Sopra Group
2012 Annual Results Presentation

20 FEBRUARY 2013

Pascal Leroy, Chief Executive Officer, Sopra Group

Thank you for attending this afternoon. François Lefebvre and I will be giving this presentation together. You all know François Lefebvre, Sopra Group's Chief Financial Officer.

[Page 2]

We will be following the usual format for this presentation. First, we will review the key events of 2012, which I will be commenting on myself. Then I will turn the floor over to François Lefebvre, who will discuss the Group's financial results. Finally, we will round out our presentation by offering our vision of the market and its future development, together with a discussion of our targets for 2013.

I. Key events

[Page 3]

I would like to begin by saying a few words about the transition between Pierre Pasquier and myself. Pierre Pasquier, whom I welcome here today, transitioned from Chairman and CEO to Chairman of Sopra's Board of Directors on 20 August 2012. That same date, I became the Group's Chief Executive Officer.

This transition was completed successfully thanks to effective coordination, extensive collaborative efforts and a rich dialogue between Pierre Pasquier and myself on a full range of issues. It was our aim to establish a genuine framework for this collaboration. In order to make this possible, we took care to clearly specify our respective functions.

[Page 4]

Pierre Pasquier, as Chairman with responsibility for overseeing the Group, steers its corporate strategy, including that relating to mergers and acquisitions. This last subject is one where we have seen some recent developments. Perhaps we will discuss that later. He also oversees the implementation of corporate and financial communications activities. Lastly, Pierre works with me on certain issues, particularly Sopra Banking Software.

My own responsibilities include working with Pierre Pasquier to define the Group's strategy. I implement the decisions made on the basis of this strategy. Lastly, I head up the operational management of the Group's business activities.

[Page 5]

We worked on three key priorities in 2012. The first of these involves the Group's performance. We will be discussing the related figures in a moment.

Another focus was on the acquisitions completed in 2012. We have thus taken an active role in market consolidation. I will be discussing this further.

Finally, we continued our work on “Sopra 2015”, the Group’s corporate project.

We will be providing details on each of these topics.

[Page 6]

Previously, we had the opportunity to comment on our results for the first half of the year: €590 million in revenue, organic growth of 1% and an 8.1% margin. In the second half, we recorded organic growth of 3.8% and an improvement in the operating margin, which reached 9.9%. This is a recurring situation in our business, because the second half of the year is always stronger than the first half, due to licences. We closed the year with revenue of €1.217 billion, organic growth of 2.4% and an operating margin of 9%. We achieved very strong growth in the fourth quarter, amounting to 6.3% in organic terms.

[Page 7]

At the beginning of the year, we had set four targets:

- revenue growth;
- a slight improvement in the operating margin compared to 2011 (this was achieved, with 9% in 2012, up from 8.8% in 2011);
- take an active role in market consolidation;
- expand our product lines.

Without being excessively self-congratulatory, I would offer a simple observation concerning these four targets: our performance was solid. We grew our revenue, profit improved, acquisitions were carried out – all of these elements helped consolidate our software business.
[Page 8]

We achieved this growth thanks to several major strategic operations targeting our clients. As you know, the Sopra 2015 project calls for us to focus on a certain number of them. For this presentation, we will simply be citing a few significant examples. There are many others. The end of 2012 was quite successful for us in terms of the signing of major contracts.

I will mention just a few references. In France, SNCF has chosen to rely on us for the punctuality of its TGVs and the implementation of information systems used to alert passengers. As you know, this is one of the main areas of dissatisfaction among the rail system’s users.

BNP Paribas, the leading French bank, has placed its trust in us for the implementation of its new management system for its savings business in its retail banking segment. Our project for this client is centred on account administration, which is at the heart of any retail banking business.

In Spain, Airbus Military has selected us to optimise its information system. We will be helping with applications management in particular.

I would like to mention one last reference in Ireland. We manage the subsidies granted to farmers in this country, using a new technology-enabled operating method.

I won’t list all of our various successes. In the different countries where we have contracts, and especially in France, we have had a number of rather significant wins. Each amounts to several million euros, with strong recurring revenue.

[Page 9]

Acquisitions were a key focus in 2012, which saw the completion of three major transactions.

