,581**	**-**
Deal IT (8 months)		
Financing activity outside the Group	11,745	
Deal IT Total	**11,745**	-
Total turnover	**87,215**	**25,134**

STS:
The sale of JV licences generated total turnover of €29m over the 2010 financial year, for 20 new JVs created (or in the process of being created), of which €13.9m were eliminated in consolidation due to the consolidation via the equity method of said JVs (see notes 2.3 and 3.5) for a consolidated total of €15,127K.

5.2 Financial income

in €K	*31/12/2010 STS*	*31/12/2010 Risc*	31/12/2010	31/12/2009
Details of financial revenue:				
Revenue from Inv. Sec. disposals	*477*	*434*	911	173
OBSAR (bonds with redeemable share subscription warrants) revenue	-		0	
Miscellaneous	*145*	*37*	182	
Total financial revenue	***622***	***471***	**1,093**	**173**
Details of financial charges				
Interest on loans	*469*	*870*	1,339	465
Amortisation on loan repayment premium		*654*	654	
Amortisation of financial provision	*61*		61	
Restatement of finance leasing agreements	*65*		65	
Miscellaneous	*52*	*56*	108	
Total financial charges	***647***	***1,580***	**2,227**	**465**
Financial income	***-25***	***-1,109***	**-1,134**	**-292**

5.3 ***Extraordinary profit***

in €K	*31/12/2010 RISC*	*31/12/2010 STS*	31/12/2010	31/12/2009
Details of extraordinary revenue:				
- Fixed asset disposal revenue	*408*	*25*	433	26
- Recovery from provisions	-	*649*	649	
- Revenue from previous financial years			-	70
- Sundry revenue	*89*	*15*	104	14
Extraordinary revenue total	***497***	***689***	**1,186**	**110**
Details of extraordinary charges				
- Restructuring	*4,589*	*93*	4,682	175
- Staff dispute charges	*2,385*		2,385	23
- Net value of disposal of fixed assets	*903*	*16*	919	23
- Allocation to extraordinary depreciation	*755*	*775*	1,530	92
- Provision on terminated activities	*882*		882	38
- Allocation to commercial disputes	*393*		393	38
- Sundry extraordinary charges	*209*	*83*	292	38
Total extraordinary charges	***10,116***	***967***	**11,083**	**427**
Extraordinary profit	***(9,619)***	***(278)***	**(9,897)**	**(317)**

Most of the extraordinary charges for Risc Group come from the restructuring which took place within Risc Group over the first six months of 2010 (see note 1.3).

5.4 ***Effective taxation rate (proof of taxation)***

Income tax burden

in €K	31/12/2010
Income tax	**2,191**
Deferred taxation	-338
Corporation tax	**1,853**
effective taxation rate	**N/A**

Proof of taxation

in €K	30/06/2010
Income before corporation tax and goodwill depreciation	**-9,223**
Risc loss over the period	13,659
Attribution of deficits	3,867
Corporation tax base	8,303
Corporation tax rate	33.33%
Theoretical corporation tax	2,767
Tax credit	-914
Spread	0
Theoretical corporation tax	1,853
Stated corporation tax	1,854
Residual spread	**-1**

* Deferrable deficits within the Risc sub-group stand at €78,016K at 31 December 2010.
No deferred taxation on assets was recorded in application of the principle of prudence.

II. Auditors' report on the consolidated accounts

PAUL CONTINENTE
16, RUE PIERRE DE FERMAT
31000 TOULOUSE

FIGESTOR
54, AVENUE GÉNÉRAL LECLERC
92100 BOULOGNE BILLANCOURT

STS GROUP

AUDITORS' REPORT ON THE CONSOLIDATED ACCOUNTS

Financial year ended 31 December 2010

STS GROUP
Public limited company (société anonyme) with capital of EUR 6,517,922
7-11 Rue Castejà
92100 Boulogne-Billancourt

431 928 365 Nanterre Trade and Companies Register

Dear Shareholders,

In performance of the mission entrusted to us by your Annual General Meeting, we present our report relating to the financial year ended 31 December 2010 concerning:

- the audit of the consolidated accounts of the company, STS GROUP, as appended to this report;
- the justification for our appraisals;
- specific tests as laid down by law.

The consolidated accounts were adopted by your Board of Directors. Based on our audit, it is our duty to issue an opinion on these accounts.

I.OPINION ON THE CONSOLIDATED ACCOUNTS

We carried out our audit in accordance with the professional standards of conduct as applicable in France; these standards require the implementation of due care allowing a reasonable assurance to be given that the consolidated accounts do not include any significant anomalies. An audit consists of verifying, through surveys or by other means of selection, those items that substantiate the sums and information featured in the consolidated accounts. It also consists of assessing the accounting principles followed, any significant estimates made and the presentation of the accounts as a whole. We consider that the elements we have gathered are of a sufficient and appropriate nature to serve as the basis for our opinion.

We certify that the consolidated accounts for the financial year are, in respect of French accounting rules and principles, accurate and true, giving a faithful image of the asset base, the financial situation and the result for the Group made up of the entities included in the scope for consolidation.

Without calling into question the opinion expressed above, we draw your attention to the following points as outlined in the appendix to the consolidated accounts:

- Paragraph 1.1 regarding the initial consolidation of IPS Nevada and digital trust platforms (JV), their terms and consequences on the balance sheet and the consolidated profit and loss account;
- Paragraph 2.3 regarding the accounting treatment of the JVs;
- Paragraph 3.5 regarding the determination of depreciation tests for JVs and related items by an independent firm and their use for the valuation of said JVs.

II. JUSTIFICATION OF ASSESSMENTS

In application of the provisions of Article L. 823-9 of the Commercial Code relating to the justification of our assessments, we draw your attention to the following items:

- Valuation of companies using the equity method: Valuation of joint ventures using the equity method is based on a report drawn up by an independent firm. As a basis, this firm uses assumptions relating to future business drafted jointly by STS Group and local partners, which could nevertheless not be validated by experience, given the recent nature of the launch of said JVs.

- Goodwill: We appraised the approach selected by the company to assess the value in use of goodwill. Our work did not lead us to uncover any items liable to call into question the reasonable nature of the assumptions made and the resulting valuation which justified the net accounting values of said goodwill at 31 December 2010.

The appraisals thus performed are part of our audit procedure for consolidated accounts, taken as a whole, and therefore contributed to forming our opinion as expressed in the first part of this report.

III. SPECIFIC TESTS

In accordance with the professional standards of conduct applicable in France, we also carried out specific tests as laid down by law regarding information about the group provided in the management report.

We do not have any observations to make as to the sincerity of said information, nor its consistency with the consolidated accounts.

Done in Toulouse and Boulogne, on 1 June 2010

The Statutory Auditors

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