Sopra Group
2011 Annual Results Presentation

Pierre Pasquier, Chairman and Chief Executive Officer, Sopra Group

Hello and thank you for attending this afternoon. Pascal and I will be presenting Sopra Group's results. We will also be discussing Axway's position, at least in part. I will comment on the key figures before turning the floor over to Pascal, who will discuss our results in 2011 and early 2012 from an operational standpoint. I will then speak a bit about a potential project.

I. Key figures

Pierre Pasquier

Revenue came to €1.5 billion, up 9% over the year as a whole, with a 12% increase in the first half and 7% in the second half. Organic growth was 11% in the first half and 5% in the second half, thus 8% on average over the year. We had anticipated growth in excess of 7% and a margin between 8.6% and 9%; we reached the middle of this range. We were slightly affected by the downturn late in the year, which had an impact particularly on licence sales and the consulting business. Were it not for the weaker performance of these two segments, we would have turned in results significantly exceeding our forecasts, attaining a margin of 9.1% or 9.3%.

The revenue figure for 2011 may be compared with 2010 revenue as published and after restatement. This latter figure includes the entirety of Axway's revenue until 14 June, and 26.5% of the net profit from equity-accounted companies after this date. Consequently, it is not easy to compare 2010 revenue after restatement with the actual revenue in 2011: the restated figure for 2010 includes Axway. We will be able to explain this in detail later.

I will mainly be providing further information on 2011 revenue, which came to €1.5 billion. Staff costs (for employees and external contractors) increased by 8.8%, as against revenue growth of 9%. Operating expenses rose from €133 million to €147 million. Depreciation, amortisation and provisions remained nearly stable. Operating profit on business activity thus corresponded to 8.8% of revenue. Profit from recurring operations, including expenses related to stock options as well as depreciation, amortisation and provisions, totalled €91.7 million, corresponding to 8.7% of revenue. Other operating income and expenses include goodwill recognised upon the disposal by Sopra Group of 74% of Axway, impairment charges on goodwill for the Group's businesses in the United Kingdom, Spain and Belgium, an exceptional contribution in the amount of €6 million due to the absence of equity and a few other charges. After taking into account these various components either increasing or decreasing other income and expenses, the result for this item is a net positive balance of €6 million. In the end, we achieved an operating profit of €97.9 million.

Financial debt came to €4 million. The tax charge was relatively high, at €36 million. The share of the net profit from equity-accounted companies corresponds to 26.5% of Axway's earnings between 14 June and the end of the year, thus equivalent to a third of its net profit. Profit after tax from discontinued operations corresponds to Axway's earnings between 1 January and 14 June 2011. At 14 June 2011, Axway's net result was a loss of €1.4 million. Sopra Group's net profit thus came to €62.9 million, corresponding to a margin of 6%.

The Group's businesses in France reported total revenue of €865 million in 2011, up from €788 million in 2010 (restated), thus delivering organic revenue growth of 8.6%. In Europe, revenue increased from €175 million to €184.5 million, corresponding to organic revenue growth of 4.9%. The results of the Group's operations in Europe do not take into account the year's exceptional expenses.

As can be seen in the condensed balance sheet, without Axway goodwill amounted to only €190 million. Equity-accounted investments, which correspond to the 26.5% share in Axway's net profit, came to €109 million. Total assets amounted to € 345.7 million. Trade and related receivables were valued at €345 million and the net amount of other assets and liabilities was €320.3 million. At the year-end, equity amounted to €273.9 million and net financial debt was €46.4 million. We will see in a little while that the latter includes the acquisition of Delta in the amount of about €30 million: were it not for this acquisition, our net debt would have come to approximately €16 million. As Axway has reported a positive cash position of about €20 million, we can say that the two companies combined did not carry any debt at the year-end, excluding this acquisition. Both companies thus generated free cash flow during the year.

With respect to the change in equity, our position at the beginning of the year was €364.6 million. The fair value of the distribution of 73.3% of Axway's share capital reduced this amount by €284.5 million. We recognised capital gains of more than €200.4 million in respect of these same shares. We accompanied this distribution of shares with a cash distribution in the amount of about €3.90 per share, for a total amount of -€46.6 million. The tax impact of this combined distribution is covered in large part due to the amount of the cash portion, which brings the Group's share of net profit for the year to €62.9 million. The distribution of ordinary dividends corresponds to the amount of -€9.7 million. We also recorded minor actuarial gains and losses: this mainly relates to currency translation adjustments relating to Axway attributable to fluctuations in the US dollar exchange rate prior to the spin-off.

