I. Presentation of first half 2007 results (Slide 1)

Ladies and gentlemen, I wish to thank you for attending this presentation of Sopra Group’s half-year results. You are all aware that Dominique Illien joined us a few months ago as Sopra’s Deputy Managing Director. In the future, he will be named as the Group’s Managing Director. However, he cannot very well report on the results of the first half of the year because he was not with us at the time. Since his arrival in June, we have been working very closely together. Accordingly, he will be presenting our key priorities and I will first provide the customary presentation of our results for the period, before turning to our 2010 Project. It will therefore be a presentation in two parts, although each of them will be relatively short. Then we will take your questions.

1. Revenue for the six-month period ended on June 30th 2007 (Slide 2)

The Group’s revenue figures have now been published. Total growth in the first half was 9.1%, with organic growth of 7.5%. Of the two quarters under review, our performance during the second was better than that in the first, with total growth of 11.2% and organic growth of 9%.

Let’s look now at revenue by business line. First, with respect to Consulting, the departure of staff members in the summer of last year had a significant adverse impact on business in the second half of 2006 as well as early 2007. The performance shown here is nevertheless quite impressive. Indeed, in Q2 we were able to achieve robust organic growth of more than 14%. We will see that operating profit also held up very well, in line with forecasts. The growth rate for the first half of 2007 was only 6%, but Q1 posted a decline and Q2 saw strong growth. I think this makes for an excellent trend.

In France, we achieved growth of 8.3% in Q2 and nearly 8% for the first half as a whole. This again represents robust growth, despite a slightly unfavourable basis of comparison, due to the one-day difference in billing days. In Europe, our growth was 3.2%. This overall figure appears to correspond to a mediocre performance, but its components include very strong organic growth – greater than 15% in Spain, strong growth as well in Italy (22%), growth in Switzerland equal to that of France, with the figure for Europe as a whole brought down by falling revenue in the United Kingdom. Our relatively lacklustre UK performance is explained by the fact that certain major contracts, especially in Scotland, are still active but generated less work than anticipated. The comparison thus results in a decline, although from the broader perspective we are seeing rising revenue with margins maintained.

For first half 2007, Axway posted total growth of 21.5% following the acquisition of Actis, Atos Origin’s German subsidiary, and organic growth of 14.5%, in line with our targets.
2. Income statement (Slide 3)

The income statement also shows the revenue figure, corresponding to growth of 9.1%. Staff costs – for employees and contractors taken together – increased by 9.6%. This rise in staff costs, which exceeded revenue growth, is due to the fact that last year at the same time our recruitment situation was unbalanced. In Q2 of 2006, France saw a decline of 1%. But this year we took the necessary measures to meet our organic growth targets for the second half of the year. We thus hired 500 interns in first half 2007, twice as many as last year. In addition, for Business Consulting, we proceeded with regular recruiting efforts, without the contracts in hand, since we could be sure of winning them in this area. Compared to last year, this represents 3 million euros in additional costs.

The negative impact is due to costs not offset by revenue: this explains the figure of 9.6%. But once we restate the 3 million euros in additional costs, the growth in staff costs turns out to be lower than that of revenue. Conversely, the positive impact is that Sopra’s production capacity is guaranteed for the second half of the year, in which we expect to see higher organic growth than in the first half.

Operating expenses grew by 4.2%. Profit from recurring operations thus amounted to 34.5 million euros, 7.1% of revenue, which when compared to the 6.7% figure for first half 2006 gives an increase of 15.8%. An exceptional item in the amount of 700,000 euros is the result of the consolidation of the Atos subsidiary in Germany. There will be no more exceptional items for this year. Operating profit is thus 7%.

Our net financial expense may seem a bit strange: it was 0.5 million euros, although our financial interest expenses were about 3 million euros. But under IFRS rules we are required to establish a provision for the potential capital gains related to our syndicated credit facility, which will not in fact be generated. All the same, the AMF informed us that we have to take this approach. Net financial expense therefore does not reflect the reality, which is characterised by a true expenditure of 3.5 million euros, which we will be discussing later, and a provision in the event that we resell our syndicated credit facility. But we won’t be reselling it because we need to use it. Taking all of these elements together, we end up with an income tax expense of 12.2 million euros and net profit of 21.1 million euros, 4.4% of revenue, representing an increase of 22%.