The first was the acquisition of Callataÿ & Wouters, a Belgian company which offers banking software solutions. It generated revenue of €79 million and employs 600 staff.

In addition, we acquired Tieto in the United Kingdom, which generated revenue of €27 million in and employs 250 staff. This company is also active in the financial field.

Lastly, in the area of consulting and systems integration, we acquired Business & Decision, also in the United Kingdom. This company generated revenue of €35 million and employs 250 staff.

The focus on acquisitions in 2012 was part of our aim to take an active role in market consolidation.

[Page 10]

All of this is in keeping with our strategy for our products and in the financial services segment.

Banking and financial services remains the vertical market with the biggest contribution to Group revenue. In this context, we created a new company on 1 July 2012, bringing together all of our companies developing software solutions for clients in the banking and financial services industry. The name of this entity is Sopra Banking Software. It combines Sopra's long-standing Evolan line, Delta Informatique (acquired in October 2011), Tieto and Callataÿ & Wouters.

[Page 11]

In 2012, Sopra Banking Software contributed €171 million to Group revenue. Its contribution to the margin was 14%. On a pro forma basis, Sopra Banking Software recorded revenue of €216 million in 2012. This figure will serve as the benchmark to measure its performance in 2013.

Apart from these figures, one of this entity's first successes is especially significant. From its creation, market analysts (in particular Gartner and Forrester) recognised Sopra Banking Software as a player with a genuine strategy, a true vision and a real capacity to serve its clients. At the announcement of its founding, this warm reception for Sopra Banking Software from two prominent financial analysts was a strong vote of confidence. It is our job to show that these analysts were correct in their assessment. In any event, the initial positive response to the creation of Sopra Banking Software demonstrates the strength of our strategic project.

[Page 12]

Let's continue to analyse our revenue performance in our various divisions and geographies.

I suggest that we begin with revenue by division. Software solutions accounted for 21% of the Group's total revenue. This is not a pro forma percentage, but represents the proportion of our actual revenue in 2012. Consulting and IT services represented 79% of Group revenue in 2012.

Three-quarters of our revenue from software solutions was generated by Sopra Banking Software. The Group offers software solutions in two other areas: human resources and real estate.

Lastly, consulting and IT services are divided into fixed-price projects, outsourcing, technical assistance and consulting. The distribution of these various business activities remains relatively stable compared to 2011.

[Page 13]

Let's move on to an analysis by industry sector and by market. Financial services remains the Group's leading industry sector, accounting for 33% of revenue. The services, transport and utilities sector has shown strong growth compared to 2011. This is a sector where we have recently achieved a number of major breakthroughs. Of course, SNCF made a significant contribution to this performance. Our business with public sector clients is still expanding, with recurring contracts for transformation projects.

[Page 14]

By geography, the proportion of business outside France has increased, accounting for 32% of Group revenue. The Group's recent acquisitions have mainly been located outside France.

The geographic distribution of Sopra Banking Software's business is very different. France accounts for 42% of this subsidiary's revenue, with 38% in Europe excluding France and 20% in the rest of the world, mainly Africa and the Middle East.

As for consulting and IT services, 77% of its revenue is generated in France. The two other main countries for this business are the United Kingdom and Spain (10% and 7%, respectively).

[Page 15]

Next I will summarise our figures. In 2012, France had organic growth of 3.7% and Europe had growth of 2.9%. Sopra Banking Software recorded slightly negative growth, which is difficult to analyse as a result of our acquisitions. Let's simply focus on the fact that Sopra Banking Software's last quarter was one of strong growth, at 6.9%.

It is important to analyse the success of our decision to concentrate on certain strategic and major clients. The percentage of revenue from thirty key clients, representing 50% of the Group's total revenue, grew strongly, to 6.8%. This proportion is markedly higher than the Group's organic growth rate.

