



Half year report

# 2006

**Cegid**

BETTER YOU ARE BETTER WE ARE





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In 2005, Cegid gradually implemented its merger with Ccmx and posted strong growth in earnings. In the first half of 2006, the company continued to expand, building on its strengths.

On February 13, 2006, the Council of State granted definitive approval to Cegid's acquisition of Ccmx. This enabled Cegid to accelerate implementation of the new group's originally-planned operating structure.

In employee relations, Cegid reached an agreement with its labor unions in June 2006 that will unify employee status and treatment in the two companies. The new group's structure will be finalized in the second half when the legal status of the two companies is harmonized.

Cegid pursued its strategy of acquisitions during the period. In France, it acquired GTI Industrie and PMI Soft in the manufacturing sector in March 2006 and I&C in the agricultural and wine-growing sector in May 2006. Internationally, Cegid signed a distribution agreement with the US company Point of Sale System Services (PSS) in July 2006. PSS now distributes Cegid Business Mode in the United States.

To strengthen the financial resources needed to support its expansion and step up its strategy of growth through acquisition both in France and abroad, Cegid signed a €200M syndicated bank line of credit in July 2006.

## 1. Sales and net income in the first half of 2006

The financial statements for the first half of 2006 and for the same period of the previous year, published in this report, have been prepared in accordance with IFRS as adopted by the European Union.

in millions of euros, IFRS	6/30/06	6/30/05 <sup>(1)</sup>	% change
Sales <sup>(2)</sup>	106.5	108.3	-1.7 %
Gross profit	90.0	88.7	+1.5 %
Gross margin	84.6 %	82.0 %	
EBITDA	18.8	15.0	+25.2 %
Income from ordinary activities	9.5	5.8	+65.3 %
Operating income	8.6	5.5	+57.2 %
Net financial expense	-1.7	-1.7	
Pre-tax income	6.9	3.8	+83.9 %
Income tax	2.5	1.4	
Net income	4.4	2.3	+89.6 %

(1) The financial statements published in the 2005 half year report were adjusted on the basis of the elective treatments Cegid chose to implement when it published 2005 full year statements (see notes to the consolidated financial statements).

(Percentages may have been calculated on the basis of non-whole numbers and therefore may be different from percentages calculated using whole numbers).

(2) Impact of changes in scope of consolidation: GTI Industrie and PMI Soft, consolidated as of March 1, 2006, and I&C, consolidated as of June 1, 2006: €2M.

Sales of "Business software and related services" rose nearly 4% in the first half of 2006 compared with the year-earlier period, when they rose 1.3% at constant scope.

On the other hand, sales of "Hardware and related services", which generate much lower margins than other products and services and are not part of Cegid's core business, declined by €4.4M during H1 2006. Separately, the French tax authorities extended the period for filing tax returns, and this slowed down deployment and training services.

Sales through our value-added resellers network picked up considerable speed in H1 2006, growing more than 100% over the year-earlier period.

The portfolio of recurrent revenue totaled €102.5M at June 30, 2006, a 4.4% increase over June 30, 2005, and represented sales of €51M in H1 2006, or 48% of total sales.

As a result, H1 2006 sales totaled €106.5M, vs. €108.3M in H1 2005, with a significantly more favorable product mix. This led to a sharp improvement in the H1 2006 gross margin, which stood at 84.6% of sales, vs. 81.8% on average in 2005.

In addition, operating costs continued to be optimized under the reorganization plan launched in early 2006. As a result of these trends, the monthly breakeven point of sales declined significantly in H1 2006 to €15.9M, compared with €16.9M in H1 2005.

EBITDA totaled €18.8M (€15M in H1 2005). After accounting for €8.4M in depreciation, amortization and provisions, income from ordinary activities was up 65% compared with H1 2005 and totaled €9.5M, vs. €5.8M in H1 2005.

GTI Industrie, PMI Soft and I&C, acquired during the first half of 2006, contributed €0.5M to operating income during the period.

Net financial expense of €1.7M (€1.7M in H1 2005), included interest income on cash investments and interest paid on assumed Ccmx debt, bank loans and OBSAR (2004) bonds. The OCEANE borrowings were fully repaid on January 2, 2006.

Pre-tax income totaled €6.9M, compared with €3.8M in H1 2005. Consolidating GTI Industrie, PMI Soft and I&C had an impact of €0.6M on pre-tax income.

After subtracting corporate income tax of €2.5M, total consolidated net income was €4.4M, vs. €2.3M in H1 2005. Minority interest included the minority shareholders of Cegid Services, PMI Soft and I&C.

## Cegid SA financial statements

Cegid SA's sales totaled €66.6M, vs. €59.8M in H1 2005, and operating income was €2.4M, vs. €1.1M in H1 2005.

Net income totaled €4.1M, vs. €0.7M in H1 2005.

## 2. Highlights of the first half of 2006

### Acquisition of Ccmx

In a decision handed down on February 13, 2006, the Council of State (Conseil d'Etat) confirmed that Cegid SA's takeover of Ccmx was in accordance with applicable law. The Ministry of the Economy, Finance and Industry had previously authorized Cegid SA's takeover of Ccmx Holding on October 19, 2004, but the takeover was then challenged before the Council of State.

Prior to ruling on the merits of the case, the Council of State asked the Competition Council (Conseil de la Concurrence) to examine this industry consolidation transaction.

The Competition Council submitted its opinion on December 14, 2005, concluding as follows: "... the Competition Council believes that the industry consolidation resulting from the acquisition of Ccmx by Cegid is not liable to impair competition in the market in question."

In issuing a definitive rejection of the cancellation requests filed by Fiducial Informatique and Fiducial Expertise, the Council of State confirmed the opinion of the Competition Council.

The favorable outcome of these protracted legal proceedings, which constituted a significant hindrance in 2005, has enabled Cegid to continue integrating the two companies. This process should be completed before December 31, 2006.

After creating an Economic and Social Unit (ESU) and an ESU central works council in 2005, continued dialog between management and employee representatives led to agreements intended to unify the status and treatment of Cegid and Ccmx employees. These agreements were signed in June 2006.

### Acquisition strategy confirmed

■ In March 2006, Cegid acquired 100% of the shares of GTI Industrie and 80% of the shares of PMI Soft, with a commitment to purchase the remaining 20% over the next four years. These companies are software publishers and distributors of enterprise solutions for manufacturing companies.

Owing to this transaction, Cegid is now a key player in enterprise software for small and medium-sized manufacturing companies (SMEs) with more than 50 employees and "very small" enterprises (manufacturing companies with less than 50 employees).

In 2005, GTI Industrie and PMI Soft (50 employees) posted combined sales of nearly €6.5M and very good operating profitability, in the region of 20%. The installed base of more than 600 medium-sized, small and "very small" clients is enabling Cegid to expand its presence in this sector of the economy.

These acquisitions strengthen Cegid's many strategic and operational advantages, such as:

- Its **"Manufacturing Industry" suite**, which will now offer solutions in new segments including aeronautics, mechanical engineering, plastics, electronics and surface treatments, as well as solutions tailored to the needs of very small enterprises;

- Its **presence in enterprise solutions for medium-sized, small and very small companies**, by doubling the installed base. More than 1,300 customer sites are now under contract, and the volume of business in this segment has been given a significant boost (pro forma sales estimated at around €21M). Some of this increase will be recurrent.

■ In May 2006, Cegid acquired 51% of the shares of Informatique et Communications (I&C), with a commitment to purchase the remaining 49% over the next four years. I&C is a software publisher and distributor of enterprise solutions, specialized in the wine-making industry. I&C has approximately 400 clients and posts annual sales in the region of €300k.

Through this transaction, Cegid extends its presence in agriculture and strengthens its position as a key player in enterprise software for companies with less than 50 employees. This acquisition also enables Cegid to strengthen its ties with CPAs by bringing its technological and functional expertise to companies in the wine industry that already use the services of accounting firms specialized in this field.

Since the acquisition, the managers and founders of I&C have continued to work within the Cegid Group so as to harness merger synergies, ensure growth in the range of these specialized products, take advantage of the business-specific skills of current employees and, through business referrals from CPAs, open up a new avenue of growth.

### Business development continues abroad

Already present in the United States through Cegid Corp., its New York-based subsidiary, Cegid signed a distribution agreement with Point of Sale System Services (PSS) on June 30, 2006. PSS is a publisher/integrator with 25 employees, specialized in enterprise solutions for the fashion and retail industries and will distribute Cegid Business Mode, Cegid Business' fashion suite, in North America.