3. Operating profit by business line (Slide 4)

We usually present the operating profit for the businesses of the Group by business line. At the Group level, the operating margin grew from 6.7% to 7.1%. For Consulting, the figure was slightly lower than that posted in 2006, for the reasons I mentioned earlier. But for 2007 as a whole, I think we will be posting a much better performance in Consulting than last year. The first half of 2006 was good whereas the second half was bad, due to the many departures. First half 2007 also fell a little short, but the outlook is favourable.

In the French Integration business, the operating margin climbed from 7.5% to 8% and in Europe (excluding France) it rose from 6% to 6.7%.

Lastly, Axway, which always generates the greater portion of its earnings in the second half of the year, saw its operating margin increase from 2.3% to 3.4%. Consequently, all of our business lines posted improvements.
4. Balance sheet (Slide 5)

The balance sheet consists of goodwill, other (mainly corporate) assets, the balance of assets and liabilities, equity and net debt of 148 million euros. Thus a level equivalent to a year earlier. Available data lead us to anticipate net debt for the year-end comparable to that in 2006: it was 97.7 million euros last year and we expect that it will be in the region of 100–110 million euros this year, at constant structure. Any further acquisitions would necessarily alter this figure slightly.

5. Equity (Slide 6)

Equity rose from 216 million euros to 221.6 million, after deduction of dividends of 15.5 million, the appropriation of net profit for the period, 21.1 million euros, and translation adjustments. We thus arrive at equity amounting to 221.6 million euros at the end of June.

6. Change in net debt (Slide 7)

At the opening of the period, net debt was 97.7 million euros, whereas it reached 148.9 million euros at closing. Our gross cash flow from operations was 40 million euros. Tax paid amounted to 22.8 million euros. Last year we had benefited from a tax credit relating to Valoris, which generated tax savings for the first half of the year. The balance was positive and we did not have to make any provisional payments. However, as we turned in a good performance at the end of the year, we had to pay this tax plus the provisional payments, for a total amount of 22.8 million euros, compared to a credit of 3.6 million in 2006. The change in working capital requirements, a negative impact of 8 million euros, takes this situation into account. Set against revenue, this does not represent a very large difference. We consider the working capital requirements posted as normal in a period of strong growth.

After capital expenditures of 4.6 million euros and net financial interest of 3.5 million, free cash flow reached 1.5 million, compared with 33.3 million the previous year. At the end of December 2006, free cash flow amounted to 71 million euros and we will be in the region of 40 million or so this year. This is all related to the deferred tax on advances received and the Valoris tax loss carryforwards. We still expect to turn in a good performance.

The change in the scope of consolidation is a negative impact of 34.7 million euros, mainly due to the earn-outs for PROFit, Newell & Budge and, to a lesser extent, Cyclone, as well as the payment for the acquisition of Atos Origin’s German subsidiary Actis, and more recently of a small company in Italy. All of this results in a decrease of 34.7 million euros.

This table also shows dividends and other changes. The amount of net debt for the period, 148.9 million euros, is to be compared to the previous year figure of 135.1 million. The forecast for the end of the year is in the region of 100–110 million euros.

7. Financial ratios (slide 8)

The net debt to equity ratio at end of June fell from 71% to 67%. Net earnings per share were 1.8, compared with 1.47 for the first half of 2006.
8. **Change in workforce (slide 9)**

The number of staff employed has changed, as we now have 10,700 employees, 3,400 of which are located outside France. We had a large number of new hires this year, together with a large number of leavers in France and Spain. Staff turnover is high in Spain and relatively high in France in certain areas, but it is under control. It is possible to recruit, as our experience shows. In all, we recruited over 1,000 people during the six-month period.

9. **Breakdown of the Group’s revenue by division (slide 10)**

Changes are marginal. Integration projects, with a commitment to achieving specific results, represent 14%. Application Management represents 30%; staffing is slightly lower at 19%. Our proprietary application solutions, mainly for the banking sector, account for 12% of revenue. I should recall that these relate to means of payment, loans and financial reporting. Finally, Axway represents 14% of revenue. Consulting increased to 11% in percentage terms, of which 5% is attributable to organisational management consulting and 6% to technology consulting, identified in three separate Business Units within the Company.