We started the year with net debt of -€57.2 million. Cash from operations before tax paid and changes in working capital was €100.5 million, tax paid was €38.7 million and changes in working capital amounted to €1.3 million. Net cash from operating activities was €60.5 million. We reported net cash from financing activities of €13.8 million, including our premises, investments and network requirements. After interest paid, free cash flow came to €43.2 million.

The impact of changes in the scope of consolidation corresponds to the acquisition of Delta in the month of September. This impact amounts to nearly €30 million. Financial investments relate to preferential subscription rights connected with the Axway capital increase, since the spin-off was followed by a capital increase. Dividends amounted to -€56.1 million. The reimbursement of the Axway current account contributed €68 million. Net cash flow from discontinued operations represented a cash inflow of €12.6 million. The total net change for the period was therefore an increase of €22.3 million. Taking into account the actual net debt arising on discontinued operations, we arrive at the previously mentioned amount of €46.4 million.

I will not delve further into these financial ratios, which were structurally very sound at the year-end. Net earnings per share came to €5.29 and the gearing ratio was 17%. The leverage ratio (net debt to gross operating profit) must be less than 3%; it was 0.46%. Similarly, the debt service coverage ratio (operating profit to net borrowing cost) must be greater than 5; it was 23.9. As we had practically no remaining debt at the year-end, we were able to post excellent ratios.

We have a high value-added business model. At Sopra Group, we have activities in consulting, our core technology business in systems and solutions integration, with fixed-price projects, outsourcing and delegation, as well as Sopra Software, a software publisher, with the Evolan range for the banking sector, the Pléiades range for human resources and other solutions for the real estate sector. The proportion of revenue generated by each of these businesses may change as a result of acquisitions.

We are essentially a French company, although the geographic mix of our businesses may also vary due to acquisitions.

Among our main verticals, financial services still accounts for a substantial portion of our revenue. We have seen growth in the services, transport and utilities verticals. We have been able to maintain our position among media clients. Our presence in the public sector remains stable. We are not present across the manufacturing sector in general, but we are holding steady there as well with 17%.

Currently, we are devoting particular attention to our human capital: at 31 December 2011, Sopra Group had 12,610 employees, representing an increase of nearly 1,000 in our workforce. The net effect of joiners and leavers amounted to a total of some 600 employees. Around the world, we recruited between 2,300 and 2,400 staff, including 1,600 in France. Our staff turnover rate is about 15%, thus a net increase of between 600 and 650 people. We integrated Delta, corresponding to an additional 300 employees. In all, we went from 11,650 to 12,610 employees.

I wanted to be sure to underscore an important point for the financial analysts in today's audience: the successful spin-off of Axway, through which we have given this company an autonomous existence. As was made clear by Christophe Fabre (CEO of Axway) in his presentation, this company is faring very well today.

Now I would like to hand the floor over to Pascal Leroy so that he may discuss the Group's events and position in this early part of 2012.

II. Additional information and trends observed

Pascal Leroy, Managing Director, Sopra Group

I will be sharing with you some additional information and would like to discuss, over and above the figures, the events of this past year. I will be discussing current trends in our market and the way we see changes shaping up in 2012 as well as the key elements for the years to come.

My first observation is that growth came to a little more than 11% in the first half and 4.8% in the second half. The business activities and sectors most affected by the slowdown, particularly in the last quarter, were retail/consumer packaged goods, where investments were brought to a standstill by lacklustre consumer spending, and financial services, which saw postponements in a number of licence investments initially planned for the last quarter of the year.

As for our margin, we went from 8.1% to 9.5% for the second half, despite this slowdown. In our business, it is customary for the second-half margin to be better than that of the first half: additional licence sales are higher in the second half than in the first half. Owing to this margin effect, we have been able to maintain control over our costs: those for our personnel, for sub-contractors, grew at the same pace as our revenue, helping us to maintain the margin level mentioned.