Cegid has also intensified its presence in North Africa by creating a selective and structured network of four distributor-integrator partners (Informatrix, Timsoft, CBO and Advansys) over the past six months. This network is now in a position to sell Cegid's generic finance/accounting solutions as well as its vertical market solutions for the fashion, manufacturing and construction industries.

## 3. Events since July 1, 2006

### Financial resources available for acquisitions strengthened with signature of a €200M syndicated line of credit

In early July, Cegid finalized a €200M line of credit with an eight-bank syndicate coordinated by CIC Lyonnaise de Banque, with CM-CIC as mandated arranger and Crédit Lyonnais and Société Générale as co-arrangers. The other syndicate members are Natexis Banques Populaires, BNP Paribas, HSBC, Fortis Banque and Banque Rhône-Alpes.

This purpose of this line of credit is to refinance existing bilateral lines and to finance the Group's general and investment needs, including acquisition financing. The line has an initial term of five years, extendible to seven years.

The credit facility strengthens Cegid's financial flexibility, while expanding its existing banking relationships. It will support the Group in its ambitious acquisition strategy both in France and abroad.

## 4. Approval of parent company and consolidated financial statements

Cegid's parent-only and consolidated financial statements for the first half of 2006 were approved by the Board of Directors on September 28, 2006.

## 5. Outlook

The new group's operational organization is being implemented. Fundamentals improved in the first half of the year, illustrated by a better product mix and optimized operating expenses. Finally, Cegid's line-up of products and services enjoys competitive advantages, and its market positioning is judicious. The combination of these factors enables Cegid to confirm the target for full year 2006 income from ordinary activities it announced early in the year.

# Half Year Consolidated Financial Statements

## Cegid Group

### Income statement

(in thousands of euros)	First half 2006	% of sales	First half 2005	% of sales	2005	% of sales
<b>Sales</b>	<b>106,450</b>	<b>100.0%</b>	<b>108,259</b>	<b>100.0%</b>	<b>224,305</b>	<b>100.0%</b>
Goods & services purchased and change in inventories	-16,412	15.4%	-19,533	18.0%	-40,914	18.2%
<b>Gross profit</b>	<b>90,038</b>	<b>84.6%</b>	<b>88,726</b>	<b>82.0%</b>	<b>183,391</b>	<b>81.8%</b>
Capitalized expenditures	10,063	9.5%	9,894	9.1%	19,533	8.7%
External expenses	-21,894	20.6%	-22,565	20.8%	-44,734	19.9%
<b>Value-added</b>	<b>78,207</b>	<b>73.5%</b>	<b>76,055</b>	<b>70.3%</b>	<b>158,190</b>	<b>70.5%</b>
Taxes other than income tax	-3,075	2.9%	-2,740	2.5%	-5,472	2.4%
Personnel costs	-56,313	52.9%	-58,279	53.8%	-113,307	50.5%
<b>EBITDA</b>	<b>18,819</b>	<b>17.7%</b>	<b>15,036</b>	<b>13.9%</b>	<b>39,411</b>	<b>17.6%</b>
Other ordinary income	164	0.2%	792	0.7%	1,573	0.7%
Other ordinary expenses	-1,077	1.0%	-1,943	1.8%	-4,827	2.2%
Depreciation, amortization and provisions	-8,390	7.9%	-8,129	7.5%	-14,808	6.6%
<b>Income from ordinary activities</b>	<b>9,516</b>	<b>8.9%</b>	<b>5,756</b>	<b>5.3%</b>	<b>21,349</b>	<b>9.5%</b>
Capital gains and losses on disposals	25	0.0%	-266	0.2%	445	0.2%
Other operating income and expenses	-911	0.9%			-2,218	1.0%
<b>Operating income</b>	<b>8,630</b>	<b>8.1%</b>	<b>5,490</b>	<b>5.1%</b>	<b>19,576</b>	<b>8.7%</b>
Financing costs	-1,757	1.7%	-1,688	1.6%	-4,937	2.2%
Other financial income or expense	50	0.0%	-38	0.0%	-43	0.0%
<b>Financial income and expense</b>	<b>-1,707</b>	<b>1.7%</b>	<b>-1,726</b>	<b>1.6%</b>	<b>-4,980</b>	<b>2.2%</b>
<b>Pre-tax income</b>	<b>6,923</b>	<b>6.5%</b>	<b>3,764</b>	<b>3.5%</b>	<b>14,596</b>	<b>6.5%</b>
Income tax	-2,463	2.3%	-1,418	1.3%	-4,729	2.1%
<b>Total consolidated net income</b>	<b>4,460</b>	<b>4.2%</b>	<b>2,346</b>	<b>2.2%</b>	<b>9,867</b>	<b>4.4%</b>
<b>Net income, Group share</b>	<b>4,402</b>	<b>4.1%</b>	<b>2,322</b>	<b>2.1%</b>	<b>9,827</b>	<b>4.4%</b>
<b>Minority interests</b>	<b>58</b>		<b>24</b>		<b>40</b>	

(in thousands of euros)	June 30, 2006	Dec. 31, 2005	June 30, 2005
<b><u>Goodwill</u></b>	158,679	146,938	145,675
<b><u>Intangible assets</u></b>			
Development costs	35,204	33,022	29,212
Other intangible assets	911	964	3,115
<b><u>Fixed assets</u></b>			
Buildings and improvements	18	25	1,271
Technical facilities, equipment and industrial supplies	1,484	1,656	1,109
Other fixed assets	4,142	4,078	4,037
<b><u>Non-current financial assets</u></b>			
Equity investments and related receivables	516	531	529
Other long-term securities	18	18	18
Loans	778	767	680
Other non-current financial assets	1,225	842	667
<b><u>Deferred tax assets</u></b>	17,631	19,455	21,393
<b>NON-CURRENT ASSETS</b>	<b>220,606</b>	<b>208,296</b>	<b>207,706</b>
<b><u>Inventories and work-in-progress</u></b>			
Raw materials	842	1,412	1,944
Unfinished goods and services	8	34	8
Trade goods	1,041	1,511	1,241
<b><u>Trade receivables and similar accounts</u></b>	55,277	55,076	48,901
<b><u>Other receivables and prepaid items</u></b>			
Personnel	860	370	339
Sales tax receivables	952	2,029	2,040
Income tax receivables	87	233	
Other receivables	950	874	462
Prepaid expenses	3,180	1,763	3,078
<b><u>Cash and cash equivalents</u></b>			
Marketable securities	8,022	61,916	15,474
Cash at bank and in hand	910	1,421	200
<b>CURRENT ASSETS</b>	<b>72,129</b>	<b>126,639</b>	<b>73,687</b>
<b>TOTAL ASSETS</b>	<b>292,735</b>	<b>334,935</b>	<b>281,393</b>

(in thousands of euros)	June 30, 2006	Dec. 31, 2005	June 30, 2005
Share capital	8,212	8,158	8,148
Share premium account	79,681	78,814	78,658
Reserves	18,538	15,377	15,458
Net income for the year	4,402	9,827	2,322
Other shareholders' equity	6,237	6,237	6,237
<b>SHAREHOLDERS' EQUITY – GROUP SHARE</b>	<b>117,070</b>	<b>118,413</b>	<b>110,823</b>
Minority interests/reserves	5,286	5,373	5,401
Minority interests/earnings	58	40	24
<b>TOTAL MINORITY INTERESTS</b>	<b>5,344</b>	<b>5,413</b>	<b>5,425</b>
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>122,414</b>	<b>123,826</b>	<b>116,248</b>
<b>Bonds</b>			
“OCEANE” convertible bonds (portion > 1 year)			33,892
“OBSAR” bonds (portion > 1 year)	39,956	39,172	38,493
<b>Other long-term financial liabilities (portion &gt; 1 year)</b>	40,213	36,000	150
<b>Payables related to acquired fixed assets</b>	958		
<b>Deferred tax liabilities</b>	1,470	1,850	2,650
<b>Provisions for pension obligations</b>	4,140	3,658	3,355
<b>NON-CURRENT LIABILITIES</b>	<b>86,737</b>	<b>80,680</b>	<b>78,540</b>
<b>Provisions for risks and charges</b>			
Provisions for charges	11,940	15,987	15,560
Provisions for risks	1,761	4,775	3,552
<b>Long-term debt (portion &lt; 1 year)</b>			
Overdrafts & bank borrowings	1,941	969	1,639
“OCEANE” convertible bonds (portion < 1 year)		37,341	
Other borrowings & financial debt	268	310	708
<b>Accounts payable and similar accounts</b>	17,660	23,352	17,859
<b>Tax and employee-related liabilities</b>			
Employees	30,980	29,298	28,758
Other taxes and employee-related liabilities	1,291	866	1,640
Sales tax payables	3,159	5,825	5,336
Income tax payables	47	896	
<b>Payables related to acquired fixed assets</b>	883	741	721
<b>Other current liabilities</b>	3,178	3,217	2,682
<b>Unearned revenue</b>	10,476	6,852	8,150
<b>CURRENT LIABILITIES</b>	<b>83,584</b>	<b>130,429</b>	<b>86,605</b>
<b>TOTAL LIABILITIES &amp; SHAREHOLDERS' EQUITY</b>	<b>292,735</b>	<b>334,935</b>	<b>281,393</b>

