# 2012 interim results presentation

## *2 AUGUST 2012*

**Pierre Pasquier**

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Pascal Leroy and I will be making this presentation of Sopra Group's interim results together. I will be taking charge of the first part, the presentation of the financial highlights, and then I will comment on our strategy later. As is our usual practice, we will speak initially about our key figures, follow with other information about the period and close with a discussion of strategy.

## I. Key figures

**Pierre Pasquier**

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Our main financial highlights are total growth of 11%, organic growth of 1% and an operating margin on business activity of 8.1%. We delivered good organic growth in the first quarter, but in the second quarter we saw negative organic growth of 2%. I will offer the usual observation: this year, there were two fewer days in the first half, but specifically for Sopra Group, last year we had particularly strong licence sales in the second quarter, a performance we were not able to repeat this year.

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When we look at the key elements of the income statement (operating profit on business activity of €47.6 million, representing 8.1% of revenue), our results are stable compared to the same period in 2011. When we move from operating profit on business activity to profit from recurring operations, the margin drops to 7.7%. The difference between these two figures corresponds to expenses for bonus shares and stock options, which will continue to enter into the calculation for another year and a half, after which they will disappear, together with amortisation expenses in respect of allocated assets, which will be a lasting component of the calculation.

Next, when we move from profit from recurring operations to operating profit, where last year the margin was 10.2% (a good year because we recognised the capital gains on Axway shares), this year, in contrast, we had considerable expenses relating to acquisitions in the first half, thus there were external expenses and then some restructuring costs. We therefore arrive at an operating profit of €38.4 million.

The difference between this figure and the Group share of net profit reflects in particular the net financial expense and the tax expense.

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When we look at our results by country, in the United Kingdom, where we carried out acquisitions, the operating margin on business activity rose to 8.2%, for revenue of €47.5 million, and slightly negative organic growth of 2.7%. We anticipate positive organic growth in the UK for the year as a whole.

Spain is holding up well, with positive growth. There was a slight erosion in margins, but we consider that achieving positive growth in Spain represents a good performance.

Italy also saw growth, with a bit lower margin. The Benelux countries have never shown exceptional results, but there we consider that we have made progress by achieving a margin at the break-even point. Switzerland performed well. Overall, in Europe (excluding France), the margin improved from 3.9% to 5.8%, whereas in France we saw a bit of erosion, from 9% to 8.6%. In the end, the Group's margin was 8.1%.

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Now to the other figures. Goodwill was €313 million, up from €190 million at 31 December 2011. This reflects the recent acquisitions. Equity-accounted investments correspond to the 26.4% or 26.5% of Axway shares held by Sopra. There was a relatively significant increase in trade accounts receivable. Equity came to €273.4 million and net financial debt was €281.3 million, for net bank debt of €215.5 million. I will come back to this later, to explain these results further. We paid dividends at the end of June. When we compare this with last year, we paid most of the dividends in the month of July. Within this debt, we have one debt due to mature in two years but it is considered as a liability and provisions have therefore been set aside. As for the bank debt, which is only €215.5 million, it is important to remember that this excludes debt for employee profit sharing.

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How has equity changed? At 31 December 2011, it was €273.9 million. After profit for the period of €20.6 million, the dividend payment in cash before 30 June of €22.6 million, translation adjustments and other movements, in the end we arrive at about the same level, with equity of €273.4 million.

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Now to changes to net debt in the period. At €45.5 million, gross cash flow from operations remained at nearly the same level. Tax paid amounted to €29.3 million and the change in working capital requirements was a negative impact of €37.9 million, due to several factors: the decrease in performance since the end of 2011 results from exceptionally high expenses for employee profit sharing, which is still included here. When we run a simulation of what it might be at the end of 2012, it is much more reassuring.

We thus had negative free cash flow at the end of the period. The contributions of operating investments, financial interest paid and changes in scope were all negative, amounting to €6 million, €2 million and €182 million, respectively.

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Next we have the dividend payment, which I have already mentioned. The change in the net cash flow was a negative amount of €234.5 million, thus resulting in net debt at the period-end of €281.3 million.