Let us now move to a discussion of a few specific points. Growth was relatively strong in France, reaching 8.6% for the year. This rate was 10% among the ten or so major clients accounting for 50% of revenue generated in France. Our strategy of focusing on our key clients and continuing to drive growth in this segment has therefore paid off. We achieved 8.6% growth in a market whose growth rate was around 3–3.5%: we have gained market share against our competitors in France.

Among our other geographies, the United Kingdom is destined to see a significant change: we have announced two acquisitions that will double our revenue in this country. As in France, we have focused our UK business on a few key clients, like EasyJet. This company now carries over 50 million passengers each year. Currently, we are their number one IT supplier. EasyJet makes extensive use of paperless processes: customers conduct all their business over the Internet, and Sopra Group supplies all of EasyJet's services in this channel.

Spain continued to see growth: Sopra Group's performance increased from 3% to 4%, a superb result given the state of the Spanish market in 2011. This performance was driven by the banking sector: mergers of banks in this country have resulted in numerous projects for us, assisting with information system overhauls. Our French industry-specific solutions are also meeting with success in the Spanish market, where we now enjoy a solid position in the banking sector.

We have also seen very strong growth of nearly 20% in the Italian market in relation to two main sectors. One of these is luxury goods: we are one of Gucci's main service providers and have deployed all of the e-commerce solutions for the Group's various brands, in Italy and in about fifteen other major countries.

In terms of markets, financial services made a very good start to the year, but experienced a significant slowdown in the fourth quarter, characterised by a rather steep drop in licence sales, mainly in France. In other countries, such as United Kingdom, Spain and Italy, financial services performed comparatively well late in the year.

With respect to our business, the public sector remained stable. This includes several major areas, including defence industries, where a good portion of information systems are currently being overhauled, thus offering major prospects, amid a market that is stable across the public sector overall.

The utilities vertical is seeing very strong growth, with clients like EDF and Total. IT consultancy and services are much in demand in this sector. For example, our business with EDF grew by 20% in 2011.

In manufacturing, we do not exactly work across the whole sector, but instead with a group of key clients, chief among them EADS and its divisions Airbus and Eurocopter. Today, EADS is Sopra Group's largest client. This sector is seeing very strong growth, which is certainly clear if you look at the list of orders recorded by Airbus or Eurocopter over the last several months. It also benefits from very high visibility. We enjoy a strong position at Airbus as its leading provider of application management services; we are continuing to consolidate our activities on behalf of this client.

It is more difficult to get a grasp of the telecoms sector, due to a major strategic shift: the arrival of Free in France has discomfited a certain number of business models. We should also mention recent changes in payment models, the question of who will assume responsibility for online payment methods – banks or operators. We are witnessing considerable jockeying for positions in the telecoms sector, which should generate business for us, but it is appropriate to remain extremely prudent.

In terms of the organisation of our business segments, a little more than a year ago, we combined all of our consulting operations under a single brand, Sopra Consulting. Thus all of our consulting business is now carried out under this brand. At the end of the year, we rejiggered this business: the implementation of solutions involves functional consulting activities in the area of software development or with respect to major ERP packages like those of SAP or Oracle. We have recategorised these activities under integration, which has resulted in somewhat artificial negative growth of 5%. This was due to the reclassification of business activities, so as to keep two main business segments under the Sopra Consulting brand: management consulting and architecture consulting for major technology systems. This business had a great start to the year, but is among those having suffered at the end of the year, due to its greater vulnerability, with weaker visibility in periods of uncertainty or crisis. The demand for our expertise delegation (or staffing) remained relatively constant. This includes all services we can provide for our clients at the local level. Our industry-specific solutions make up a very large part of this, particularly in human resources and real estate: as Pierre Pasquier mentioned earlier, we offer solutions in the areas of financial services, human resources and real estate. For these last two sectors, 2011 was an excellent year. Lastly, we are increasingly being sought out for assistance with major transformation projects. Owing to our three main business lines – systems integration consulting, IT services and software development – we have taken position as a genuine transformation player, able to fully grasp all the issues raised by our clients' large-scale, comprehensive projects, to assist them with their transformations and deliver the information systems underpinning the new structures.