[Page 16]

Let's look next at our various geographies. France brought in €805 million in revenue, for an operating margin of 8.4%, up 3.7%. In 2012, the United Kingdom passed the €100 million revenue mark. As indicated with an asterisk on this slide, the Tieto acquisition was consolidated in the United Kingdom in 2012. In 2013, Tieto will be consolidated in the results for Sopra Banking Software, as part of the Group's software solutions business division. The Benelux countries generated revenue of €11 million, with a profit margin of 2.7%. It is worth noting that the business of Callataÿ & Wouters, based in Belgium, is not included in the total for the Benelux countries because its results are consolidated within those of Sopra Banking Software. I'll let you read the figures shown for Switzerland, Italy and Spain. Finally, we have India, which does not generate any revenue directly. The Group's business in this country mainly serves Sopra's operations in France and the United Kingdom as well as Axway. It grew by a little more than 10% in 2012.

[Page 17]

It is always interesting to look at changes in our workforce. The Group's transformation and growth are clearly apparent from these charts. In 2004, the Group had 915 employees outside France and a total workforce of 6,850 employees. By 2012, we had reached 4,930 employees outside France. We thus have seen very strong growth in our business activities outside France. Growth in the workforce in France has also been significant and robust, just has been the case for the Group as a whole. Today, the Group employs a total of 14,310 people and has acquired a genuine European scale.

[Pages 18 and 19]

If we wanted to sum up Sopra Group's performance by referring to four key figures, the first would be our revenue of €1.217 billion, with the acquisitions in 2012 that contributed to growth in this figure. The second would be the Group's organic growth of 2.4%, with total growth of 15.8%. The third would be our operating profit of €110 million (thus achieving a 9% operating margin, an improvement over 2011). The last would be the Group's net profit of €56 million, corresponding to a margin of 4.6%.

Now I will turn the floor over to François Lefebvre, who will provide detailed information on all these figures, as well as the results of operations and the balance sheet.

II. Financial results

François Lefebvre, Chief Financial Officer, Sopra Group

[Page 20]

I would like to suggest that we review the financial results for 2012 beginning with a first slide showing our main financial indicators. Revenue came to €1.217 billion, representing organic growth of 2.4%. Operating profit on business activity was €109.6 million, or 9% of revenue. Profit from recurring operations amounted to €103.2 million, or 8.5% of revenue. Operating profit came to €91.3 million, or 7.5% of revenue. Net profit was €55.6 million, or 4.6% of revenue. Finally, net profit per share amounted to €4.67.

[Page 21]

I would like now to provide more details about the first indicator, operating profit on business activity (€109.6 million or 9% of revenue). We have acquired four companies since September 2011, including three developers of software solutions. Our income statement is therefore structured in such a way that results are not entirely comparable.

Our ratio of staff costs (for employees and external contractors) to revenue has improved. Our overheads have risen slightly in connection with this new cost structure. This results in an operating profit on business activity corresponding to 9% of revenue.

[Page 22]

Let's move on to the second indicator, the transition from operating profit on business activity to operating profit. First we have the expenses related to stock options and bonus share plans, from June 2012 to June 2014, corresponding to a charge of €2.2 million in 2012. The amortisation of allocated intangible assets is also taken into account here, in the amount of €4.2 million. In addition, we booked goodwill for acquisitions in the amount of €60 million at 31 December 2012. This mainly reflects the value of Callataÿ & Wouters' products (for €35 million), Delta Informatique's products (for €13 million) and Tieto's products (for €12 million). On average, the related goodwill is amortised over a period of twelve years. Amortisation expenses amounted to €4.2 million in 2012. For the coming financial years, it is expected to reach €5 million.

This results in profit from recurring operations of €103.2 million. We must also take into account €11.9 million in other operating income and expenses, including €5 million in transaction costs for the acquisitions carried out in 2012. The balance relates to costs for the reorganisation and restructuring of the various companies acquired. This amount was positive in 2011, at €6.2 million, which was the net amount of other operating income and expenses as a result of the various spin-off transactions. Ultimately, we are therefore comparing elements that are quite different: €91.3 million in profit from recurring operations in 2012, after €11.9 million in non-recurring expenses, and €98 million in 2011, after an exceptional income item of €6.2 million.

[Page 23]

Let's move on to net profit. We begin with the operating profit of €91.3 million. Next, we need to take into account the cost of net financial debt in the amount of €7.2 million. As you will see in a moment in the cash flow statement, this is the cost of liabilities in respect of the acquisitions carried out in 2012. The tax expense came to €33.6 million in 2012, as against €36.1 million in 2011.