(in thousands of euros)	First half 2006	2005	First half 2005
Net income – Group share	4,402	9,827	2,322
Net income – minority interests	58	40	24
Depreciation, amortization and provisions and elimination of non-cash revenue and expense items	5,499	17,993	9,448
Capital gains and losses on disposals	-25	-445	266
<b>Cash flow from operating activities</b>	<b>9,934</b>	<b>27,415</b>	<b>12,060</b>
Change in inventories	1,107	573	336
Change in accounts receivables	4,380	-1,415	4,845
Change in other receivables	197	3,350	2,075
Change in trade payables	-7,242	-1,111	-4,980
Change in other payables	-1,964	6,839	-2,046
<b>Change in working capital requirement</b>	<b>-3,522</b>	<b>8,236</b>	<b>230</b>
<b>Net cash from operating activities</b>	<b>6,412</b>	<b>35,651</b>	<b>12,290</b>
Acquisition of intangible assets	-10,302	-22,634	-10,758
Acquisition of fixed assets	-1,047	-2,506	-753
Acquisition of non-current financial assets	-399	-219	-151
Disposals or decreases in fixed assets	138	2,304	152
Impact of changes in the scope of consolidation	-10,563		
<b>Net cash from investing activities</b>	<b>-22,173</b>	<b>-23,055</b>	<b>-11,510</b>
Capital increase	1,190	2,093	1,927
Dividends paid to shareholders of the parent company	-7,328	-6,838	-6,838
Dividends paid to minority interests	-78	-22	-22
Repayment of "OCEANE" bonds	-37,341	0	
Drawdowns under medium-term line of credit	4,000	36,000	
Other changes in long-term debt	-60	390	37
<b>Net cash from financing activities</b>	<b>-39,617</b>	<b>31,623</b>	<b>-4,896</b>
<b>OPENING CASH AND CASH EQUIVALENTS</b>	<b>62,369</b>	<b>18,150</b>	<b>18,150</b>
<b>Change in cash and cash equivalents</b>	<b>-55,378</b>	<b>44,219</b>	<b>-4,116</b>
<b>CLOSING CASH AND CASH EQUIVALENTS</b>	<b>6,991</b>	<b>62,369</b>	<b>14,034</b>

#### Changes in shareholders' equity - Group share

(in thousands of euros)	Share capital	Share premium account	Reserves and retained earnings	Other shareholders' equity	Total
<b>Shareholders' equity at January 1, 2005</b>	<b>8,025</b>	<b>76,854</b>	<b>22,095</b>	<b>6,237</b>	<b>113,211</b>
2004 net income			2,322		2,322
Capital increase	123	1,804			1,927
Change in liquidity contract <sup>(2)</sup> and other			201		201
Allocation of 2004 consolidated net income			-6,838		-6,838
<b>Shareholders' equity at June 30, 2005</b>	<b>8,148</b>	<b>78,658</b>	<b>17,780</b>	<b>6,237</b>	<b>110,823</b>
Net income for the period			7,505		7,505
Capital increase	10	156			166
Exchange differences			-38		-38
Change in liquidity contract <sup>(2)</sup> and other			-43		-43
<b>Shareholders' equity at December 31, 2005</b>	<b>8,158</b>	<b>78,814</b>	<b>25,204</b>	<b>6,237</b>	<b>118,413</b>
H1 2006 net income			4,402		4,402
Capital increase <sup>(1)</sup>	54	1,136			1,190
Exchange differences			30		30
Change in liquidity contract <sup>(2)</sup> and other			362		362
Allocation of 2005 consolidated net income		-269	-7,058		-7,327
<b>Shareholders' equity at June 30, 2006</b>	<b>8,212</b>	<b>79,681</b>	<b>22,940</b>	<b>6,237</b>	<b>117,070</b>

(1) 25,516 BSARs were exercised and 31,240 options were exercised by employees.

(2) Impact of applying IFRS 2 to shares held in treasury in the context of Cegid's liquidity contract.

#### Statement of changes in shareholders' equity – minority interests

(in thousands of euros)	June 30, 2006	December 31, 2005	June 30, 2005
Opening balance	5,413	5,479	5,479
Net income for the period	58	40	24
Dividends paid by consolidated subsidiaries	-78	-22	-22
Changes in scope of consolidation <sup>(1)</sup>	-49	-84	-56
<b>TOTAL</b>	<b>5,344</b>	<b>5,413</b>	<b>5,425</b>

(1) Changes in the scope of consolidation relate to Cegid Services and HCS

(in thousands of euros)		June 30, 2006	December 31, 2005	June 30, 2005
Number of shares		8,644,111	8,587,355	8,576,870
<b>Consolidated net income</b>				
Income from operating activities (in € M)	Before tax	9.52	21.35	5.76
	After tax	7.05	16.62	4.34
Income from operating activities per share (in €)	Before tax	1.10	2.49	0.67
	After tax	0.82	1.94	0.51
Net income after tax, Group share (in € M)		4.40	9.82	2.32
EPS, Group share (in €)		0.51	1.14	0.27
Diluted EPS, Group share (in €)		0.41	0.92	0.22
<b>Net dividend</b>				
Total net dividend (in € M)		N/A	7.30	N/A
Net dividend per share (in €)		N/A	0.85	N/A

Cegid's consolidated financial statements for the first half of 2006 were approved by the Board of Directors on September 28, 2006.

## 1. Significant events in H1 2006

### 1.1. Acquisition of Ccmx

Confirmation of authorization for Cegid to acquire Ccmx.

In a decision handed down on February 13, 2006, the Council of State (Conseil d'Etat) confirmed that Cegid SA's takeover of Ccmx was in accordance with applicable law. The Ministry of the Economy, Finance and Industry had previously authorized the transaction on October 19, 2004, but it was then challenged before the Council of State.

Prior to ruling on the merits of the case, the Council of State asked the Competition Council (Conseil de la Concurrence) to examine this industry consolidation transaction.

The Competition Council submitted its opinion on December 14, 2005, concluding as follows: "... the Competition Council believes that the industry consolidation resulting from the acquisition of Ccmx by Cegid is not liable to impair competition in the market in question."

In issuing a definitive rejection of the cancellation requests filed by Fiducial Informatique and Fiducial Expertise, the Council of State confirmed the opinion of the Competition Council.

### 1.2. Bonds

On January 2, 2006, Cegid SA repaid the €37M in remaining outstandings under the OCEANE bonds issued in November 1999.

### 1.3. Changes in the scope of consolidation and acquisitions during the period

Changes in the scope of consolidation during the first half of 2006 were as follows:

- In March 2006, Cegid SA acquired 100% of the shares of GTI Industrie and 80% of the shares of PMI Soft,
- In May 2006, Cegid SA acquired 51% of the shares of Informatique et Communications,
- Cegid SA's stake in HCS increased from 43.66% at December 31, 2005 to 44.74% at June 30, 2006,

A table showing the scope of consolidation as of June 30, 2006, including changes in percentage ownership and methods of consolidation is presented in note 4.

## 2. Half year 2006 financial statements

### 2.1 Compliance statement

The consolidated financial statements have been prepared in accordance with IAS 34 "Interim financial reporting". They constitute a full set of financial statements, as defined by IAS 1 "Presentation of financial statements".

This information and the detailed notes hereafter were prepared on the basis of the standards and interpretations adopted as of June 30, 2006 and applicable from January 1, 2006.

