

VALTECH

**A French joint stock company (“société anonyme”) with a share capital of EUR 1,351,534.90056
Registered office: 80, avenue Marceau – 75008 Paris
Paris Trade and Companies’ Register No. 389 665 167**

**CHAIRMAN’S REPORT ON THE CONDITIONS
IN WHICH THE BOARD OF DIRECTORS’ PROCEEDINGS WERE PREPARED
AND ORGANISED AND ON THE INTERNAL AUDIT PROCEDURES**

Under Article L. 225-37 of the French Commercial Code, the Board of Directors’ Chairman herein reports on (i) the conditions in which the Board’s proceedings were prepared and organised (ii) and the internal audit procedures set up by your Company.

This report set outs the conditions in which the Valtech SA Board’s proceedings were prepared and organised during the fiscal year 2007.

This report also sets out the internal audit procedures of the Valtech Group.

1. PREPARATION AND ORGANISATION OF THE BOARD OF DIRECTORS’ PROCEEDINGS

Valtech subscribes to the principles of corporate governance applicable to listed companies set forth in the Viénot reports dated July 1995 and July 1999 and in the Bouton report dated September 2002 and in particular to the following points:

- responsibility and integrity of the corporate officers and directors,
- independence of the Board of Directors,
- transparency and disclosure of information,
- respect for the rights of the shareholders.

In its specific legal framework, Valtech gradually endeavours to implement the recommendations set forth in said reports.

Preparation and organisation of the Board’s proceedings

The Board of Directors discusses and decides on all the decisions relating to the major strategic, economic, social and financial orientations of the company and ensures that the General Management implements them.

The Valtech Group’s policy as regards corporate governance provides that the Chairman of the Board of Directors must obtain the Board of Directors’ authorisation for the purpose of initiating any operations committing the company in a significant way, namely any

- external growth operation,
- transfer of company,
- recruitment of general managers for the group’s subsidiaries.

As at 31 December 2007 the Board of directors included two non-executive directors, i.e. Messrs. Douglas Land and Lars Bladt, former COO of the Valtech Group.

The Board of Directors' four other members are Jean-Yves Hardy and Olivier Cavrel (founder corporate officers of the group), Jean-Claude Turri (founder of Valtech Axelboss) and Jonathan Poole. The detail of the Board's composition is further expanded in the *Management Report*.

However, it is recalled that:

- Mr. Jonathan Poole was appointed director at the Company's General Meeting of 28 June 2007;
- At the Board of Directors' meeting of 11 December 2007, Mr. Jens Heimburger resigned from office as a director and Mr. Lars Bladt was appointed in his place for the remainder of his term of office.

During the fiscal year 2007, the Board of Directors met twelve times.

The first three meetings for 2007 took place in the context of a Board consisting of 5 members:

- five out of five directors attended one Board meeting,
- four out of five directors attended one Board meeting; and
- three out of five directors attended one Board meeting.

In the context of the following nine meetings, the Board consisted of 6 members:

- six out of six directors attended five Board meetings;
- five out of six directors attended two Board meetings; and
- four out of six directors attended two Board meetings.

The Board of Directors may be assessed according to the following criteria:

- attendance rate at the various board or committee's meetings held during the fiscal year,
- involvement of the Board's members in understanding the Company's conduct of business,
- definition and monitoring of the Company's strategy plan,
- Audit of accounting and financial principles in Valtech SA and its subsidiaries,
- Preparation and enforcement of a fair and reasonable salary policy as regards the Company's main corporate officers.

Duties and operation of the Committees of the Board of Directors

Strategy Committee

The Strategy Committee includes all the members of the Board of Directors and may invite, at the Chairman's initiative, one or several external experts to attend the meeting, depending on the agenda.

The Strategy Committee meets upon the call of the Chairman as often as the Group's interest requires discussing prospective issues prior to submitting the same to the Board of Directors. It met on the occasion of each meeting at which the entire Board sat in 2007.

Audit Committee

Until 11 December 2007, the Audit Committee included Messrs. Douglas Land and Jens Heimburger.

The Audit Committee met twice in 2007. It heard the main persons in charge of the Group Financial function as well as the statutory auditors in order to study with them their respective plans of action and the consequences thereof as well as the half-year and annual accounts and the closing conditions.