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Now to the revenue breakdown. By business activity, the distribution of revenue is similar to past periods for consulting, integration and application outsourcing. Software development and distribution accounted for 18%. As for the breakdown by region, France represents 70%, with Europe and the rest of the world at 30%. This breakdown takes into account not only our business activities in each of the countries where we have operations, but also our export revenue, particularly for products.

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With respect to our workforce figures, we had a net gain of 1,560 employees (including 1,070 outside France). The period saw the acquisitions of Callataÿ & Wouters and of the UK subsidiaries of both Business & Decision (B&D) and Tieto. We added a net total of 490 employees in France, thus arriving at the overall increase of 1,560. The rise in France is mainly attributable to the large number of interns we usually have in the first half, most of whom sign definitive employment contracts from the end of the year.

A word about our market segments. The financial services sector now accounts for 31% of revenue. Our acquisitions have been in banking software: Delta last year, Tieto's UK subsidiary in this period. Our business in the United Kingdom is mainly with banking sector clients, and of course Callataÿ & Wouters also works in the banking field. But, in addition, B&D's consulting business in the UK mainly serves clients in the financial realm. Next we have services, transport and utilities, the public sector – I think those are stable – manufacturing, major corporations (this includes our largest client, EADS), telecoms and media, retail.

So there you have the figures. Of course, we would be happy to review any of this and answer any questions you may have, relating to acquisition costs in particular. I would expect you to have questions about this. Now I would like to turn the floor over to Pascal so that he can offer his comments on the year so far.

## II. First-half 2012

**Pascal Leroy**

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I would like to provide some additional information on our performance in the first half. I will focus first on France, before turning to a discussion of the other European countries. In France, growth in our core business (integration and consulting) exceeded that of the sector. We presented the overall figure for this growth in France earlier, but for integration consulting it is about 3%. Last week, Syntec published its forecast for the year, which calls for negative growth of 1.5%. Thus we confirm that we are currently achieving results outstripping the sector in this business. But today, this performance varies, depending on the market segment.

I won't delve into this further as none of this is news to you. In banking and financial services, clients have cut back on their investments. This has a slight impact on our business. Even though we have relatively long-term recurring results, it does affect us nevertheless. The wait-and-see attitude in the public sector is not due to the elections. It has earlier antecedents, but we are holding our ground in this segment. There are still major projects in the works, since the technology universe is the transformative element in the public sector. It is difficult to imagine any transformations in the public sector that would not involve IT systems. So this will remain an avenue for growth all the same. And then we are seeing robust growth in three other main areas: aeronautics (the world of Airbus, Eurocopter, Safran), utilities (energy players such as EDF, Scottish Power in Scotland or Gaz de France) and transport, where we have extremely positive, extremely favourable results with our clients (SNCF in particular).

We therefore need to look at our results in terms of market segments, but this creates an overall performance for the first half which as I said earlier amounts to about 3% growth for the Group's core business.

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Now I would like to add some information about our business in Europe. First, in the United Kingdom – we can certainly come back to this later – we have completed two acquisitions, which are currently in the process of being integrated and are giving a major boost to our revenue in this country since we are doubling our volume of business there. We saw very significant margin improvements in the first half of 2012 – and these acquisitions made a strong contribution to our margin improvements. We are very likely to record positive growth for the year as a whole in the United Kingdom.

Our performance in Spain and Italy is definitely worth noting, since the market environment is extremely negative. Both of these businesses grew during the period, Spain by 6% and Italy by 13%. Despite this growth, we have been able to maintain our margins – in other words, we have not sacrificed our margins when gaining market share. There again, this is something worth noting about the resilience of these markets. With the prudence required in such cases, I would say that we are in markets where, quarter after quarter, we will see progress.

As for Belgium and Switzerland, I have no particular comments to make. However, I would like to mention Germany, if only to point out that over the last few months we have been negotiating a new contract in Germany. This contract will very likely bring in around €6 million this year. This contract in Germany for our largest client, which is EADS as previously mentioned, is prompting us to genuinely pursue investment in Germany and grow our business there.

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I would like to comment further on five topics on which we focused a good percentage of our efforts in the first half: our recent acquisitions, our plans for the banking sector, expansion in Europe, Sopra Consulting, and lastly where we are investing today. We are investing mainly in the areas of innovation and industrialisation.