I would like to address the questions you may very well have about the tax expense right away. This amount of €33.6 million includes a tax expense for the 2012 financial year at the standard rate of 31%, but this line item also takes into account the disbursement of the *cotisation sur la valeur ajoutée des entreprises* (CVAE), which replaces the former local business tax known as the *taxe professionnelle*. It was €12 million in 2012. The Group as a whole is subject to an average taxation rate of 31%, to which must be added the €12 million charge for the CVAE. The Group's share in the net profit of equity-accounted companies refers to our 26% stake in Axway. This share represented the amount of €6.1 million in 2012 and 2011. In the end, we arrive at net profit of €55.6 million for 2012.

[Page 24]

Now that we have gone through the income statement, I would like to go over the balance sheet with you quickly. Goodwill in the amount of €314.6 million corresponds to the acquisitions carried out in 2012. Allocated intangible assets refer to the €60 million for products mentioned earlier, which represents €56 million as a net value, after the €4.2 million amortisation charge. Other fixed assets mainly refer to our operating assets, in the amount of €45.7 million. Equity-accounted investments in associates, amounting to €113.8 million, correspond to our 26% share in Axway's net profit. Operating assets and liabilities are negative, because we implemented a particularly rigorous management of our working capital requirements. Total assets came to €509.3 million. Equity amounted to €305.3 million. Lastly, net financial debt was €204 million. In a little while, we will see when discussing the banking covenants that this amount of €204 million includes €32 million in profit-sharing liabilities, resulting in a net bank debt of €172 million.

[Page 25]

Let's move on to the cash flow statement. I will only be discussing the items marked with red arrows. Cash from operations before changes in working capital came to €112.2 million in 2012. Changes in working capital requirements were slightly negative. As Pascal mentioned, we recorded very strong revenue growth in the fourth quarter. Organic growth exceeded 6%, which weighed on our WCR for this quarter. Free cash flow reached €47.3 million, as against €43.2 million the previous year. Changes in the scope of consolidation had a net impact of negative €182.4 million, offsetting the disbursements relating to acquisitions in 2012. Dividends were distributed in the amount of €22.6 million, resulting in a net debt of €204 million, including €32 million for employee profit sharing.

[Page 26]

These figures bring me to a discussion of our banking covenants. The first of these relates to the debt service coverage ratio (operating profit on business activity to the cost of net debt). It must be greater than 5.0 and came to 17.27 at 31 December 2012.

The second relates to the leverage ratio (net debt to EBITDA). It must be less than 3.0; it was 1.46.

Finally, in line with our banking covenants, the gearing ratio (net debt to equity) must be less than 1.0. At year-end 2012, ours was 0.56.

III. Market, strategy and objectives

Pascal Leroy

[Page 27]

I will take the floor again for this third part of our presentation.

[Page 28]

2012 has been a relatively busy year. Now we need to turn our attention to the future. What is our conviction with regard to the structuring forces in the market? We can summarise them under three major themes.

The first theme is technological advances. This means mobility, cloud computing and social networks: in other words, everything that digital technology enables us to do. This generates new uses and new opportunities for our Group. The more advanced technologies there are, the greater the number of company activities that relate to us.

The second theme is the fact that the market is still constrained. On the one hand, companies are trying to manage their legacy systems by optimising costs, while freeing up enough investment resources to continue to be competitive and to ensure that their business grows. This is something we are still dealing with. It involves optimising existing systems and taking advantage of new uses in order to boost our ability to compete. These are fundamental levers for growth. These subjects concern us, whether we approach them from the perspective of rationalisation or innovation.

The third theme is a conviction that we have shared for a long time. Sopra has always conveyed a slightly different message on the market. Right now, this message is loud and clear. It is about our ability to bring together our consulting, IT services and software development business segments to provide comprehensive solutions to our clients. Without going back over the cultural aspects of commitment associated with this model, it is now an element that sets the Group apart. Today the market and our clients perceive us as a player capable of offering real transformation. This service has a price, and now we are able to monetise it and enhance its value.