Compensation Committee

Until 26 April 2007, the Compensation Committee comprised two members, i.e., Jens Heimburger and Douglas Land. From such date, Jens Heimburger resigned and Douglas Land was therefore the sole member of the Committee.

The criteria taken into account to set main corporate officers' compensation are as follows:

- Total remuneration (including bonus) of main corporate officers (Jean-Yves Hardy, Jean-Claude Turri, Olivier Cavrel) to be within the limit of corporate officers' compensation in similar listed companies (remuneration of between EUR 150,000 and 300,000, exclusive of social security contributions), i.e., a bracket between EUR 225,000 and 450,000 in total for a French company.
- Bonus to be assessed upon specific attainment of annual financial results of the group.

2007 CORPORATE OFFICERS' 2007 COMPENSATION AND BENEFITS

Gross compensation and direct and indirect benefits of any kind received by each corporate officer inside and outside the Group and fees paid to companies in which the corporate officers have an interest

A - Direct compensation paid by Valtech and its subsidiaries in 2007

Name	Titles	Type of remuneration	2007 Annual amount	2006 Annual amount
Jean-Yves Hardy	General Manager & Chairman of the Board	General Manager (GM)	Gross fixed compensation as GM: EUR 36,000 Benefit in kind as GM: N/A Bonus compensation as GM: N/A Attendance fees : N/A	Gross fixed compensation as GM: EUR 36,000 Benefit in kind as GM: N/A Bonus compensation as GM: N/A Attendance fees : N/A
Olivier Cavrel	Deputy General Manager (resigned on 7 March 2007) Director	Deputy General Manager (DGM) CEO de Valtech India (CEO India)	Gross fixed compensation as DGM: EUR 3,107 Gross fixed compensation as CEO India: EUR 51,832 Benefit in kind paid by Valtech France: N/A Benefit in kind paid by Valtech India: EUR 108,462 Bonus compensation: N/A Attendance fees: N/A	Gross fixed compensation as DGM: EUR 36,000 Benefit in kind as DGM: N/A Bonus compensation as DGM: N/A Attendance fees : N/A Benefit in kind paid by Valtech India: EUR 18,560
Douglas Land	Director	Fixed salary	Gross fixed salary: EUR 35,020 Attendance fees: N/A	Attendance fees : EUR 36,480 (USD 48,000)
Jens Heimburger	Director (resigned on 11 December 2007)	Attendance Fee	Attendance fees: N/A	Attendance fees : EUR 52,740
Jean-Claude Turri	Director	Manager	Gross fixed salary: EUR 6,120 Attendance fees : N/A	Gross fixed salary: EUR 6,120 Attendance fees : N/A
Lars Bladt	Director (appointed on 11 December 2007)	Manager	Gross fixed salary: EUR 181,008 Bonus compensation: EUR 69,846 Benefits in kind: EUR 27,117 Attendance fees : N/A	
Jonathan Poole	Director (appointed on 28 June 2007)	Group CEO	Gross fixed salary: EUR 216,077 Bonus compensation: EUR 122,400 Benefits in kind: EUR 44,280 Attendance fees : N/A	

Neither the company nor any of its subsidiaries has made any specific undertaking (except for mandatory contributions) for corporate officers in connection with any pension plan or in the event of termination of their term of office as such.

B - Indirect compensation and/or fees received by companies in which corporate officers have an interest and paid by Valtech or its subsidiaries