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If we look more closely at each of these business segments – as a reminder, we recently completed four acquisitions, one at the end of last year (Delta Informatique, which joined the Group at the end of the third quarter) – we are in banking solutions, we are positioned in this segment in what we tend to refer to as emerging markets (Africa, the Middle East and central Europe, mainly). The second acquisition was the UK subsidiary of Tieto, a company that also offers banking solutions, specifically in the area of mortgages.

And finally, Business & Decision's UK subsidiary, specialising in consulting for banking sector clients, working in everything related to strategy (Basel III, Solvency II in the insurance sector, etc.). These last two businesses, Tieto and Business & Decision, as they are based in the UK, are of course consolidated within the scope of our UK operations.

More recently, in the month of April, we acquired Callataÿ & Wouters, who work in the area of banking solutions. This company is based in Belgium, although it has clients well beyond Belgium. Today, this business continues to be based in Belgium.

There have thus been quite a few recent developments. At present, we are in the process of integrating these various businesses.

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You will have understood that a certain number of acquisitions were carried out to expand our presence geographically, while others were pursued with the aim of reinforcing our banking solutions. It is important to mention here our decision, even if it is not really an event from the first half of the year, since it involves an entity we established at 1 July this year, to federate all of our banking software solutions within a new structure, which is called Sopra Banking Software.

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It is a registered company into which we have grouped together the businesses connected with Evolan – i.e. Sopra's historical businesses in the banking segment, Delta's business activities and Callataÿ & Wouters' business activities. Tieto's activities will probably join that structure in 2013.

You have an idea of the pro forma revenue of this business: €220 million, using 2011 figures. Obviously, in the Group's next communications, we will communicate precisely about this new Sopra Banking Software line.

Underpinning this creation, we have a roadmap which is taking shape. First, we are setting up a software publishing model, which governs product distribution and sales, the way we put ourselves out on the market from a marketing perspective, the definition of the offering – and than finally production – either in terms of service, i.e. installation, or product production, i.e. R&D. We're in the process of completely structuring this business into a software developer format. All of the products have now been brought together under a single brand called Sopra Banking Suite, which will take over from the three brands that I have already mentioned – Evolan, Thaler and Delta-Bank – which will ultimately be replaced by the Sopra Banking Suite brand.

That's it. I do not want to say more about it. We are talking about something that is established in quite a lot of different countries today, which has the potential to cover all issues relating to the retail banking sector, from highly specific issues relating to the corporate level of a major group (using modular approaches – a major bank does not completely overhaul its information systems, but will redo loans, smartcards and will therefore adopt modular approaches). Therefore, there will be completely integrated approaches for smaller or intermediate sized banks… Hence the need to have a complete spectrum of responses in the banking sector. We will have the opportunity to come back to this I think. This is one of the Group's strategic projects.

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Perhaps we can now shed some light on development in Europe… Development in Europe is being carried out in line with the strategy that we have implemented over the last few quarters, which involves the reinforcement of our offerings on all European platforms. This started with the UK – and you have seen both of the acquisitions that we have carried out – and then it will probably continue in Spain. Germany, as I mentioned earlier, is a country where we are starting to get a foothold, and we have a few thoughts about this country. And then there is Italy. So we are targeting the European countries where we want to continue to invest.

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A quick word about Sopra Consulting. Just for information, we set up Sopra Consulting 18 months ago. It groups together all of the Group's consulting activity under the brand Sopra Consulting. Behind this brand, we wanted to align the consulting and integration strategies around the Group's strategy – i.e. major clients… So that all of our businesses can be aligned in order to win our clients' major transformation projects. Under the brand Sopra Consulting, we can now find three major business lines: a business revolving around management consulting, a business centred on everything connected to improving companies' operational business performance, and a third activity which addresses the question "How should I use new technologies to improve my business". Obviously we need to answer the following questions: "What should I do with the cloud in my business?" "What does the cloud improve for me as far as my business processes are concerned?", "What are the impacts of mobility on my distribution network?". These are the issues that Sopra Consulting should be capable of dealing with.