I have broadly outlined the events of 2011. Certainly, I will be happy to answer any questions you may have about any of these areas. But now, I would like to return to a discussion of our market, to analyse the major trends: several of Sopra Group's current strategic projects are motivated by structuring elements that are key pieces in the Group's business model today. I have already spoken of the repositioning we carried out for consulting: we have tightened our focus on our core businesses and our key client priorities. We have made sure that all of our offerings reach all of our geographies: we are able to provide, in the United Kingdom, France, Spain or Italy, services in consulting, integration and even software development in a cohesive manner. We want to make sure that the Group remains cohesive and does not merely correspond to the joining of business activities carried out in isolation for each country. This project is already under way, will continue and will be reinforced by the announced acquisitions.

I will not dwell on the reinforcement of our banking solutions, a prominent recent development that Pierre Pasquier will discuss a bit later. Delta joined the Group with effect from 1 October, adding €30–35 million to the revenue generated by our business in this sector, with an enterprise software package for the market's small and medium-sized banks.

Industrialisation, transformation and human resources management are by far the areas where Sopra Group can best demonstrate its know-how. In these areas, we have posted growth slightly outstripping the market for the last several years. We have staked a claim to a level of economic performance that we make every effort to uphold. Behind this performance widely recognised by our clients lies our ability to industrialise, to honour the commitments we have made to our clients, to be competitive from an economic standpoint and to ensure that our productive actors – all of the Group's employees – will enjoy long careers. Clearly, it is this structure and set of values that have resulted in performance outpacing our competitors.

In the last two years, as far as innovation and consideration for the technological cycle are concerned, our business activity has undergone major changes. The arrival of mobile internet and Cloud computing in particular, have changed the way we run our business and deliver our services and solutions, and serve our clients' needs. All of these factors help consolidate the implementation of Sopra Group's independent project through its high-priority projects which represent the Group's unquestionable know-how.

If we stand back for a second, what can we say about the market? Globalisation is with us. This is the reason why our clients prefer to deal with large operators, capable of offering the largest scope of services possible: consulting, integration, software development, etc. Demand for these offerings is recurring and fits into a long term perspective: our clients want to be supported by long term partners. It is thus an incentive for major operators.

Secondly, the market has turned away from large outsourcing operations: a client used to entrust a service provider with all their infrastructure and application software in order to cut costs and improve performance. These large-scale projects are getting much rarer. I cannot say if they will disappear altogether or not but we can see that they are becoming more few and far between: clients prefer splitting up their demands, with infrastructure on the one side and applications on the other. We can only speculate as to whether, and if so how, Cloud computing will link up both sectors.

Thirdly, many clients have subcontracted their application bases, that is to say their information systems, with companies such as our own. At first, it was just a case of providing good maintenance and ensuring that their systems worked well. But increasingly, clients are using their contracts to modernise their existing information systems. Large modernisation contracts are increasingly being entered into with contractors who manage the existing information systems: clients check that maintenance is carried out properly in line with new technologies and that the overall system works properly once the large transformation projects have been finalised. An important incentive is therefore granted to those capable of being an operator in both transformation and outsourcing.

Fourthly, ability to operate is a genuine issue. Demand exists but it is not concretely reflected in figures yet. It's all about being able to operate our services tomorrow. The underlying *everything as a service* concept conveys the idea of being able to offer our services on an "on demand" basis. We must look further into this issue. It does not yet underpin the structure of our business models, but we must disseminate it into all our business activities and offerings.

The last point is simply the summary of everything we have just mentioned: clients like operators who provide services for the long run, who are capable of offering a certain number of added-value services to their business activity. We are moving away from a situation where there is a shortage of responses concerning these services to a situation where service companies are being overhauled to bring more value and offer solutions to our clients. There is also an incentive for those who are capable of offering top-level and global views. This is how things stand today.

If we continue to stand back from what actually constitute long term growth drivers in this market, we have only reminded you of obvious factors, such as the ubiquity of information technology. Nowadays, you can’t imagine getting into a car without any information technology. When you take the train, you see inspectors checking your tickets with their iPhone. Information technology is everywhere. You can’t get away from it. There are going to be more and more information systems. It therefore represents a long term growth driver, which on balance is quite positive.