Standards that will come into effect on January 1, 2007, principally IFRS 7 "Financial instruments: Disclosures" and the IAS 1 Amendment "Capital disclosures" have not been adopted ahead of schedule. They will be adopted for the presentation of year-end 2007 financial statements.

### 2.2 Changes to previously published H1 2005 financial statements

In finalizing IFRS work related to preparation of 2005 financial statements, the January 1, 2004 opening balance sheet was changed. The changes related to the treatment of treasury shares held in the context of a liquidity contract and to the treatment of the "OBSAR" bonds. For the first half of 2005, the impact of these changes was nil on income from ordinary activities, €450k on net income and €2,796k on shareholders' equity.

## 3. Accounting principles and methods, consolidation methods

### Use of estimates

To prepare financial statements that comply with the conceptual IFRS framework, management must make estimates and assumptions that affect the amounts reported in the financial statements.

The principal items involving the use of estimates and assumptions are impairment tests on intangible assets, deferred taxes and provisions, in particular provisions for pension obligations. These estimates are based on the best information available to management at the statement date. Future divergence between the estimates and assumptions used could impact the amounts recognized in the financial statements.

### Methods of consolidation

Companies in which Cegid holds the majority of voting rights, whether directly or indirectly, are fully consolidated.

Jointly-controlled companies are proportionally consolidated. Companies in which Cegid exercises a significant influence and holds approximately 20% of the voting rights are accounted for using the equity method. Cegid does not control, either directly or indirectly, any special purpose entities. Companies in which Cegid does not exercise control and over which Cegid does not have significant influence are not consolidated. The list of companies included in Cegid's scope of consolidation is provided in note 4.

### Conversion of foreign subsidiaries' financial statements

Items denominated in other currencies used by foreign companies are converted as follows:

- Income statement items are converted at the average exchange rate for the year,
- Balance sheet items are converted at the exchange rate prevailing on the closing date, except for share capital and reserves, which are maintained at historical cost,
- Differences resulting from these conversions are recognized in a specific reserve account in shareholders' equity.

### Segment reporting

IAS 14, "Segment reporting", requires that the company's performance be analyzed on the basis of primary and secondary segmentation, corresponding to industry segments on the one hand and geography on the other.

Given the highly integrated character of its business, the Cegid Group considers that its business comprises a single sector. Moreover, geographic information is not meaningful.

Consequently, the IAS 14 information published by Cegid is limited to the presentation of sales by type and business sector.

### 3.1. Non-current assets

#### 3.1.1. Intangible assets

##### a) Goodwill

IFRS 3 – Business combinations and goodwill

##### Business combinations after January 1, 2004

Business combinations are accounted for by the purchase method, in accordance with IFRS 3 “Business combinations”.

The first time a company is consolidated, its assets and liabilities are valued at fair value.

The difference between the cost of the acquired shares and the fair value of the assets and liabilities identified at the acquisition date is recognized as goodwill.

The amount of goodwill is determined within one year of the acquisition date. When the acquisition cost is less than the fair value of the identified assets and liabilities, the difference is recognized immediately in the income statement.

As allowed under the option available in IFRS 1, business combinations prior to January 1, 2004 have not been restated.

Intangible “business value” (fonds de commerce) amounts related to acquisitions and previously recognized under French GAAP have been reclassified as goodwill.

Under IFRS 3, “Business combinations” and IAS 36, as amended, goodwill is no longer amortized. Its value is frozen at its net book value under French GAAP at December 31, 2003.

As goodwill is an intangible asset with an indefinite lifetime, it is subject to an annual impairment test in accordance with IAS 36, as amended (see note 3.1.3 for a description of the procedures for implementing impairment tests).

##### Commitment to purchase minority shares

Conditional or unconditional commitments to buy minority interests are recognized as liabilities in an amount equal to the purchase price of the minority interests. Pending an IFRIC position on this topic, Cegid has opted to recognize the difference between the purchase price of the minority interests and the prorata share in equity acquired as goodwill. Any difference between the price paid and the estimate thereof is recognized as goodwill.

##### b) R&D expenses

In accordance with IAS 38, research is recognized as an expense and development costs are capitalized so long as the company can demonstrate that:

- It has the intention and financial and technical ability to complete the development project,
- The expected future economic benefits attributable to the development costs are likely to accrue to the company,
- The cost of the intangible asset thereby created can be measured reliably.

The development costs incurred by the Cegid Group in the conduct of its software business (creation of marketable enterprise software) essentially involve the development of IT applications and are subject to individual monitoring.

Development costs are measured on the basis of direct wage costs plus employee benefits / social welfare contributions and allocated overheads, calculated using a coefficient applied to the aggregate operating expenses of the relevant departments.

Expenses corresponding to projects not yet finalized are recognized as “intangible assets in progress” and are not amortized. Nevertheless, these projects are monitored and may be subject to impairment losses.

Cegid has not applied the elective treatment under IAS 23 that allows financial expense incurred on capitalized expenditures during the development period to be capitalized as well.

- Relating to the ERP range, for which agreements were signed with Microsoft in 2003 and with IBM in September, 2004 are amortized over five years. This period is economically justified, because the products are constantly enhanced, and the new functionality extends their useful life,

- Non-ERP projects are amortized on a straight-line basis over three years. This amortization period is applied to both initial and subsequent development costs (product upgrade maintenance),
- Configuration costs related to yearly Etafi- or Profin-type products are amortized on a straight-line basis over one year.

##### c) Acquired software

Acquired software is amortized over periods of one to five years.

#### 3.1.2. Fixed assets

- Fixed assets are recognized at their acquisition cost (purchase price, ancillary costs and other). They have not been revalued.

Depreciation is calculated using the straight-line method over the following expected useful lives:

- Building fixtures and fittings .....	3 or 9 years
- Computer hardware .....	3 or 4 years
- Office equipment .....	5 years
- Office furniture .....	8 years
- Equipment and industrial supplies .....	5 years
- Transportation equipment .....	3 or 4 years

Residual values are generally considered to be nil.

- Goods acquired under lease financing agreements are recognized as fixed assets if the lease agreements transfer essentially all of the risks and benefits inherent in ownership of the good to Cegid.

Lease contracts that do not transfer the risks and benefits to Cegid are accounted for as operating leases. Payments under operating leases are recognized as expenses on a straight-line basis over the life of the contract.

An analysis of the Cegid Group's lease contracts in force at June 30, 2006 did not reveal any significant restatement concerning finance leases.

#### 3.1.3. Impairment losses on fixed and intangible assets

According to IAS 36 “Impairment of Assets”, the value in use of fixed and intangible assets must be tested as soon as indications of impairment appear. This test must be performed at least once a year for assets with an indefinite lifetime (goodwill and software development costs).

For this text, fixed assets are classified into homogeneous groups called cash generating units (CGUs) whose ongoing use generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

The value in use of these CGUs is determined on the basis of the discounted present value of projected cash flows (the discount rate is calculated after tax and without regard to the company's recourse to debt financing). Terminal value is determined by discounting a normalized cash flow to infinity, using a perpetual growth rate appropriate for the business sector. When this value is less than the net carrying value of the CGU, an impairment loss is recognized on the difference and charged first to goodwill.

Impairment of goodwill is irreversible, whereas impairment related to other fixed and intangible assets can be reversed in the event there are indications of a recovery in value.

In this case, the reversal of the impairment loss is limited to the net book value the asset would have had if there had been no loss in value.

Due to the highly integrated nature of its business, the Cegid Group is single-sector and single-CGU. The impairment test is therefore conducted on all of the Group's fixed and intangible assets.

The value in use of assets is calculated on the basis of estimates of future cash flows, using the DCF method. This valuation covers a five-year period. The discount rate is determined according to the business' risk profile.

#### 3.1.4. Unconsolidated equity investments and other financial assets

Under IAS 39, equity investments in unconsolidated companies are classified as securities available for sale. They are initially recognized at historical acquisition cost, then valued at fair value when this can be reliably determined. Equity investments in unconsolidated companies are recognized on the balance sheet at their acquisition cost, which, in the absence of an active market, Cegid believes to be representative of their fair value.

For listed securities, fair value is the quoted market price at the closing date.

When fair value cannot be reliably determined, the securities are maintained at cost, net of any impairment losses. In such case, recoverable value is determined as a function of Cegid's stake in the net assets, expected future profitability and business prospects of the entity represented by the investment.

Loans granted to collector organizations as part of the French program to support residential construction, as well as deposits paid, are not discounted as their amount is not material.