10. **Breakdown of the Group’s revenue by market (slide 11)**

These figures are essentially unchanged. The financial services market remains stable at 31% of revenue. Manufacturing is slightly lower than in the past and the proportion attributable to Services and Utilities is now up to 21%. Telecoms represent 13%, the Public Sector 14% and Retail 6%. Commercial activity is high, with a book-to-bill ratio of 1.1 over 6 months. The Public Sector business is changing rapidly.

11. **Breakdown of the Group’s revenue by zone (slides 12 and 13)**

Revenue by geographic segment breaks down as 67% from France and 33% outside France. Europe’s revenue, excluding France, is generated in the UK, Spain, Italy, Switzerland and the Benelux countries.

12. **Axway continues to grow (slide 14)**

Over the six-month period, Axway’s revenue breaks down as 33% for licences, 32% for maintenance and 35% for services. Although it remains high, the proportion of licences is lower in the first half of the year. Its weighting will probably increase to 38% over the full-year period, or may even hit the 40%-mark, whereas maintenance will fall to around 30%, as will services.

In terms of their geographic breakdown, 44% of licence, maintenance and services sales were generated in France. The proportion of revenue generated in France is lower only in the case of licences, as our products are historically located in this country and we have pretty much saturated the market. A significant proportion of revenue is thus generated by services and maintenance. According to Gartner, Axway has become the No. 1 exchange platform in Europe.

Finally, the integration of the subsidiary in Germany is going smoothly. Axway is therefore more balanced in Europe: Germany, following the acquisition, which shows sustained, strong, attractive growth rates, and the UK whose performance has really taken off. I already commented on its French position.
II. 2007 Comments and outlook (slide 15)

That finishes the financial portion of our presentation. We’ll turn our attention now to comments. For my part, I will remind you what I said in March about the market context and our strategic priorities. I will then ask Dominique Illien to present those priorities in more detail, as he will be leading the company in the future. We’ve been working together on these priorities since his arrival and I have to say I’m pleased with our progress together. Finally, I will present a final slide about the 2010 project objectives.

1. Market context (slide 16)

What I said back in March is still valid. The market is showing sustained dynamism. The competition is keeping up pressure on prices: we have to find the best way to deal with this reality. Outsourcing is a major issue. Every day, you can see evidence that the sector’s consolidation is underway: smaller companies are scaling up, but at the same time we are also observing a trend of new start-ups. The public sector is a big source of demand. Recruitment levels are high. It’s difficult, but we’re getting there. Project leaders represent the lynchpin of our recruitment drive: ideally, you should groom leaders inside the Company, but you sometimes need to look for them outside the company as well.

2. The Group’s objectives for 2007 (slide 17)

As I said back in March, the top priority for the Group in my eyes was to find someone suitable to replace the departure of Claude Decq. This has been solved, as Dominique Illien has joined Sopra Group. His integration into the company is going really well and we feel like he’s already been with us for a long time!

The other issues related to management, stepping up the performance of Consulting, the rapid transformation of our core business, with regard to our offerings and their commercialisation and industrial-scale roll out. We also have ambitions in the area of banking solutions and a reorganisation is currently underway here. Finally, we want this year to be Axway’s year.

In terms of forecasts, we’re aiming to beat the market average organic growth rate, achieve higher margins and carry out a number of targeted acquisitions. Over a relatively short time, we’ve worked together to make sure we have a good year, marking the successful arrival of Dominique. Over a slightly longer timeframe, we’re preparing for 2008 and we’ll come back to our plans for 2010 later. I’ll let Dominique Illien comment on these points.
Dominique Illien  
Deputy managing director (slide 18)

Hello everyone. For those of you who don’t know me, I joined Sopra Group on June 4th 2007. I’ve spent 25 years in IT services, including 11 years with Cap Gemini and 14 years with Atos Origin, all over the world and in a wide range of functions including regular experience of general management after a long period working with Cap Gemini in finance functions. And I’m now part of Sopra Group’s management team.