The second positive aspect related to our business model, to our approach to design, is that the way of conceiving new information systems has changed a great deal over the last few years. Five years ago, 60% of new systems were built starting from scratch. Nowadays, it’s the other way round: 60% are built from software package components. The integration business is showing its true colours: you take products which already exist in the market - there is clearly an incentive for software developers, for which the market is burgeoning - and the integration business will increasingly consist in being able to choose components from various packages and combine them to create the information system. This will be constant over the long term. More and more application components will be needed in the field of information systems.

The last item - which I mentioned earlier - can be broken down into three or four current major points:

- Cloud computing, i.e. the capacity to access data quite easily and on demand;
- Social networks, the capacity of making sure that you can find within a company what you experience in your life outside work (employees want to find similar environments and the impact of social networks on companies’ marketing channels is emerging. We don’t know yet how the situation is going to evolve, but social networks represent a significant employee recruitment tool);
- Mobility - Mobile internet is developing very rapidly;
- Large data volumes - nowadays, companies are confronted with huge volumes known as Big Data or Business Analytics. How can this data be processed and interpreted?

All of this represents a new technological cycle which is going to overhaul the modernisation of information systems and most probably business models too. A number of our competitors are certainly going to change in quite a different way. Over the long term, we will benefit from the demand for consulting, publishing and integration services generated by everything we have mentioned.

I have briefly tried to throw light on 2011, to present you with a few growth drivers for 2012 and to take a step back to hopefully try and explain that the market in which we are positioned is a long term market.

Pierre Pasquier

There are only three slides remaining. We are almost at the end. To draw the connection with what Pascal Leroy just said, the technology cycle that we are discussing here is probably the most important. It is probably the definitive cycle. First, we saw the formation of servers and extremely powerful server farms, which culminated in the Cloud. There is not a lot said about them, but the networks are increasingly powerful. The iPhone arrived on the scene three or four years ago. There are now one billion smartphones and there will be four billion of them in the near future.

In the past, everything was B2B. Now, everything is becoming B2C. Everyone’s business model is being redesigned, not just Sopra Group's, and not just the technology sector. Each and every vertical has to rethink its model, with no exceptions. In other words, the key is becoming the relationship to the global population as a whole. We are all affected by it. We need to be well positioned, extremely agile, and we need a clear vision and determination aplenty.

So let’s get back to basics. What is the Group's strategy in all of this? Basically, we have three business lines: consulting, technology including staffing, fixed-price projects and application outsourcing – we have no infrastructure and generally no multi-purpose BPO – and proprietary software solutions. Our company is a software vendor. So, we are going to work on these three business lines and give them a future. It is fairly simple to state that in order to launch a two or three-year initiative without making too many errors, first we have to consolidate our positions in the French market. Secondly – particularly with regard to the "technology" business line – we need a presence in Europe, because our clients demand it. Thirdly, in the software market, with all the know-how that we have here, we also need to participate actively and intelligently in the market consolidation.

This is how you can explain the acquisitions of both companies in the UK announced on Monday morning and the acquisition of the Belgian company, Callataÿ & Wouters, announced this morning – we signed the deal last night – after long negotiations in which, in the end, Callataÿ & Wouters’ directors decided to accept Sopra Group's offer. With these acquisitions, 2011 represents 1.2 billion euros in revenue on a pro forma basis, taking into account nine months without Delta (since we only had Delta for three months last year). These acquisitions, in pro forma 2011 figures and in software, represent 260 to 270 million euros in revenue for our products.

I have shown the 2007 and 2010 plans, which seem to have little to do with what we are talking about here. However, what we did in 2007 was successful. We had achieved the one billion mark with Axway. Now we have spun off Axway. In the period 2008-2010, there were financial crises, but the spin-off of Axway was completed. We are establishing a plan through to 2015 that should help us achieve higher numbers, obviously while trying to make it a success while maintaining, as we have been able to do in the past, a solid track record that satisfies everyone.

Pascal Leroy and I will now answer your questions.

Questions/answers

An attendee

My question relates to the acquisition of Callataÿ & Wouters. Are the products and client base complementary?