This item also includes the financial assets used in the liquidity contract signed by Cegid. Please refer to note 3.2.4 for a discussion of the treatment of treasury shares.

#### 3.1.5. Deferred taxes

In accordance with IAS 12, deferred taxes corresponding to temporary differences between the tax basis and accounting basis applied to consolidated assets and liabilities are recognized using the variable carryforward method. Deferred tax assets are recognized when it is considered likely that the amounts will be recovered at a future date that can be determined with reasonable accuracy.

Reductions in future taxes resulting from the use of tax-loss carryforwards (including amounts that can be carried forward indefinitely) are recognized only if it is likely they will be recovered.

Deferred tax assets and liabilities are not discounted to present value.

Deferred tax assets and liabilities are offset within the same tax entity, i.e. the same company or the same tax consolidation group.

Deferred tax calculated on items recognized in shareholders' equity is also recognized in shareholders' equity.

### 3.2. Current assets

#### 3.2.1. Inventories

Under IAS 2, "Inventories", the acquisition cost of inventories includes the purchase price, transportation and handling costs, and other costs directly attributable to the acquisition of the finished goods, less any price reductions, rebates or financial discounts.

■ Inventories of computer hardware are valued according to the weighted average cost formula. Net realizable value is the estimated sales price of the product less the costs incurred in selling it.

A provision for impairment is recognized if the net realizable value is less than the purchase price.

■ Inventories of raw materials (assemblies and subassemblies) used to perform standard replacements and spare parts used in hardware maintenance are valued using the following methods:

- The gross value of assemblies and subassemblies includes the purchase price and ancillary costs,
- Spare parts are valued according to the weighted average cost formula.

A provision for impairment is recognized to reflect value in use, with reference to the portfolio of contracts in force and the turnover of spare parts.

#### 3.2.2. Receivables

Receivables are initially valued at fair value, which in most cases is their face value. A provision for impairment is recognized when the valuation at the closing date is less than the book value.

#### 3.2.3. Cash and cash equivalents

Cash and cash equivalents include cash on hand and bank current accounts.

Marketable securities are recognized at acquisition cost. Mutual funds are valued at the redemption price on the last trading day of the reporting period.

The value of individual listed securities is determined based on the average quoted price during the last month of the reporting period.

A provision for impairment is recognized if the value calculated using the above methods is less than the historical acquisition price. Such a provision is not recognized, however, if the associated unrealized capital loss can be offset by unrealized capital gains on securities of the same type.

In the event that several securities of the same type and conferring the same rights are sold, the cost basis of the securities sold is estimated using the "first in/first out" method.

#### 3.2.4. Treasury shares

##### IFRS 2 treasury shares

At the Annual General Meeting, shareholders authorized the Board of Directors to buy back Cegid SA shares, and the Group is currently carrying out a share buyback program. The primary objective of the program is to manage trading in Cegid shares in the context of a liquidity contract. This contract includes Cegid SA shares, mutual fund investments and cash.

Treasury shares held in the context of this contract are deducted from shareholders' equity at their acquisition cost.

Amounts corresponding to cash and securities included in the liquidity contract are recognized as financial assets.

The revenue and expenses related to the sale of treasury shares do not flow through the income statement, but are charged directly to shareholders' equity.

#### 3.2.5. Share-based payment

##### IFRS 2 Share-based payment

This standard defines the methods for valuing and recognizing stock options.

Outstanding options are subscription-type options granted to employees and executive officers, and the benefit they represent must be recognized as a personnel expense, with the offsetting entry taken to shareholders' equity.

As stock options under the January 2001 plan were granted before November 7, 2002, no restatement was necessary in the IFRS opening balance sheet. Similarly, options under the December 2002 plan, granted after November 7, 2002, were vested prior to January 1, 2005.

The Cegid Group's employee savings plan grants no specific benefits to employees apart from matching contributions, which are already recognized as personnel expenses.

### 3.3. Non-current liabilities

#### 3.3.1. Pension obligations and long-service awards

##### IAS 19 Employee benefits and amendment thereto

Post-employment benefits (retirement bonuses) are recognized under provisions for risks in the consolidated financial statements.

Beginning in 2004, Cegid adopted the CNC recommendation no. 03-R-01, dated April 1, 2003, so as to comply with the provisions of IAS 19.

In addition, during the 2004 fiscal year, the Syntec collective bargaining agreement was amended, removing the ceiling on rights and changing past service costs. Cegid has opted to spread these costs over the average residual life of the services to be rendered.

The methods for valuing pension commitments under IAS 19 do not diverge from those applied by Cegid.

The first half financial statements follow the same valuation method. Nevertheless, Cegid opted for early adoption of the amendment to IAS 19 as of December 31, 2005. This amendment allows actuarial gains and losses to be recognized in shareholders' equity. No changes in assumptions or in rates were made in the first half of 2006.

The Cegid Group companies have recognized provisions for all of their commitments to employees and executive officers related to retirement, pensions, supplemental pension benefits and retirement-related indemnities and allocations. The amount of these commitments is calculated on the basis of current salaries and is equal to the amounts that will be paid to employees at the time of voluntary retirement, weighted by the following coefficients:

- Expected salary increases,
- Retirement age (currently 65),
- Changes in the workforce, estimates of which are based on projected life-expectancy tables published by INSEE and on staff turnover based on statistical observations,
- A discount rate of 3.75% as of June 30, 2006 (3.75% also at December 31, 2005).

The provision does not include an amount for employee benefit / social welfare contributions.

In addition, Cegid recognizes commitments related to long-service awards for all of its subsidiaries.

#### 3.3.2. OBSAR bonds

##### Financial instruments (IAS 32 and IAS 39)

Restatement of the OBSAR bonds

In March 2004, Cegid issued 2,004,546 bonds with redeemable share warrants (OBSARs), for a total amount of €44,100,000. Each bond had a face value of €22 and bore interest at 3-month EURIBOR less 0.20%. Since a warrant (BSAR) was associated with each bond, 2,004,546 BSARs were also issued. Each BSAR grants subscription rights to a Cegid SA share at a price of €28.44 from March 3, 2004 until March 3, 2009. The distribution of reserves decided at the June 2, 2006 Annual General Meeting caused the exercise ratio to be changed from 1 to 1.02.

The bonds (ISIN code FR0010061846) and the BSARs (ISIN code FR0010061853) have been listed separately on the Premier Marché of the Paris Stock Exchange since March 3, 2004.

At June 30, 2006, there were 2,004,546 bonds and 1,978,954 BSARs in circulation.

IAS 32 defines an equity instrument as a security that gives access to the shareholders' equity of a company.

The OBSAR bonds fall into this category of financial instruments. In this context, IAS 32 requires that the debt and equity components of securities issued by the Group be recognized separately. The principle for valuing the two components is as follows:

- The equity component is valued using an average of the first prices quoted in the market for redeemable share warrants (BSARs),
- The debt component is valued at the difference between the equity component's fair value and the fair value of the instrument as a whole.

Issuance costs were apportioned pro rata between these two components.

The equity component remains in shareholders' equity until the instrument expires and never passes through the income statement.

Cegid does not make use of derivative financial instruments in the ordinary course of its business.

### 3.4. Current liabilities

#### 3.4.1. Provisions

In accordance with IAS 37, provisions are recognized on a case-by-case basis after an evaluation of the corresponding risks and charges. A provision is recognized whenever management becomes aware of a legal or implied obligation deriving from a past event that could result in an outflow of resources in excess of the benefits derived therefrom. Provisions are allocated between current and non-current liabilities according to the expected term of the risk. Provisions with a term of more than 1 year are discounted if the impact is material.

#### 3.4.2. Prepaid expense – unearned revenue

When invoicing applies to the current year and future years, such as invoicing under software support and hardware maintenance contracts, unearned revenue is recognized in accordance with the principle of matching revenue to the year in which it is earned.

### 3.5. Off balance sheet commitments

To promote "information feedback" within the Group, certain reporting procedures have been implemented in the Group. One of these aims to identify all off balance sheet commitments and understand their nature and purpose:

- Commitments backed by personal guarantees (endorsements and guarantees),
- Commitments backs by collateral (mortgages, pledges, security deposits),
- Operating leases,
- Purchase commitments and investments.

### 3.6. Related party disclosures

#### IAS 24 Related party disclosures

In compliance with IAS 24, note 9 to these financial statements presents an exhaustive list of all transactions between the Cegid Group on the one hand and its parent company ICM SAS (52 quai Paul Sédallian, 69009 Lyon) and subsidiaries on the other.