Companies concerned	Type of compensation	Director concerned	% held by the Director concerned in the company concerned	2007 Annual amount	2006 Annual Amount
Agreements between Valtech SA and Bang	Fees	Jean-Yves Hardy	94.39%	Fixed fees: EUR 270,960 Travel fees: N/A Bonus fees relating to FY 2007: N/A	Fixed fees: EUR 225,500 Travel fees: EUR 26,400 Bonus fees relating to FY 2006: N/A Bonus fees relating to FY 2005: EUR 31,765
Agreements between Valtech SA and Imran	Fees	Olivier Cavrel	100%	Fixed fees: EUR 244,664 Travel fees: EUR 16,000 Bonus fees relating to FY 2007: N/A Bonus fees: N/A	Fixed fees: EUR 225,500 Travel fees: EUR 62,400 Bonus fees relating to FY 2006: N/A Bonus fees relating to FY 2005: EUR 20,500 Bonus fees: N/A
Agreements between Valtech SA and Groupe Ouroumoff	Fees	Jean-Claude Turri (1)	99.99%	Fixed fees: EUR 306,636 Travel fees: N/A Bonus fees relating to FY 2007: N/A	Fixed fees: EUR 273,400 Travel fees: EUR 4,000 Bonus fees relating to FY 2006: N/A Bonus fees relating to FY 2005 : EUR 41,099
Agreements between Valtech A/S (Danish subsidiary) and Krogedammen A/S	Fees	Jens Heimburger	100%	Fixed fees: EUR 27,670 Travel fees: EUR 13,792	Fixed fees: Nil
Agreement between Valtech SA and the Chesapeake Group	Fees	Douglas Land	50%	Fees: Nil	Fees: Nil

C - PRESENTATION OF THE AGREEMENTS ENTERED INTO BETWEEN VALTECH AND BANG, IMRAN AND GROUPE OUROUMOFF FOR 2007

The agreements entered into by Valtech with Groupe Ouroumoff, Imran and Bang set out the services that will be provided by each of the companies; the corresponding fees were set in accordance with the same principles for all three agreements. Such agreements gave rise to payment of the monies referred to in B.

1/ Services provided by each of the three service providers

GROUPE OUROUMOFF provides Valtech and its subsidiaries with the following services:

1 - services for the Valtech Axelboss department in the following fields:

- management, in particular, financial management,
- marketing and sale,
- monitoring of the uses of French know how abroad,

2 - carrying out of the consultancy subcontracting activity with regard to end customers sold by “Valtech Axelboss”,

3 - the supervision of Valtech Germany’s non-global sourcing business, and the support of Valtech Germany in introducing Valtech management consulting services on the local market.

IMRAN provides Valtech and its subsidiaries with the following services:

(a) definition, development and implementation of the strategies to develop the activities of the “Global Sourcing” division for the entire Valtech Group carried out in France, USA, England, Germany and India.

BANG provides Valtech and its subsidiaries with the following services:

- (a) definition, development and implementation in France of strategies to develop in France, the “Valtech Training” and “ACDSI” (or “Valtech Agency”) activities and the Valtech SA technology services; and
- (b) research into new financial partners for the Group as well as management of negotiations for the Group
- (c) reviewing of the financial communication for the Group

2/ Presentation of the remuneration for the services provided

For each agreement, the services remuneration is determined, firstly, on the basis of fixed flat fees, coupled with additional indemnification or each day spent abroad and, secondly, by payment of performance fees calculated as follows:

1. Fees determined on the basis of the attainment or non-attainment of targets calculated on the basis of the consolidated EBIT of the Group over the last three fiscal years, l’EBIT_{200x} being defined as the Valtech Group’s earnings before interest and tax as featured in the fiscal year 200X consolidated accounts ended by the Board of Directors and certified by the auditors.

2. Fees calculated on the basis of the Valtech stock price, the stock prices attained over a given period being EUR 1.25, 1.75 and 2.25.

The yearly amount, exclusive of tax, of variable fees referred to above may not under any circumstances exceed the aggregate amount of EUR 200,000 for FY 2006, EUR 270,000 for FY 2007, and EUR 400,000 for FY 2008.

3/ Term, termination and termination compensation

Each agreement has been entered into for a three years' period with effect from 1 January 2006; it may be terminated either by agreement between the Parties in accordance with mutually agreed terms and conditions or in accordance with the following terms and conditions:

1/ each service provider may terminate the relevant agreement unilaterally, with or without cause, subject to a termination notice of at least six months, such termination will not give rise to compensation.

2/ For its part, subject to compliance with certain time limits, Valtech may request the termination of the agreement in the event that the annual EBIT target upon which the variable fees rely is not attained. Valtech will then pay the service provider concerned a lump-sum termination compensation equal to 24 times the monthly fixed flat fees, exclusive of tax, of the ongoing year.

3/ Subject to compliance with certain time limits, and in the event that the annual EBIT target is attained, Valtech may also request the termination of the agreement but it will then pay the service provider concerned a lump-sum termination compensation equal to two times the annual fixed flat and variable fees for the ongoing year.