Pierre Pasquier

Sopra Group's position with Evolan is long-standing and well known. If I go back to the middle of last year, Sopra Group no longer had an integrated solution for banking, the type of product that, for smaller banks in any case, has all the functionalities needed for the bank to operate. We still had something; we still had ten or so clients, but we went elsewhere. For this reason, and because we have known each other for a long time, Delta came along. We added 12 million euros of integrated solutions that are our own, and Delta has a life of its own, with an integrated solution for small and medium-sized banks. When I look at Delta's clients today, the vast majority are located outside France: in Africa and in Eastern Europe. That is going to continue. Now we have a very nice offering. And it may come back in France to some extent as well.

Sopra Group's position was the following: we had some components – for loans, the Compliance component, an offering that came from Inforsud based around smartcards and more recently payments systems – but they were aimed at very large banks, which would take this or that component. Callataÿ & Wouters launched an invitation to tender in order to select a partner, placing the utmost importance on shared cultures and projects. This invitation to tender dated from quite a long time ago. We were familiar with the Thaler product. It is an integrated solution, but it is also sold by component. It is aimed more at Tier 2 banks when it is an integrated solution – in other words, for larger banks – and when sold by component, it is similar to Sopra Group's products. There are no overlaps and there are products that we did not have, such as Savings Account Solutions. We put in a bid and we were selected. Now, on the basis of this offering, we have approximately 200 million euros in pro forma revenues in 2011 in banking software.

You have seen that there are some consolidations in the market: Misys and Temenos are set to merge. One of you must have written that the time was ripe for Misys M&A. I read that. Just because you're bigger, you're not impervious to takeover bids. Quite the contrary. They have had some success. Together, we can be very successful, given that Sopra Group is also a systems integrator. Our clients are often large European banks like Callataÿ & Wouters' clients. Of course, they have a limited presence in Asia, but a larger footprint in Northern Europe than we have. Delta's clients are generally small banks, often subsidiaries of large banks in Africa or Eastern Europe. In my opinion, the activities are complementary; there is no product cannibalisation. We will not make the mistake of having one product kill off another. Everything can be developed in harmony.

Dov Levy, CM-CIC Securities

To follow up on Callataÿ & Wouters, can you give us an idea of the kind of margin this company achieved in 2011? Is it close to the margin for software activities or will you need some time to bring it up to the traditional 15%?

Pierre Pasquier

We believe that Callataÿ & Wouters generates a good margin; it is accretive. I will not share the figures with you since we have decided not to publish them. They will be published a little later on.

Dov Levy, CM-CIC Securities

To return to the subject of the UK acquisitions, the subsidiaries of B&D and Tieto, can you give us more details about the margins and the price paid?

Pierre Pasquier

With regard to the margins, they are better than Sopra Group's. There again, it’s accretive. I want to emphasize that the portion that comes from Tieto only relates to banking. We have not consolidated it and we are presenting this acquisition as a boost to our position in the UK. Basically, they run products with forty UK banks, some of which are very big, like RBS for example, that feel reassured that Sopra Group is maintaining its products.

The margin is excellent. Gradually, we are getting into a position to execute on our objectives and strategy. We will obviously have an offering.

Dov Levy, CM-CIC Securities

With regard to these subsidiaries, particularly Tieto, aren't you concerned about the growth potential given economic conditions?

Pierre Pasquier

No, because when I discuss it with them, they say that right now, 80% of the 2012 revenue is already generated. Over the longer term, I don’t know.

Dov Levy, CM-CIC Securities

You announced one acquisition on Monday, another one on Wednesday, and another on Thursday. Do you foresee any others?

Pierre Pasquier

We are going to quiet down, but we needed to get Sopra Group moving again. We have an independent project and we are enthusiastic about it. It is possible that we go ahead with an acquisition or create something in Bangalore, where clients are asking us to have a presence. In India, we have more than a thousand employees, and we are expanding in Noïda. I have often been attacked about Sopra Group's Indian strategy.

I think that we have managed pretty well. Finally, we have done what we needed to do for our own market. We are not in the United States, we are not large enough in the UK. We have managed to expand our business somewhat. Are there any questions about what all of that cost us?