Regarding the priorities that are keeping us busy, I’m going to update you on our major accounts and service offering, as well as our industrialisation and offshore activities, before giving you a management perspective on the preparation of our 2010 Project.

1. Major accounts and service offering (slide 19)

a. Major accounts

It’s a reality of today’s world that certain accounts involve both different geographic responsibilities (Paris, the French regions and abroad) and several of our businesses (Axway, Consulting and Systems Integration). Some of these parameters are already managed on an integrated basis involving complete sharing of information and the management of priorities by our various sales teams. Our aim is to formalise this approach and extend it to cover about 50% of our revenue internally, via the application to about fifteen major accounts with assessment of the programme’s ability to accelerate revenue growth. The project has been validated and is already underway. Other measures will be introduced during the coming weeks. The programme will be fully operational in 2008, which is when it will yield its results.

b. Service offering

The second point relates to stimulating our market offering. Sopra already has, on the technical side, a very well-structured service offering whether in terms of project performance, definition of methods and tools, Application Management, systematic testing, organising mass validation of major software programmes etc. All these offers exist already and essentially just require marketing, i.e. ensuring that our sales teams, both in the field and at the management level, are well placed to describe and sell them to our clients.

It’s also important for us to improve our partnerships with major software houses such as SAP, Oracle and Microsoft. Here too we are implementing an intense programme designed to improve the content of the solutions we market to our customers and make better deployment of Sopra’s rich internal resources.

2. Industrialisation and offshore (slide 20)

The changes already underway before my arrival will be reinforced. They relate first of all to methods, quality and tools. Deployment has already been decided in the area of our testing service offer, but we must go still further and we’re talking in terms of an 18 month project to obtain alignment of our Application Management and project businesses. The aim is to provide
consistency of service wherever projects are performed. Achievement naturally implies significant training and investment but we can be sure of a satisfactory return.

Accelerating the deployment of methods, processes and tools also requires our approach to project management to be structured. We must be capable of producing managers with a genuinely international culture and able to work in conjunction with numerous platforms as well as to move seamlessly from a front office to a back office, which may be located in Spain, Romania or India.

This approach will also be accompanied by the development of our service centres. We already have 1500 employees in France working on these major industrial platforms, which are essentially dedicated to application management and major projects, and which are located in major regional cities like Lille, Rennes and Toulouse. This trend is gradually gaining ground. We also have three offshore platforms, namely in Romania (essentially dedicated to Axway), India and Spain (serving the French market).

This is the context in which we are seeking to increase our business development capacity by improved communication of our service offerings in order to sell them more efficiently, particularly in our French and UK markets. Within the group, our aim is also that the functional added value from our R&D activities remains in France or in the originating countries while our development effort focuses on our offshore platforms. To this end, we have prepared multi-year plans which should enable us to increase the approximately 800 engineers employed on nearshore and offshore platforms to a reasonable 12 to 15% of total staff by the end of 2008. So that’s an acceleration of pre-existing processes. In addition, India’s platform manager, Pankaj Agarwal, whose chief responsibility was for delivery, will take over responsibility for the business development team which provides commercial assistance, on both a sales and pre-sales basis, to our mainstream sales teams. He will also become a member of Sopra Group’s Executive Committee.

3. Management and 2010 Project (slide 21)

The upper range of our 2010 Project now aims for revenue of 2 billion euros. The project will unroll at the same time as a certain number of managers retire: in 2 years time more than 50% of tomorrow’s managers will be drawn from people not yet occupying management positions. We want to anticipate this trend, as I rapidly mentioned with the Indian manager, by bringing younger people into both the Executive Committee and the lower levels of management that will have a key role to play in preparing our future 10 to 15 years from now. We shall need managers with more international, polyvalent profiles to avoid the risk of our robust anticipated business development creating frontiers between regions or businesses that would impede Sopra’s future growth.

Implementation of these management changes will need to focus on helping us retain Sopra’s specific characteristics: strong organic growth, respect for others, a strong commitment to client service and to high technological competencies, and to improving financial performance.