This is what underpins the Sopra Consulting brand. It's a business, like any consulting business, which since the end of last year and this year, is not growing, but is experiencing slight negative growth – for related economic reasons – but a business which is necessary given the Group's strategic orientation.

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I will conclude with a word about industrialisation and innovation. In short, Sopra Group is investing here. Aside from banking – i.e. Sopra Banking Software which we looked at earlier – the core business area – by which I mean consulting / integration – the areas in which we are investing are summarised here. This is about our capacity to have an industrial model. So what do we mean by customised global delivery model?

I think that we might be entering a new phase. A lot of companies have set up systems to obtain relatively integrated responses. This is something that has been operating well now for several years. We have now reached a second stage, which involves having personalised responses – which means that today, the needs of a client like Airbus or Easyjet in the UK, or Société Générale, in terms of capacity to deliver a complete project are not the same. We now need an industrial capacity that allows us to have customised approaches with respect to major clients. This is the second level of industrialisation which we are in the process of setting up.

I intentionally put human resources in alongside industrialisation because this business relies entirely on enhancing the skills of our human resources with respect to this industrialisation model so that our project managers acquire skills that allow them to deliver a package of multi-platform and multi-geographic services. We need to pay particular attention to enhancing skills, selecting skills and selecting our project managers. If we take a step back for a second, this is where the real difference lies between different service companies. It's all about being able to offer industrial-scale services and being able to deliver the right service at the right time.

Then there's our ability to respond, which for our near-shore needs – i.e. France – means having platforms at our different regional locations to deal with client requests – which are for the most part major clients in the Paris region. And then there's offshore, which in the French-speaking world is built around two major platforms, with one in Madrid and the other in Valencia. We can deliver in French on these platforms. Further afield, there's India.

The last subject I'd like to come back to is innovation. Investments are made in achieving an industrial-scale organisation but also in innovative capacity via two major areas: business-specific programmes and expertise-oriented programmes. Business-specific programmes involve such questions as how do we deal with smart grid issues in the power sector such as power grid management, power grid control. We need very business-specific approaches, such as how to help a telecoms provider set up mobile-phone payment solutions. And we are developing this in several countries. This is where several businesses converge: banking, telecoms and technology. Innovation programmes have a very business-specific approach. From a certain perspective, we will have innovation programmes which are “expertise”-based and therefore technological, which derive purely and simply from mobile-phone use. “What should I be doing today with smartphones?” “How can I best use cloud computing?”. We will get technology-based responses to these questions.

The innovation programme systematically breaks down into major economic sector and major technology areas. This is what has occupied a significant proportion of the first half of the year – in a business which has been quite robust as far as we are concerned and quite dynamic for all of the internal transformations which are in the process of transforming the Group today.

## III. Strategy

**Pierre Pasquier**

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An ambitious project for 2012: a cohesive, independent European consulting, technology services and software company. A benchmark for the market, with an excellent economic performance.

This project is not a typical one, and we are well aware of that. Inside our business model we have software. We know just as well how to sell our software as we exploit this in the future in SaaS. We are convinced that this project is viable and we know that this is a path which is not all that simple. We have just successfully mapped out the pathway for this project over the last few years. I don’t want to expand upon positioning here.

The objective is revenue of €1.5 billion to €2 billion, with an operating margin of around 10%. I’ll say a few words about this. In 2008, I believe I said €1.5 billion in revenue. We did not manage this but at the end of the day we are not far off. This year, if you add Axway to Sopra Group you don’t get to €1.5 billion but you’re not too far from that figure.

The period 2008-2012 was quite turbulent. This period ahead will probably be turbulent as well. We have been able to get through this period in a satisfactory manner and achieve a substantial portion of our objective – even if that’s not exactly the way we thought we would get there.

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Governance has also been transformed. We are here, Pascal Leroy and myself, so there is a separation between the duties of the Chairman and those of the Chief Executive. I am still in charge as Chief Executive until 20 August. As from 21 August, Pascal will assume the role of Chief Executive. I will only be Chairman. The Chairman who’s in charge of strategy is a classic formula. You know that I’m handing on the baton. You know that the best way to hand on the baton is to do so progressively. As one of us moves away, the other takes more and more under his responsibility. The handover has been planned. It requires strict coordination. Obviously, decisions are shared.