4/ Other clauses

The agreements also contain a non-compete clause of 18 months and a non-poaching clause of 24 months, which, in case of breach, gives rise to automatic payment of a penalty.

Such service providers have their own operating expenses. Therefore, only part of the fees thus paid may be used to remunerate the corporate officers. Such fees were validated in 2006 by a prior opinion of the remuneration committee.

D – Mr. Jonathan Poole's bonus compensation

For the year 2007, the employment contract entered into between the British subsidiary of Valtech and Mr. J. POOLE provides for bonuses equivalent to not less than 33% of his allotted "Cost to Company" budget upon satisfaction 100% of the KPI. The allotted Cost to Company budget for the year 2007 is €300,000.

The KPI (Key Performance Indicator) is the one attributable to the subset of the Group known as the NEA, which includes Denmark, Sweden, the United Kingdom and the United States;

For the year 2007, objectives are as follows:

- Revenue: € 61,564,146
- Corporate Contribution: € 1,896,418
- EBITA: € 5,353,680

It was provided that:

- the Scheme payable to J. POOLE rises or falls in direct proportion to the percentage of KPI achieved.

- the Scheme shall be uncapped and shall overpay a percentage of the Scheme in direct proportion to the percentage of overachievement of KPI.
- the threshold for bonus earnings is 75% of KPI. No bonuses shall be paid for achievement of KPI less than the threshold

For the financial year 2007, Mr. Jonathan POOLE received a bonus of € 122,400-.

2. GENERAL MANAGER'S POWERS

The provisions of article L. 225-51-1 of the French Commercial Code enables the Board of Directors to choose between the Company's General Management carried out, under the Board of Directors' responsibility, either by the Chairman of the Board of Directors or by another individual appointed by the Board of Directors and called General Manager.

Valtech SA decided, in 2001, to continue to have the functions of both Chairman of the Board of Directors and General Manager performed by the same individual.

Also, the Articles of Incorporation do not provide for any limitation to the powers of the General Manager or to those of Deputy General Managers.

We recall that Jean-Yves Hardy is Chairman and CEO of the Company. In 2006, until March 2007, he was assisted by Olivier Cavrel as Deputy General Manager. In March 2007, this office was granted to Jonathan Poole.

However, from an operational standpoint:

- Jonathan Poole, former general manager of Valtech UK, has been in charge of the Group's operational and financial management as CEO of the Group.
- Lars Bladt, former general manager of Valtech Denmark, has been appointed as Chief Operating Officer, under the direction of Jonathan Poole. He has since ceased those functions within the Group and has become a director of Valtech SA.
- Olivier Cavrel has left his office as Chief Operating Officer of the Group to become the full-time CEO of Valtech India. He has permanently settled in Bangalore since August 2006.

3. INTERNAL AUDIT PROCEDURES SET UP WITHIN THE VALTECH GROUP

Internal audit implemented by the group's financial management, the company's general management and the company's staff and is intended to provide a reasonable assurance as regards the achievement of goals falling within the following classes:

- management of the operations in compliance with the group's internal rules,
- reliability of the financial information,
- compliance with the laws and regulations in force.

The purpose of Valtech's internal control system, which covers all the Group's activities, is to give an overall and reliable view of the latent risks of each operation.

It must be highlighted however that an internal audit system designed to meet the goals described above cannot achieve said goals with certainty, because of the limits inherent in the operation of any procedure.

3.1 Audit environment

With the Valtech Group, a set of organisational rules contribute to the efficiency of the internal audit.

Financial control of the Group: this team, led by the Group Chief Financial Officer, is unrelated to the local day-to-day operations. Based in London, its purpose is to collect, consolidate and audit the financial results (and other key performance indicators) of each of the Group's subsidiaries. The team also carries out selective internal audit procedures in order to see to it that the data provided are consistent and that the Company's rules are complied with.

However, Andy Stephens, the Group's CFO, left the Group in July 2007. He was replaced by an interim manager who carried out a six-month assignment from 1 October 2007.

Financial communication based in Paris and supervised by Jean-Yves Hardy. Its purpose is to disclose financial information, plan the timetable for disclosures, inform insiders of the periods of prohibition to trade in the Valtech share, disclose the forecasts prepared by the Group with the Board of Directors' consent.