I’ll now pass the floor back to Pierre Pasquier.
Pierre Pasquier  
Chairman and CEO

Outlook (slide 22)

Our organic growth continues to outperform the market and we expect more growth in the second half of the year than during the first half of the year. Our operating margins are also improving. Last year’s margin was 8.4% and this year we are on target to improve that margin.

Regarding the 2010 Project, its main focus has been on management with the arrival of Dominique Illien. All our actions now are aimed at preparing 2008 to an operational level by the end of October, on the understanding that new managers are going to be joining us. The main issues to be resolved are: how can we reach 2 billion euros? What choices should be made? How much organic growth can be achieved? We remain convinced as to the necessity of floating Axway but we need to choose the right moment either to reduce Sopra’s debt level and make further progress, or to provide Axway with resources for its development.

Management preparation for the coming three years is taking time but is an indispensable prerequisite for an independent approach to the project.

I’ll now open the floor to your questions.
Questions and answers

From the floor

My question relates to your offshore activities. You intend to increase the proportion of employees employed offshore from 8% to 15% by the end of 2008 and you mention a revenue synergy estimate. Do you currently have customers who refuse certain contracts in the absence of any offer of such resources? Secondly, what impact on profitability do you expect from this development? Finally, what proportion of your employees do you expect to be employing offshore by 2010?

Pierre Pasquier

Our Spanish offshore activity goes back two years and we have about 200 people working for the French market. The problem is complex but the major difficulty is industrialisation. Offshore activity has an impact on payroll costs but not on methods, processes and tools. Perhaps you should ask why companies with a high proportion of offshore personnel don’t earn higher profits.

Sopra’s margins are improving and this will continue as the process becomes more industrialised. We have consistently delivered margin improvements, period after period, and we will continue to do so. Body shopping doesn’t work and customer pressure is very strong. Your question relates to volume but it is clear that the French market cannot generate the same volumes as the US or UK markets where an offshore approach is used for BPO, production outsourcing and certain Application Management projects.

In India we now have 350 people and we’ll have 500 at the end of the year and ultimately 1500. Axway will certainly represent between 150 and 200 people including Axway R&D, Axway Hotline and Axway Services for the US market. There are already 30 to 50 people at work in India for Axway and Sopra products can also be developed there. Then there’s the French and UK markets and the markets for Application Management and systems integration. We don’t do production outsourcing so, market by market, we shall take care to ensure the effective functioning of what we offshore. Payroll savings must not be eaten away by time overruns or unavoidable travel.

Use of Indian offshore facilities is on the increase given constantly increasing demand in France. But each major client has made its choice and some favour India, others Romania, Spain or Morocco. The movement is not a massive one but will regularly grow and we must be in a position to respond to each request. With the exception of Axway, the Indian platform is mainly fuelled by the French market and this will continue to be the case.

Dominique Illien

The aim is not simply to provide resources but to integrate offshore operations as part of an industrial model. A fundamental aspect that posed great difficulty for offshore contracts in the past was the capacity to simplify front and back office process interfacing in order to ensure an effective system. Our competitors often stumbled on the complexity of this dimension which led to duplication of certain functions. The difficulty is therefore to succeed in anticipating and designing
processes in advance while at the same time having managers capable simultaneously of managing the customer relationship, the customer’s front office and the back office, irrespective of their location. Management preparation is therefore vital and we need to ensure simplicity in our industrial approach. This first point is an important one because it requires the development of new delivery models.

The second point we need to be bear in mind is that offshore activity for the French market is not the same as offshore activity for the US or UK markets. We traditionally have a very complex approach that is not easy to manage. The Indians are always ready to take on offshore work but we may then realise that they have not necessarily fully understood a model that it took ten or fifteen years to develop in France. Much of the work for the teams interfacing between Europe and India focuses on acquiring this complex culture of French customer relationship.

These issues are now being addressed so that we can be efficient and ensure that offshore activity and industrialisation become ways of maintaining and increasing market share while improving profitability.

From the floor

Following the events of the summer, specifically, Steria’s acquisition of Xansa, I’d like to know if Sopra’s door is totally closed as a target for acquisition and how you envisage any future acquisitions of your own.