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As for the transformation of the company within the continuity of our expertise, there are three business lines. We do not have any infrastructure. There’s no BPO, except marginally. We believe that we can continue this way, in systems integration, in application outsourcing – as long as we have an extremely strong delivery model, particularly excellent project managers… We think that it’s a good business, that this business is sustainable within a 3 to 5 year time horizon. We believe that some of our competitors will probably pull out of it. If they pull out, we can always pick this up, as long as we have quality to offer. Next, there's software development. We've put down these figures and the relationship between consulting and integration has been described. We're validating it by business line: 5-10% in consulting, 55-60% in application outsourcing & integration, that's the macro picture. If we could get software to 35%, whereas we are currently at 23%-24% on a pro forma basis, that would not be bad.

As far as software development is concerned, this is extremely resilient, even though we are missing revenue in licences. It's holding up well. Wherever we have software revenue, we are a strategic supplier for major groups who have selected us. We are never a minor supplier.

That's where we are. We have selected our vertical markets: financial sector, public sector, manufacturing, retail, telecoms and media, aerospace, services, ... And then we have launched a project which is perfectly well organised and which will be carried out on a regular basis and adapted on each occasion as necessary.

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Let's get back to the outlook. With an extreme dose of prudence, as we have mentioned, slight organic growth and a very slight improvement in margins, subject to the absence of… That's the standard wording that all of us use!

I'll say a word about debt: it should come in around €220 million at the end of the year, with net bank debt of around €155 million. Basically, as we have said, we are looking at gearing of between 55% and 60%. We should recall that when we bought Tumbleweed, Axway was part of the Group. There was €220 million of debt. That was in 2008. It was not a favourable period. In my opinion this debt load is relatively high but perfectly manageable.

This wraps up my presentation. I will now respond to your questions.

## IV. Questions / responses

**An attendee**

I have a question about strategy. You explained that you're neither in BPO or infrastructure and that certain market participants may be getting out of integration. Could you tell us a bit more about that?

**Pierre Pasquier**

That's the impression we have. We have the impression that everyone's business models are diverging. We feel that the strongest points of certain companies are in this area. Our strong points are very clearly systems integration and outsourcing. Year after year, we have maintained quality margins, because we manage to deliver well and we are always working to achieve productivity gains. I said that certain actors may get out of this business but I don't know for sure.

**An attendee**

I understand that this is related to the intrinsic characteristics of the sector which are becoming increasingly hard to control. You said that if you make acquisitions if other companies pull out, quality will be your criterion. Based on what you say, why would people pull out from a quality business?

**Pierre Pasquier**

We have bought companies which became high quality companies after being acquired by Sopra Group. When we bought SG2 in 1996, this company was losing money. It became profitable rapidly. If, at another company, systems integration is seen as a minor business, it will not receive the focus of management's attention. It may be put to the side. We can do positive things with companies that have assets. With client positions, with a little work, you can make them profitable.

**An attendee**

With regard to your operating margin guidance, you have changed the wording since last time. You now speak about a "very slight improvement". What does this reflect about your vision of the second half?

The second question relates to the increase in net debt at 30 June and the €65 million difference between the bank debt and the net financial debt. It looks like the call option on Callataÿ & Wouters' minorities is included within that. Could you give us more details about this? Why didn't you disclose that when you announced the operation? It wasn't presented as being about acquiring minority interests.

**Pierre Pasquier**

The call is around €30 million. The Callataÿ & Wouters acquisition is around €140 million. A little over €110 million was paid out. You will have the figures. I believe we had mentioned that our gearing at year-end would be between 55% and 60%. At the time, Callataÿ did not want us to disclose the figures. So, we did not. However, we gave enough information so that you could figure it out.

With regard to the "very slight improvement in margins", this change in wording stems from a bit more caution. We hesitated here, because when you make a prediction in July about what could be a significant number of signings at year-end, you take a risk… And, there are also licences at Sopra. The degree of uncertainty in that regard is higher than for large-scale embedded outsourcing contracts. Whether in terms of margin points or tenths of a margin point, "very slight" is not significant.