### 3.7. Income statement composition

#### 3.7.1. Revenue from ordinary activities

The Cegid Group's current accounting principles record sales based on the following criteria:

- The event that generates the sale of business software, hardware and other software is delivery to the customer,
- Services are invoiced as they are performed,
- Recurring revenue is apportioned pro rata to the periods to which it applies.

#### 3.7.2. Income from ordinary activities

The Group's principal business is the development, sale and distribution of business management software and related goods and services. Income from ordinary activities derives from these activities, whether they are recurring or non-recurring in nature.

#### 3.7.3. Other operating income or expenses

The following items in particular are recognized in "Other operating income or expense":

- Capital gains and losses on the sale of fixed assets,
- reorganization costs,
- Costs related to non-recurring disputes deriving from events not related to the Group's ordinary business activities,
- Any other income or expense that, owing to its nature, cannot be recognized as part of the Group's ordinary activities or whose magnitude is large enough to impair the comparability of income from ordinary activities from one year to the next and give an inaccurate picture of the Group's performance.

#### 3.7.4. Financial income and expense

Net financial income and expense, as defined by recommendation no. 2004-R.02, includes:

- Net borrowing costs, i.e. income on cash deposits and interest expense on financing transactions. Financial income and expense includes the additional cost generated by the adoption of IAS 39 (interest expense calculated at the effective interest rate),
- Other financial income and expense, i.e. dividend income, income from the sale of other financial assets, expenses deriving from the impairment in value of unconsolidated securities, other financial discounting expense and other financial expenses.

#### 3.8. Intra-group transactions and accounts

All intra-group transactions are eliminated, with internal transactions and reciprocal payables and receivables being canceled. Where necessary, the financial statements of subsidiaries are restated to bring them into line with the Group's policies.

Transfer of computer hardware or capitalized hardware costs within the Group: the acquiring companies have recognized these assets at their transfer prices, because reverting to original cost in order to eliminate increases in measured values would have resulted in expenses disproportionate to the impact of such corrections, especially concerning the amounts of depreciation and amortization. Moreover, the transactions in question were minor and were made on favorable terms.

#### 3.9. Earnings per share

Consolidated net earnings per share are calculated based on the weighted average number of shares outstanding during the period.

Fully diluted net earnings per share take into account the possible exercise of the redeemable share warrants issued in March 2004 and stock options. These instruments grant deferred access to the company's equity.

#### 4. Scope of consolidation

Company	Head office Siren code	Business	Months consolidated	% control 2006	% ownership 2006 <sup>(1)</sup>	% ownership 2005	(*)
Cegid SA	Lyon 327888111	Business software development	6	--	--	--	--
<b>Companies held by Cegid SA</b>							
Ccmx SA	Lyon 410218010	Business software development	6	100.00%	100.00%	100.00%	Full
Quadratus SA	Luynes 382251684	Business software development	6	100.00%	100.00%	100.00%	Full
GTI Industrie SA	Tassin 377626700	Business software development	4	100.00%	100.00%	--	Full
PMI Soft SA	Bron 431365030	Business software development	4	80.00%	80.00%	--	Full
Informatique et Communications SARL	Beaune 383837994	Business software development	1	51.00%	51.00%	--	Full
Cegid Corporation	New York	Business software distribution	6	100.00%	100.00%	100.00%	Full
Cegid España <sup>(2)</sup>	Madrid	Business software distribution	6	75.00%	75.00%	75.00%	Full
ALP SARL	Lyon 440580553	Business software distribution	6	100.00%	100.00%	100.00%	Full
Holding Cegid Services SA	Lyon 441182772	Holding company	6	44.74%	44.74%	43.66%	Full
Cegid Services SAS	Lyon 341097616	Holding company	6	58.81%	69.73%	69.47%	Full
Servant Soft SA	Lyon 318762192	Business software development	6	100.00%	100.00%	100.00%	Full
CGO Informatique SAS	Lyon 323872721	Business software development	6	100.00%	100.00%	100.00%	Full
Magestel SARL	Lyon 339067092	Business software development	6	100.00%	100.00%	100.00%	Full
Dirfi EURL	Lyon 432391928	Business software development	6	100.00%	100.00%	100.00%	Full
Mon Expert Comptable EURL	Lyon 432388502	Business software development	6	100.00%	100.00%	100.00%	Full
Tersud SCI	Lyon 381101021	Real estate	6	100.00%	100.00%	100.00%	Full
<b>Companies held by Ccmx SA</b>							
Fcrs SA	Lyon 412552317	Business software development	6	100.00%	100.00%	100.00%	Full
Aspx SA	Lyon 430048462	Business software development	6	100.00%	100.00%	100.00%	Full
<b>Companies held by Servant Soft</b>							
Etafi EURL	Lyon 432392041	Business software development	6	100.00%	100.00%	100.00%	Full

Full: full consolidation

(1) See "Changes in the scope of consolidation"

(2) 100% of earnings recognized by Cegid

#### Changes in the scope of consolidation:

- In March 2006, Cegid SA acquired 100% of the shares of GTI Industrie and 80% of the shares of PMI Soft,
- In May 2006, Cegid SA acquired 51% of the shares of Informatique et Communications,
- Cegid SA's stake in HCS increased from 43.66% at December 31, 2005 to 44.74% at June 30, 2006.

These changes in the scope of consolidation do not have a significant impact on the comparison with the balance sheet and income statement of the previous year.

## 5. Notes to the balance sheet

### 5.1. Changes in non-current assets

#### Goodwill

Changes during the period broke down as follows:

(in thousands of euros)	12/31/05	Changes in scope	Increases	6/30/06
Cegid	28,823		110	28,933
Magestel	1,125			1,125
Quadratus	16,241			16,241
ALP	248		30	278
Servant Soft	13,871			13,871
Ccmx	85,206			85,206
Fcrs	946			946
CGO Informatique	477			477
GTI Industrie		9,510		9,510
PMI Soft		1,743*		1,743
Informatique et Communications		348*		348
<b>TOTAL</b>	<b>146,938</b>	<b>11,601</b>	<b>140</b>	<b>158,679</b>

\* Including commitment to buy out minority shareholders (PMI Soft: €840k; Informatique et Communications: €118k)

The change in goodwill during the period derived principally from the acquisition of GTI Industrie and was calculated as follows:

(in thousands of euros)	3/1/06
Purchase price of GTI Industrie shares	10,330
Acquisition expenses, net of tax	36
Acquired shareholders' equity	(856)
<b>GTI Industrie goodwill</b>	<b>9,510</b>

#### Intangible assets

Changes during the period broke down as follows:

(in thousands of euros)	12/31/05	Changes in scope	Increases	Decreases	6/30/06
Development costs	137,545	54	10,062	-	147,661
Concessions, patents	3,873	270	130	-	4,273
Other intangible assets	13	506	-	-	519
<b>Gross amount</b>	<b>141,431</b>	<b>830</b>	<b>10 192</b>	<b>-</b>	<b>152,453</b>
Development costs	(104,523)	(1)	(7,934)	-	(112,458)
Concessions, patents	(2,916)	(194)	(258)	-	(3,368)
Other intangible assets	(6)	(506)	-	-	(512)
<b>DEPRECIATION AND AMORTIZATION</b>	<b>(107,445)</b>	<b>(701)</b>	<b>(8,192)</b>	<b>-</b>	<b>(116,338)</b>
<b>NET AMOUNT</b>	<b>33,986</b>	<b>129</b>	<b>(2,000)</b>	<b>-</b>	<b>36,115</b>

#### Fixed assets

Changes during the period broke down as follows:

(in thousands of euros)	12/31/05	Changes in scope	Increases	Decreases	6/30/06
Gross amount	19,864	682	1,047	(891)	20,702
Depreciation and amortization	(14,104)	(580)	(1,219)	845	(15,058)
<b>NET AMOUNT</b>	<b>5,760</b>	<b>102</b>	<b>(172)</b>	<b>(46)</b>	<b>5,644</b>

#### Investments and other financial assets

Changes during the period broke down as follows:

(in thousands of euros)	12/31/05	Changes in scope	Increases	Decreases	6/30/06
Equity investments and related receivables	837			(3)	834
Other long-term securities	18	-	2	4	24
Impairment losses	(307)	-	(16)	-	(323)
<b>FINANCIAL INVESTMENTS</b>	<b>548</b>	<b>-</b>	<b>(14)</b>	<b>1</b>	<b>535</b>
Other non-current financial assets	1,680	21	397	(26)	2,072
Impairment losses	(70)	-	-	-	(70)
<b>OTHER FINANCIAL ASSETS</b>	<b>1,610</b>	<b>21</b>	<b>397</b>	<b>(26)</b>	<b>2,002</b>
<b>NON-CURRENT FINANCIAL ASSETS</b>	<b>2,158</b>	<b>21</b>	<b>383</b>	<b>(25)</b>	<b>2,537</b>

#### Detail of equity investments (unconsolidated companies)

(in thousands of euros)	Shareholders' equity at 6/30/06	Equity investments	% held
OL Groupe	34,872	500	0.8%
Itool	nc	292	10.71%
Other securities	nc	45	ns
<b>TOTAL, GROSS</b>		<b>834</b>	
Provisions		(323)	
<b>TOTAL, NET</b>		<b>511</b>	

## 5.2. Changes in current assets

#### Changes in provisions – assets

Changes during the period broke down as follows:

(in thousands of euros)	12/31/05	Changes in scope	Increases	Decreases	6/30/06
Inventories and work-in-progress	920	46	1,345	(920)	1,390
Trade receivables and similar accounts	5,908	232	2,378	(2,438)	6,080
Other receivables	73			(34)	39
<b>TOTAL</b>	<b>6,901</b>	<b>278</b>	<b>3,723</b>	<b>(3,393)</b>	<b>7,509</b>

#### Cash and cash equivalents

(in thousands of euros)	Historical cost at 6/30/06	Market value at 6/30/06
Shares in mutual funds (*)	8,022	8,022
Provisions		
<b>TOTAL</b>	<b>8,022</b>	<b>8,022</b>

(\*) Investments only in money-market mutual funds or guaranteed-capital investments

#### 5.3. Other changes

##### Breakdown of deferred tax assets and liabilities

(in thousands of euros)	12/31/05	Changes in scope	Change	6/30/06
Deferred tax assets	19,455	36	(1,860)	17,631
Deferred tax liabilities	1,850		380	1,470

Unrecognized deferred tax assets at June 30, 2006 totaled €1,096k, vs. €1,260k at December 31, 2005.

#### 5.4. Notes to shareholders' equity

The statement of changes in shareholders' equity is presented on page 11.

#### 5.5. Provisions

##### Provisions for risks and charges

(in thousands of euros)	12/31/05	Changes in scope	Increases	Decreases		6/30/06
				Used	Unused	
Labor disputes	1,629		229	(293)	(241)	1,324
Client disputes	902		64	(51)	(116)	799
Reorganization plans	13,290			(4,726)	(51)	8,513
Other	4,940	73	50	(1,784)	(214)	3,065
<b>TOTAL</b>	<b>20,761</b>	<b>73</b>	<b>343</b>	<b>(6,854)</b>	<b>(622)</b>	<b>13,701</b>

##### Non-current provisions for pensions and long-service awards

12/31/05	Changes in scope	Increases	Decreases		6/30/06
(in thousands of euros)			Used	Unused	
3,658	96	404	(13)	(5)	4,140

No impact during the half-year period deriving from adoption of the amendment to IAS 19 (see note 3.3.1).

#### 5.6. Debt maturities

(in thousands of euros)	6/30/06	Less than 1 year	1 to 5 years	More than 5 years
OBSAR bonds	39,956		39,956	
Financial debt	42,422	2,209	40,213	
Trade payables	17,660	17,660		
Tax and employee-related liabilities	35,478	35,478		
Payables related to acquired fixed assets <sup>(*)</sup>	1,841	883	958	
Other liabilities and accruals	13,654	13,654		
<b>TOTAL</b>	<b>151,011</b>	<b>69,884</b>	<b>81,127</b>	<b>-</b>

(\*) The agreements signed with PMI Soft and Informatique et Communications, acquired during the first half of 2006, include a commitment on the part of Cegid to purchase the 20% and 49%, respectively, of the shares held by minority shareholders. The amount of these commitments is estimated at €958k.

## 6. Notes to the income statement

### 6.1. Breakdown of sales

#### By type of business

(in thousands of euros)	H1 2006	H1 2005
Enterprise software solutions	90,258	89,301
Maintenance and installation	13,987	15,038
Hardware sales <sup>(1)</sup>	1,260	2,124
Miscellaneous	944	1,796
<b>TOTAL</b>	<b>106,450</b>	<b>108,259</b>

(1) Direct hardware sales not integrated into a software solution.

#### By industry segment

(in thousands of euros)	H1 2006	%	H1 2005	%
Certified public accountants (CPAs)	34,167	32.1%	38,898	35.9%
General business	37,234	35.0%	39,021	36.0%
Manufacturing	12,768	12.0%	10,850	10.0%
Fashion	10,582	9.9%	9,641	8.9%
Construction, hospitality, retailing	10,755	10.1%	8,284	7.7%
Miscellaneous	944	0.9%	1,565	1.4%
<b>TOTAL</b>	<b>106,450</b>	<b>100,0%</b>	<b>108,259</b>	<b>100,0%</b>

### 6.2. Capital gains and losses on divestments

These are composed of capital gains and losses on asset items.

### 6.3. Other operating income and expense

Other operating income and expense includes reorganization costs related to the merger of Cegid's and Ccmx's operations (€911k during the period). As of June 30, 2006, the provision for reorganization declined by €4,777k.

#### 6.4. Financial income and expense

(in thousands of euros)	H1 2006	H1 2005
Net proceeds from sale of marketable securities	142	192
Interest on OBSAR bonds	(547)	(442)
Additional OBSAR interest	(784)	(697)
Interest on OCEANE bonds		(374)
Net financial provisions	(16)	(335)
Interest on loans and other borrowings	(552)	(32)
<b>Financial cost of borrowing</b>	<b>(1,757)</b>	<b>(1,688)</b>
Other financial income	50	132
Other financial expense		(170)
<b>Other financial income and expense</b>	<b>50</b>	<b>(38)</b>
<b>Net financial expense</b>	<b>(1,707)</b>	<b>(1,726)</b>

#### 6.5. Income tax

##### Breakdown of taxes

(in thousands of euros)	H1 2006	H1 2005
Current tax	984	877
Deferred tax	1,480	541
<b>TOTAL</b>	<b>2,464</b>	<b>1,418</b>

##### Tax reconciliation

(in thousands of euros)	H1 2006	%
<b>Pre-tax income</b>	<b>6,923</b>	
Theoretical tax	2,384	34.44%
Effect of permanent differences	172	2.48%
Tax on previous periods	49	0.71%
Use of tax-loss carryforwards	(191)	-2.76%
Rate effects and miscellaneous	50	0.72%
<b>Income tax</b>	<b>2,464</b>	<b>35.59%</b>

## 7. Employees

The average number of employees in the Group broke down as follows:

	at 6/30/06
Management level	1,176
Non-management level	848
<b>TOTAL</b>	<b>2,024</b>

The breakdown of employees in the companies of the Group at June 30, 2006 was as follows:

	6/30/06	12/31/05	6/30/05
Cegid	1,253	1,188	1,139
Quadratus	126	128	124
Ccmx	594	716	747
Fcrs		6	6
Cbj <sup>(2)</sup>		20	24
Synaptique <sup>(2)</sup>		3	3
Cegid Corporation	2	2	2
Cegid Espana	3	4	3
Gti Industrie <sup>(1)</sup>	38		
Pmi Soft <sup>(1)</sup>	9		
Informatique et Communications <sup>(1)</sup>	4		
<b>TOTAL</b>	<b>2,029</b>	<b>2,067</b>	<b>2,048</b>

(1) These companies entered the scope of consolidation in the first half of 2006.

(2) All assets and liabilities of these companies were transferred as of December 30, 2005.

## 8. Off balance sheet commitments

### 8.1. Commitments received

Commitments received in the form of asset and liability guarantees in connection with acquisitions

(in thousands of euros)	2006	2007	2008
Commitments subject to limitation	11,236	3,749	1,550

Bank lines of credit

(in thousands of euros)	2006	2007	2008	2009
Drawdown authorizations	53,942	35,067	22,620	1,433
<i>of which utilized</i>	<i>40,000</i>			

Credit agreements are generally valid for five years, and are amortized on an annual, straight-line basis. The agreements include various standard covenants (consolidated net debt/equity, consolidated net debt/EBITDA, etc.) and accelerated maturity clauses. At June 30, 2006, the Group was in compliance with these covenants.