[Page 29]

As I noted earlier, we have worked on our strategic project, Sopra 2015. This project is quite clear and comprehensible. Let's try to put it into perspective. We'll do a little archaeology and go back a few years into the past. The Group has recently lived through three major eras. The first was a period of quite strong growth, both in terms of revenues and margins. The second was a period during which the market was somewhat disadvantageous. Then we entered a fairly serious crisis period. When all is said and done, we managed all the same to maintain our margin during this period. Today we are entering a new period of growth. What's behind this observation is the fact that we have been able to point to our track record to prove our ability to produce growth and provide solid margin levels.

[Page 30]

We can summarise our strategic project quite simply. We aim to build a European group based on all of our business lines (consulting, IT services and software development), in a coherent and independent manner. In the grand scheme of things, our project has stayed the same. We want to ensure that our economic performance is one of the best in the market. We aim to be a benchmark for the market.

Let's give a few hard figures. Our Sopra 2015 plan aims to achieve revenues of between €1.5 and €2 billion. We think this level is completely attainable, particularly given the growth in our business outside France. We also aim to position ourselves among the top players on the market in terms of economic performance. An operating margin of 10% seems to be an appropriate ambition.

[Page 31]

The plan is based on four major pillars. The first is upscaling. This means demonstrating an even closer commitment to our clients' industries. With a bank, such as BNP Paribas for example, the work done on investment solutions deals with the very core of the banking system and the transformational issues facing BNP Paribas. That's what upscaling is all about: being as close as possible to the transformation of various business segments. It's true in banking, energy and the public sector. When an administrative structure is being transformed, we need to get involved with basic human resources. Administration does, after all, revolve around human resources. It is our duty to be a facilitator of transformation for our clients in all of these areas.

The second pillar is Europe. In order to exist, we need to hold a significant place in Europe. I think that we have managed to show resolve in increasing our market share there. We will continue in this direction during the coming years. I have to say another word in connection with Europe: consistency. This consistency will come from a stronger Group culture. The model that has provided our success needs to be widespread throughout our geographic regions. That is the way we should understand how to build ourselves in Europe. It should not be limited to growth in volumes. Building our culture is equally important.

The third pillar is software development. Our goal is to increase our share of revenue in this area, as you saw in 2012 with Sopra Banking Software and our plan to acquire HR Access. We will come back to that. We are convinced that we should not only be a software developer, but able to offer a comprehensive solution to our clients. Let's go back to the example of BNP Paribas. In 2005, undoubtedly they would have shown little interest had we suggested installing software at the very core of their retail banking business. Nowadays, the implementation of enterprise software in banking is becoming absolutely natural. We are witnessing this across all sectors of the economy. Solutions are what information systems transformation is all about.

Finally, the last pillar relates to innovation and offerings. We need to place them in a certain dynamic. Innovations like mobility or cloud computing need to touch on all products and services. A particular, on-going effort is necessary in order to innovate. Our offerings have to be as competitive as possible in the market. In addition to offerings, we also need to think about how to produce. It is not enough to sell. We also need to produce competitively. We must be able to carry out an industrial transformation plan in order to produce these offerings.

[Page 32]

Behind these four strategic areas is our leading vertical market: banking, and the financial sector in particular. Our goal is to be a European leader in this sector. This plan does not only involve Sopra Banking Software. It involves the entire Sopra Group, which must be positioned across all of these platforms in the United Kingdom, France, Spain and Italy. Our ambition is to make Sopra the leader in the financial services vertical. Obviously, Sopra Banking will play an important role, but so will the systems integration and consulting businesses. This is our primary economic sector. It represents 33% of revenue. This is the sector in which we also want to continue to invest significantly, in order to occupy this leadership position in Europe.

[Page 33]

Now I would like to announce an acquisition plan. We introduced it yesterday when we presented our figures. I think that you understood it: this plan is totally in keeping with the strategy that we discussed to solidify our products. This acquisition involves a universe that we are already familiar with, human resources. We will also gain more geographic strength from it, since HR Access has a strong presence in France as well as Spain, Italy, Belgium and the United Kingdom. It also brings in a wide range of clients. In France, 50% of the CAC 40 companies use the HR Access product as their human resources management tool. The considerable strategic benefit of this acquisition is easy to understand. We have been in discussions with HR Access for several months. These discussions resulted in this acquisition plan a few days ago. It should be finalised at the end of March, once all of the decision-making bodies concerned have been consulted, in order to be able to definitively put this plan into practical form.