**An attendee**

There was a certain shortfall in licences in second-quarter revenue. Will they be transferred to the third quarter?

**Pierre Pasquier**

There were no cancellations. Licences in the banking world tend to be deferred or segmented. We do not foresee cancelled projects but more likely postponements and a prevailing sense of caution. I am confident that they will be signed at some time. I cannot say whether our estimate will match what will happen at year-end. Activity is robust. Many deals are under review. The banks may postpone the timing. I know, though, that one day or another, they will sign. Given Sopra Group's offering, I think our positioning in the banking world is excellent. The economy can't exist without banking. We are in retail banking. One day or another, technologie or cost-saving concerns will turn into orders even though – from time to time – they are postponed.

Compared with the expectations from the start of the year, it is clear that license signings have been postponed. We included this eventuality in our objectives. Perhaps that explains the difference between "slight" and "very slight".

**An attendee**

With regard to your positioning in the banking world, you have not mentioned price compression. Have you faced tougher negotiations than before?

**Pierre Pasquier**

Price compression has been around for 10 years. In banking, it is no more intense than before but projects are more segmented. That is true everywhere. Large projects are sliced into pieces.

In the second quarter, we signed a licence in the banking sector last year of €5 or €6 million, which was totally unusual. Unfortunately, we don't sign such large amounts each quarter. There were two fewer days in the second quarter, but there was also a level of activity that we knew we would not encounter again.

**An attendee**

Could you give us Callataÿ's contribution to revenue in the second quarter? What positive impact did Delta and Callataÿ have on the EBIT margin for France? In Italy, there was significant organic growth. You explained that you did not want to cut prices in order to gain market share. On the other hand, the margin was 2% in Italy, while organic growth reached 13%. Is there a particular reason for that?

What share of your newly won Application Management contracts are related to system integration contracts?

**Pierre Pasquier**

When we bought Delta, the company was generating revenue of €35 million and a margin of around €15 million. This year, we will record slight growth. For Callataÿ, the contribution will be a few million euros in licences.

**Pascal Leroy**

It is difficult to give you an answer, because this merger took place on 1 April. The positioning that Callataÿ gives us in France on some major deals, which we hope to close out by year-end or by the end of next year – deals for which we were not eligible without Callataÿ & Wouters…I don't know whether that can be accounted for as a contribution from Callataÿ & Wouters.

**Pierre Pasquier**

Without these acquisitions, the Evolan offering was becoming minor. The ERP systems were rustic. That is less the case now. Some of our competitors are starting to be able to supply global component-based systems. Without these acquisitions, particularly Callataÿ & Wouters, we would not have had the overall ERP structure allowing us to sell all or part of a system and supplement our offerings.

It is up to us, in our execution, to make it into something highly profitable. If we hadn't completed these acquisitions, we would have had reduced Evolan offerings to a cash cow position. With this base of more than €200 million – not including Tieto – we can take on big competitors. Major banks buy components but they look closely to determine whether it is possible to buy the whole system.

**Pascal Leroy**

The Italian market is tough. We are satisfied to have a positive margin in Italy. We intentionally took precautions to secure the revenue level and the margin level in Italy. It is conceivable that we could improve it between now and year-end. We will see whether it can be improved on a certain number of major projects where we were cautious. I believe that the growth and margin levels that we are generating are satisfactory.

With regard to integration and large outsourcing projects, this is something that I commented on last quarter. We hardly sign any pure maintenance transactions for applications. That almost never happens anymore. Clients place scalability at the heart of everything. Scalability now represents more than a 50% share of what is sold. Should we call these new functionalities construction or build functionalities? This is a bonus for players who can work on massification, in other words, those who have a comprehensive approach between system construction and system maintenance. Some components of the offerings that I talked about earlier with regard to industrialisation, the global delivery model and innovation are included there. That is significant. When we win a build bid, our goal is to win the run that goes with it – to win the Application Management business. Our responses encompass all of that.