## 8.2. Commitments given

### Bank guarantees

(in thousands of euros)	Less than 1 year	1 to 5 years	More than 5 years	6/30/06
Bank guarantees	155	1,161	269	1,585

### Lease commitments

(in thousands of euros)	Less than 1 year	1 to 5 years	More than 5 years	6/30/06
Lease commitments <sup>(1)</sup>	8,527	21,260	9,280	39,067

(1) Not discounted

These commitments relate to rents on 40 sites in France, including a remaining seven-year commitment for the premises in Lyon and for a part of the premises in Annecy, and long-term vehicle and computer hardware rentals.

### Acquisition-related earn-outs

(in thousands of euros)	2006	2007	2008
Acquisition-related earn-outs <sup>(1)</sup>	1,414	1,389	1,460

(1) Relates to the acquisition of fixed assets .

### Other commitments given

The post-employment benefits regime at Cegid (Syntec collective bargaining agreement) was changed in 2004. In accordance with the CNC recommendation, the additional commitment corresponding to this change is being amortized over the average remaining term until the corresponding rights are vested (11.5 years). The amount of this commitment at June 30, 2006 was €0.7M.

## 9. Related-party transactions

The Cegid Group is fully consolidated in the ICMI Group (52, Quai Paul Sédallian- 69009 LYON). Details of the relationship between Cegid and ICMI and its subsidiaries during the first half of 2006 were as follows:

(in thousands of euros)	6/30/06
<b>Receivables</b>	
Operating receivables, gross	125
<b>TOTAL</b>	<b>125</b>
<b>Liabilities</b>	
Operating liabilities	879
<b>TOTAL</b>	<b>879</b>

(in thousands of euros)	6/30/06
<b>Operating expenses</b>	
General Management fees	1,192
Other external expenses	233
<b>TOTAL</b>	<b>1,425</b>
<b>Operating revenue</b>	
Overheads	182
<b>TOTAL</b>	<b>182</b>

## 10. Events subsequent to closing

### Financial resources strengthened with signature of a €200M syndicated line of credit

In early July, Cegid finalized a €200M line of credit with an eight-bank syndicate coordinated by CIC Lyonnaise de Banque, with CM-CIC as mandated arranger and Crédit Lyonnais and Société Générale as co-arrangers. The other syndicate members are Natexis Banques Populaires, BNP Paribas, HSBC, Fortis Banque and Banque Rhône-Alpes.

#### Auditors' report on the half year report

To the shareholders,

In our capacity as Statutory Auditors and in accordance with Article L. 232-7 of the French Commercial Code, we have:

- conducted a limited examination of the accompanying consolidated financial statements for Cegid SA, covering the six-month period from January 1 to June 30, 2006;
- verified the information disclosed in the half year report.

These half year consolidated financial statements are the responsibility of the Board of Directors. Our responsibility is to express a conclusion on these statements, based on our limited examination.

We conducted our limited examination in accordance with French professional standards. A limited examination of interim statements consists in obtaining the necessary estimated data, principally from the individuals responsible for accounting and financial matters, and in implementing analytical and any other appropriate procedures. An examination of this type excludes certain procedures specific to an audit performed in accordance with French professional standards. It does not provide assurance that all significant items that would have been identified during an audit have been identified, and for this reason, we do not express an audit opinion.

Based on our limited examination, nothing has come to our attention that would cause us to doubt, with respect to IFRS as adopted by the European Union, that the half year consolidated financial statements present a true and fair view of the company, its financial condition and the financial results of the group of companies included in its scope of consolidation.

We have also verified, in accordance with French professional standards, the information contained in management's report on the half year consolidated financial statements that were the subject of our limited examination.

We have no observations as to the fairness of this information or its consistency with the half year consolidated financial statements.

Lyon and Villeurbanne, September 28, 2006

#### The Statutory Auditors

**Grant Thornton**  
French member of Grant Thornton International

François PONS  
Partner

#### Mazars

Christine DUBUS  
Partner

#### General characteristics

- Fiscal year: January 1 to December 31
- ISIN code: FR 0000124703
- FTSE classification: 9537 Software
- Reuters CEGI.PA
- Bloomberg : CGD FP
- Number of shares at September 15, 2006: 8,647,563

Cegid shares have been traded on Euronext's Eurolist Paris - Compartment B since 1986.

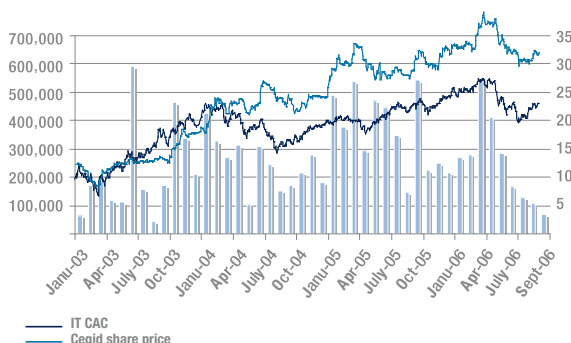
Cegid is included in the Small 90, Mid and Small 190 and ITCAC indices.

- Market segment: NextEconomy
- PEA eligibility: yes
- Share capital at June 30, 2006: €8,211,905.45
- Par value: €0.95 per share
- Opening share price on September 28, 2006: €34
- Market capitalization: €294M

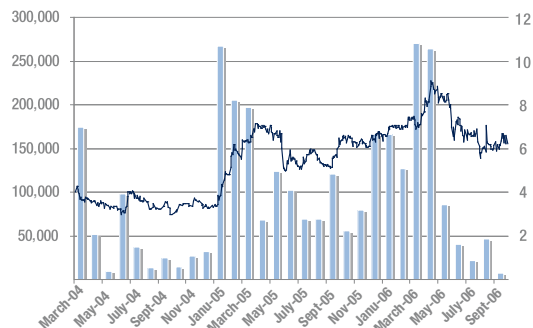
#### Shareholders at June 30, 2006

	Number of shares	% of shares	% of voting rights
ICMI	1,761,500	20.38%	33.00%
Executive Board	77,797	0.90%	0.77%
Treasury shares (liquidity contract)	16,500	0.19%	-
Apax	1,498,416	17.33%	14.44%
Eurazeo	797,429	9.23%	7.69%
Ulysse/Tocqueville	376,588	4.36%	3.63%
Free float	4,115,881	47.61%	40.47%
<b>TOTAL</b>	<b>8,644,111</b>	<b>100.00%</b>	<b>100.00%</b>

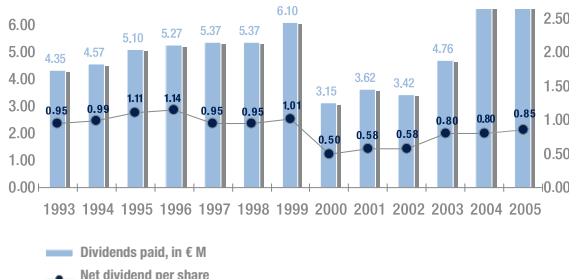
#### Cegid share price and trading volume



#### BSAR price and trading volume



#### Cegid's dynamic dividend policy



On June 7, 2006, following the vote at the June 2, 2006 shareholders' meeting, Cegid distributed a dividend of €0.85 per share on 2005 earnings.

Cegid has an active dividend distribution policy, enabling it to foster shareholder loyalty and reward shareholders for the trust they have placed in the company, while maintaining a dynamic profile.

#### Financial analysts covering Cegid:

- CM CIC SECURITIES - Guillaume ANGUE
- IXIS MIDCAPS - Stéphane NIERES TAVERNIER
- GILBERT DUPONT - Alexandre BARAZZA
- ING FINANCIAL MARKETS - Richard NGUYEN
- KEPLER EQUITIES - Derric MARCON
- ODDO MIDCAP - Lazare HOUNHOUAYENOU
- FIDEURAM WARGNY - Lionel PELLICER
- ARKEON FINANCE - Grégory RAMIREZ
- FINANCIÈRE UZES - Catherine VIAL
- CA CHEVREUX - Vincent LHERMENIER

#### Calendar

**Q3 2006 sales:** Wednesday, October 18, 2006\*

**Extraordinary shareholders' meeting:** Thursday, November 30, 2006

**Q4 2006 sales:** Wednesday, January 24, 2007\*

\* after the market close.



**BETTER YOU ARE BETTER WE ARE**

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