Pierre Pasquier

Sopra’s door as a target for acquisition is indeed totally closed.

Let me remind you as well that we have set ourselves a certain number of objectives in terms of businesses, vertical markets and countries. We give priority to certain businesses at the expense of others. We do not engage in BPO and do not intend to. We want to move forward and given that we wish to preserve our independence, we regard financial performance as an absolute priority. Everything we do has to yield organic growth in excess of the market average and an improvement in our margins.

Finally, regarding our targets, we have different choices to make. These comments will be developed in November but we need to identify potential targets – competitors, subsidiaries of major groups – locate them within Europe, at present mainly in Spain and the UK but other opportunities may arise – while preserving our position in France. We are a leader in systems integration and there can be no question of our losing that position, since Sopra’s well-being is founded on its market penetration in France. We have structured ourselves to compete for business with the biggest names such as Capgemini, IBM, Accenture, Atos, Logica and Unilog. We need to retain our position and we may also look at the possibility of certain acquisitions in France.

From the floor

My second question concerns investments in the banking sector. It is perhaps too soon to talk about it in precise terms but I would like to know your personal thoughts on developments relating to the crisis that occurred over the summer.
Pierre Pasquier

It is much too early to say that there are repercussions. Dominique highlighted this morning that the banks that are investing a lot are commercial banks. All of the large investment projects at commercial banks, such as the platform mergers for Caisses d’Epargne or Crédit Agricole do not seem to me to be jeopardised in any way whatsoever. Such consequences would only ensue if the economic crisis gets worse, which is not the case now. As for Capital Markets, they do not spend a huge amount of money. For the time being, we have not felt any “jitters”, but it is still too early to be sure.

From the floor

My last question concerns the UK I would like to have your view of the market in terms of the difficulties that you have experienced. Also, which segment do you expect to develop in the future there?

Pierre Pasquier

Our large clients in Scotland – Barclays, ABN AMRO and the Scottish Executive, among others – have scaled back their services. Over the past two years, these clients have produced significant volume growth. Now, in this half-year period, spending is some 5% lower, for different reasons in each case. We have adapted to this decrease. We have locked in our margins which remain positive and we have rolled out action plans which enable us to forecast growth for the second half of the year. The situation is not dramatic, but we do nevertheless need to overcome a rather sensitive period.

Sopra Group does not have enough history there to discuss the subject of the UK market as a whole, but we can highlight certain aspects. After years of stronger and better-established growth than in continental Europe, this market has undergone 18 months of upheaval, both in the public sector and the private sector. There are several explanations for this situation, such as certain changes of high profile personnel in the public sector, which we witnessed first-hand at our major account, the Scottish Executive, which underwent political change at the beginning of this year. As such, we have been waiting for the outcome of new decisions which are currently in progress. Growth is returning and a number of big UK banks were involved in preparing a takeover bid for ABN AMRO. As a result, a number of decisions relating to IT were also put on hold. There are several underlying causes for the slightly unstable behaviour in this market in 2006 and in the first half of 2007, which impacted most of the big players in the market as well as our operations.

Nevertheless, the market continues to grow and we are fundamentally involved in systems integration and products, via Axway. Our fortunes are linked to the investment economy, which remains healthy in the UK. We should also remember that this market is worth almost 40 billion euros in terms of IT services. It is, as such, the largest market in Europe, twice the size of the French market and one and a half times that of Germany.

From the floor

Going back to the banking problem, we have seen evidence that the credit market will shrink considerably because the banks can no longer securitise their assets. Your Solutions business is very profitable. What percentage of your business does it represent?
Pierre Pasquier

I don’t think that there is a link between the credit squeeze in the banking sector and our business. We will make 40 million euros from the credit segment, but in licenses and new products we will only generate 2-3 million euros. For example, the platforms used by BNP and Franfinance are equipped with our products all over the world. Nothing will change that, given that we supply services and maintenance as well. It is still far too early to talk about this crisis and its effects on the economy. In any case, I can confirm that we have not stopped issuing responses to current invitations to tender on credit-based projects.