Steering committees (quarterly): each Valtech subsidiary is supervised by one of the directors of Valtech SA through a steering committee including such subsidiaries' operational managers. The purpose of the steering committees is to anticipate and inform about the risks that may be identified in each operation at the level of the Strategy Committee of the Board of Directors and of the financial management.

In addition to the control environment established by the Board of Directors and the various Board committees, it is the continuing responsibility of the directors of each subsidiary and their local financial control teams to ensure controls are adequate and enforced and to inform the Board of Directors of any sensitive issues.

All of the above efforts help the Group to maintain an appropriate audit system, assessing the efficacy of internal controls and promoting continuous improvement. Based on the results of risk assessment, the internal audit team monitors the relevance and the efficiency of the internal audit process measuring the reliability and the integrity of the financial and operational information, the efficiency of the operations and compliance with laws, regulations and contracts.

3.2 Internal audit procedures relating to the preparation and processing of the accounting and financial information

The internal audit of the accounting and financial information is organised around the following:

- monthly reporting, with a full management accounting close;
- re-forecasting on a quarterly basis;
- weekly monitoring of cash flows with monthly forecasting thereof;
- a common framework of accounting policies shared by the entire Group

3.2.1 Unified accounting and management reporting

All of the Group's entities form part of the Group's management and steering cycle, which consists of the following components.

3.2.1.1 Monthly reporting

All of the Group's entities provide the following financial information within a period of 10 business days following the end of the month:

- profit and loss account;
- comprehensive list of trade receivables;
- status of inter-company invoicing within the Group; and
- monitoring of 15 key performance indicators.

3.2.1.2 Budget process and Rolling forecast

The Group has recently moved to a quarterly reforecasting process. This enables country management teams to take a more considered and strategic approach to their forecast submissions. The reforecast is submitted shortly ahead of the quarterly main meetings of the Board so that the consolidated view may receive due consideration.

3.2.1.3 Weekly monitoring of cash flows

All the Group's entities provide a status of the cash flows (receipts, payments, cash position) on a weekly basis.

The reconciliation of the accounting information and the forecasts, as well as the monthly analysis at each level of the Group's organisation, contributes to the quality and reliability of the information provided.

3.2.2 Common system of reference and accounting methods within the group

For the preparation process of the estimated and recorded consolidated financial statements, the Group adopted a principle of unification, which entails:

- the homogeneity of the reference system, the accounting methods and the consolidation rules,
- the standardisation of the reporting formats,
- the use of a consolidation computer tool (Frango) shared by the entire Group.

The Group has a unique reference system that standardises all the items of the consolidated reporting in Frango, including any unrecorded liabilities. This reference system is under the responsibility of the Group's financial management that ensures the development and the maintenance thereof. All the Group's consolidated entities have adopted this reference system. It must be highlighted that the Valtech Group prepares its consolidated financial statements according to the IFRS standards.

The consolidation tax returns are prepared according to the local accounting principles and include homogeneity reprocessing in order to comply with the Group's standards.

Instruction notes from the financial management specifying the process and the timetable for each closing are circulated within the Group. Each subsidiary applies said processes and time schedules at its organisation level.

3.2.3 Planning of the closing procedures

- In order to accelerate the provision of timely financial information to the Board, the Valtech Group has continued a program to better formalise and plan the monthly close. Subsidiaries submit their results within 10 working days of month end utilising standard templates and in accordance with a timetable published for the full year. These submissions are reviewed, challenged and consolidated by the Group finance team in London in readiness for a monthly Board review.
- The planning of the actions of co-ordination between the Group's various divisions and functions, the improvement of the quality of the forecasts and the growing control of the financial processes, the anticipation and the acceleration of the accounting closing process are essential elements of the Group's financial control environment.

4. IFRS STANDARDS

Valtech's results are prepared in accordance with International Financial Reporting Standards (IFRS) and the Group full transitioned to this method of accounting in 2004. Individual subsidiaries operate in accordance with local Generally Accepted Accounting Principles (GAAP) and any required adjustments to IFRS are implemented by the Group finance team in London.

Chairman of the Board of Directors