We no longer really differentiate between the two. All of that is a package, in other words, commitments – whether in construction or maintenance over several years afterwards – with units of work. We no longer sell by man/day but by units of work, the capacity to transform a functionality for a certain price. I want to go back to your question about pricing. In the first half of the year, prices did not change. They have been constant for just about a year. We are taking on our competitors, but we have a different approach. When we take all of this together, when we are more confident in our businesses, we have a better idea of how to put value on our know-how. We have a better idea of how to value the commitments that we make with our clients. Clients are ready to accept the cost in order to have something that works well and that is delivered on time and on schedule, with a sufficient level of security.

**An attendee**

Do you have a roadmap to modernise your software toward the SaaS model?

**Pierre Pasquier**

Yes. The SaaS transition will not be done quickly for complex, legacy software, albeit with some exceptions.

**An attendee**

How do you see client demand?

**Pierre Pasquier**

Major banks, which have complex, high-volume products are interested in SaaS, but for now they are not expressing any real demand.

**Pascal Leroy**

In the product range, the financial sector is major, but there is also Pléiades in human resources. For this offering, we are in leasing mode. We invoice clients via monthly fees.

**Pierre Pasquier**

We are in a service business here.

**An attendee**

How much do you anticipate for restructuring and acquisition costs in the second half of the year (€6.8 million in the first half)?

**Pierre Pasquier**

There were several external costs in the first half of the year that we no longer have. We worked a lot with the M&A department. There were €3.5 million to €4 million in external costs. In the second half of the year, we will probably have €1 million to €2 million in restructuring costs, but not much more. Next year, there will be even fewer external costs – unless we complete new acquisitions.

**An attendee**

Are you looking to reduce the size of the French market in your activities?

**Pierre Pasquier**

We are looking to increase the French market, but we would like to go faster in Europe. Growth in France is excellent. We have a strong position in France and – in our business model – the core business outside software originates in the French market. We have no desire to reduce our position in the French market. On the contrary.

**An attendee**

What is your competitive advantage in core banking compared with the major global groups like Accenture or Infosys, or compared with independent pure players relying on information technology consulting? It is difficult to imagine Capgemini integrating your core banking solutions.

**Pierre Pasquier**

We think that this is a strength. Sopra Group has an excellent reputation as an integrator. As I say, we think that that's a strength. Clients buy our products so that we will be the ones to handle the integration.

With regard to very big players, Accenture is generally a major force but not necessarily because of its products. Maybe Infosys. In our European market – and in Delta's market in Africa and the Middle East, we do not really see this…

Concerning the pure players that we are dealing with, they are traditional (Temenos, Misys). Through Tieto in the UK, we have gained 60 clients who are a gateway for future banking products.

**An attendee**

Can you provide us with Callataÿ's revenue breakdown between licences, maintenance, etc.? Is its performance over 12 months similar to that of Temenos, with a drop in licence sales of over 20%?

**Pierre Pasquier**

The licence portion of our banking business represents approximately 20% versus 20% to 25% for maintenance and a very large portion for services. That is not similar to Axway's business model. Whether we're talking about Callataÿ, Evolan or Delta, the licence portion is significant. In the banking portion, we will perhaps have more licences, but that should not come to 40%.

In the case of core banking or component purchases, the services portion is quite significant. There is a need for customisation, adaptation and maintenance.

**An attendee**

With so few maintenance licences and so much in services, can the business model generate margins consistent with the average software players (20% operating margin)?

**Pierre Pasquier**

Definitely. Sopra achieved that in the past around Evolan (15–20%). When you sell services around your own products, you do not sell them as a standard "body shop". You have business that is largely recurring.

In systems integration, when you achieve margins of 8% to 10% without products, on pure services… If I overlook licences and maintenance… In any case, above 15%, yes.

**An attendee**

In a year as difficult as 2012, will you achieve margins of more than 10%?

**Pierre Pasquier**

For the moment, it's looking good. Sopra's product bases stand the test of time. When the market is very weak, business drops off somewhat but we have considerable resilience and recurring business.

**An attendee**

Do you plan to have the same growth strategy in HR and real estate or only in core banking?

**Pierre Pasquier**

We are reviewing all opportunities. We may have offerings other than in the banking sector. We completed three or four acquisitions. The priority is integration, in putting the machine in motion so that it can work efficiently. We will try to develop offerings around software.

If there are no further questions, I'd like to thank you all for attending this meeting.