Dov Levy, CM-CIC Securities

I did not dare ask the question, but if you truly insist…

Pierre Pasquier

I do not know how to answer that, but when we do a proper projection, the year-end gearing ratio is higher than 50%, once we have paid for everything that we have purchased. However, when we had bought Tumbleweed in the past, even though our debt level had been very high – around 200 to 220 million euros – free cash flow allowed us to erase it in two to three years. Therefore, I do not think that we are making a mistake. Sopra Group has lines of credit. We have 300 million euros in syndicated loans with overdrafts lines of 100 million euros. Axway has a 100 million euro line of credit and a positive cash balance. We are certainly going to spend money in the coming months, but having the cash and not knowing what to do with it would be regrettable.

Gilbert Ferrand, Arkeon

You answered the question that I wanted to ask about the financing for the acquisitions: three in one week.

Pierre Pasquier

The financing is through our lines of credit.

Sébastién SZTABOWICZ, Kepler Capital Markets

My question relates to the Callataÿ & Wouters transaction. Delta does not seem affected by the tie-up with this company. What is the rationale behind it? Can we expect a tie-up between Delta and this new entity in the coming years?

Pierre Pasquier

Yes. As you could see in the press release, this is not a total acquisition. That was the intent of Sopra Group's senior managers, myself included. We thought that if we only fight about the price, by taking everything, we would not be highest bidders and we were at risk of perhaps paying too much for a company whose senior mangers could leave. So, we made a partial offer. The final price is totally fixed but we will pay it in two instalments. We wanted the founding managers to stay with us so that we could build the future together. That is why the acquisition is partial. Around 80% at first, we are going to introduce the three product lines that I talked about, which will bring us to 90%. When we pay for the rest in two years, we will have the whole thing.

When you do an acquisition, particularly in the world of software development, it is preferable to keep the founders who created the product line. There are six hundred people in Belgium. The real execution problem consists in avoiding errors. Initially, since the markets are truly different, it did not seem advisable to us to introduce the Delta offering.

Grégory Ramirez, Bryan Garnier

Coming back to the Callataÿ & Wouters acquisition, could you give us details about the structure of the revenue, between licences, service and maintenance? Is a portion of the R&D based offshore?

How are they organised from this point of view? How could they collaborate with the rest of R&D for banking solutions?

Pierre Pasquier

I do not have a precise answer. The licence portion must represent between 10 and 15% of revenue. The maintenance portion is also significant. They have more services than some companies, a bit like Sopra Group.

Concerning the R&D portion, the product exists. If it needs a few developments, this is more the case in maintenance, however. R&D is located in Belgium. There again, it is a bit like Sopra Group, whose products are in France. If one day we consider setting something up in India, it will be more for testing or maintenance. Basically, we do not envision any changes or business combinations. We simply intend to optimise the whole thing. This is a strategy that we implemented successfully at Axway in the past.

Dov Levy, CM-CIC Securities

We cannot let you close the meeting without talking about the 2012 outlook, particularly for the first quarter.

Pierre Pasquier

We have simply defined as guidance that we hope to significantly outperform the market. Establishing a guidance figure the same week we are announcing three acquisitions is not quite so easy since things are somewhat up in the air. It seems that we can see a little more clearly for Q1. Q2, which includes two fewer days, is not easy in a business such as ours. France is in holiday-mode during the month of May, particularly this year. In the short term, we are hoping for slight organic growth. The comparison is very difficult, because we had grown by 10 or 11% last year. We also hope that the companies that we just integrated will obtain at least the same margin level. I believe that the results on the ground at the end of April or beginning of May will allow us to give a much more precise guidance. We will really be into the execution of the three acquired companies, which will give us a much more precise view.

[inaudible question]

Pierre Pasquier

François Lefebvre.

They will not be consolidated retroactively. The UK companies will be consolidated in February, and Callataÿ & Wouters will probably be consolidated as from the end of March.

Antonin Baudry, HSBC

My question relates to your guidance for year-end 2012 gearing, in excess of 50%. Does it include payment of the balance in two years?

Pierre Pasquier

No. It does not. I clearly specified "*over 50%*"; I did not say 55 or 56%. Having said that, there is not a considerable amount of debt.

If there are no other questions, as always, I would like to invite you to join us in the next room, where we can talk a little bit more. Thank you.