From the floor

The second part of my question relates to your approach to front/back office functions. The models that work, be it with the Moroccans, the Indians or the Spaniards, show that integrating them at all levels is indispensable. Is your organisation able to do that? At what point do you think that you will be able to reach this stage?

Pierre Pasquier

I am not sure that the model that we have developed is the final model. We have done a certain number of experiments with large projects that employ 20 to 50 people in front/back office solutions, and we are benefiting from this in Spain and in India. We are still working on this in Morocco where 20 to 30 people from Sopra are employed at present. We did it in Romania as well. But I think that this project is unique and requires a project manager who manages locally or elsewhere. This model of results-based commitments “à la française” is not at all the American or English way of working. We must therefore work on all of our skills and a project manager must know how to manage his project, whether he or she runs a third, a quarter or the whole project out of India or in France. We must resolve language problems not only within Sopra, but also at the client offices.

Over the last year and a half, we’ve set up a project in India which works very well. Initially, the front-office was based in the south of France and the back-office in India. Then our client set up its front-office in India and the system works very well. We’re dealing with an industrial-scale process and we’re focused on salary costs. But if the necessary resources and tools are not in place, we’ll never get the results we want. The only solution would therefore be to sell packages of staff time. Certain large-scale US contracts buy 50,000 hours of staff time, within a somewhat imprecise budgetary framework, for services that are redefined on a daily basis. The English language community is impressive, and a substantial number of green cards have been awarded to Indian nationals. That system works very well for Anglophones. But our French model of systems integration and application management offers is very industrial-scale business. The experience that we have of working geographically close to our clients in France is now proving to be useful: this is what allows us to improve our margins thanks to our production capacities. The fact that salaries are lower is not the whole story.

From the floor

I’ve seen that you manage projects using results-based commitments, which is typical in the engineering field in general. But are you aware of cost trends for your offshore services? If I’ve
understood correctly, you apply a fixed-price rationale with a results-based commitment. Yet, as we all know, salaries are bound to rise in these countries.

Pierre Pasquier

We can’t assume that a results-based commitment is an absolute response over time. Costs may evolve, but they remain significantly lower. At Sopra, several hundred results-based commitment projects are currently underway. They are reassessed every week, and every month, whether they are conducted offshore or onshore. Their productivity is measured using an extremely sophisticated tool that everyone claims to have, whereas in fact, most competitors don’t. This results-based commitment is indispensable and obviously the salary component is one of its parameters. This aspect has already been tried and tested in France. If I work with Parisians who cost 320 euros a day, rather than with people in Rodez, who cost 270 euros or Madrid, who cost 160 euros, that can make a big difference. We don’t sell packages of hours to meet a specific request, except via Axway in the US. We sell days and naturally take into account our salary base. Therefore, even if salaries in India were to rise, we still have a significant amount of leeway.

Moreover, we have to teach teams to work on a fixed-price basis that aren’t necessarily accustomed to working this way. When this work is done based on proprietary products, such as Axway products in Romania or India, you’re working within Sopra for a six month period and everything works out fine. But when you do it with a client who is using you to test offshoring, if the system you set up is too complex, then you end up losing money.

In my opinion, in the long term, base salaries will remain a lot lower in India than over here and there is the capacity to get access to very large numbers of engineers. I’m somewhat sceptical about Morocco, where I don’t think all of the businesses that have set up there will thrive. In Romania, where we have established a presence, I’ve realised that it’s not that easy to recruit staff.

From the floor

At the end of July, your competitor Steria announced a major acquisition which propels it to annual revenue of around 1.8 billion euros, with a strong business development base in the UK and India. Do you have any comments about this strategic move? Does it worry you?

Pierre Pasquier

François Enaud called me to inform me about this acquisition. His strategy involves aiming for one billion euros revenue in the UK. Xansa has a BPO business as well as a business profile that is very similar to ours, with 3,000 employees in the UK and 5,000 in India, but it’s not very profitable. This acquisition may be beneficial for Steria, but this strategy doesn’t bother us in France in the slightest. I don’t think that Sopra could have bought Xansa, since part of its business doesn’t correspond to our strategic choices. It would have also raised financial issues and we have set other priorities.

If there are no further questions, I’d like to thank you for your attention.