This company belongs to Fidelity. We agreed with them not to disclose certain information. If you ask certain questions, please know that I will not be able to answer them.

[Page 34]

Our plan, our ambition and our intent to be a key player would not be possible without our principal shareholder, Sopra GMT, and, in particular, Pierre Pasquier and a number of managers. They are an integral part of the ownership structure. They also continue to invest significantly in the corporate project in order to ensure its independence. That is also one of the most important elements, and perhaps even the most important: the commitment of managers and shareholders to our project. For your information, there is an agreement binding the principal shareholders with regard to the plan.

[Page 35]

Now we have come to the last subject: our vision for 2013. 2013 will still be a year of growth, ranging between 2% and 5%. As you have seen, the last quarter of the year is particularly important in the field of software development. Changes in growth and performance can therefore depend on business activity during this quarter. The first quarter, on the other hand, should be more challenging, but simply from a technical point of view. The timing is not very advantageous for us, because this quarter has two fewer billing days than the first quarter of 2012. This is just a technical issue, not a structural one.

Another important aspect of 2013 will be the acquisition of HR Access.

We have agreed to provide quantitative targets to be reached by year-end when we report earnings for the first half of the year.

Today, we are able to maintain an approach in 2013 similar to our approach in 2012 with regard to debt. We are doing what is necessary to maintain our trend of reducing our debt, as François Lefebvre pointed out earlier. Currently, we estimate our projected debt at year-end 2013 to be between €150 and €170 million, compared to the €204 million presented previously. That is the end of our discussion on our strategic plan and our vision for 2013.

[Page 36]

Now we would like to answer a number of your questions. François and I are at your disposal.

QUESTIONS/ANSWERS

Grégory Ramirez, Bryan, Garnier

I would like to ask two questions. I understand that some constraints associated with the nondisclosure agreement are applicable concerning HR Access. So, I don't expect a precise answer. In any case, it is possible to calculate revenues of approximately €70 million, using the percentages provided in your charts. What about profitability? Can you give us an idea? Historically, how has HR Access been positioned? Could its margins be improved? What are its potential margins compared with what you published on Sopra Banking Software? That's my first question. I will ask a second one afterwards.

Pascal Leroy

We will not comment on precise figures. That part is under a black-out. We are basing our information today on a consolidation of some €100 million, between internal HR services activities and the activities of HR Access. We then believe that the margins can be improved upon. We want the software business segment to follow the same trend as Sopra Banking, i.e. profitability of 15% or more. That is our plan in this acquisition. We want to seize this profitability potential, in a time horizon that we have not yet been able to specify. I really think that we can achieve this. The human resources market is still a growth market. Recently published figures show growth of between 4% and 5% from consulting in Europe, over the next five to six years. Furthermore, this is a necessary market. People are paid monthly, and the system has to work. This market is also developing based on add-ons. What does that mean? Add-ons are tools used to manage training, recruiting or career management. These areas are therefore areas for business development, in a growth market. In accordance with our strategic plan, the idea is to reach the margin levels of a software developer.

Grégory Ramirez, Bryan, Garnier

My second question is about profit levers for 2013, not including HR Access. I think the small drop in margins that you observed in France had to do with pre-sale operations and other factors. Can we expect a recovery in 2013? Will this drop become recurrent? At the international level, you have experienced quite a spectacular improvement in your margins in the United Kingdom. This increase has enabled you to realise higher international margins. What do you expect will drive profit margins in 2013, given the solid increase you've already posted?

Pascal Leroy

Our consulting business was not very profitable in 2012. So, we are expecting an improvement in this respect for 2013. As for the systems integration business, we will continue investing heavily. For the time being, we are still gaining market share, thanks in part to several tens of millions of euros in new contracts. These gains do require major investments. We will keep on making investments of this kind. Higher profitability is not a delivery issue; it has to do with maintaining our level of investment.

We also want to keep up our margins in software, for Sopra Banking as well as HR services and real estate. For 2013, I anticipate a margin comparable to that which we have witnessed up until now. This is the direction we are moving in today.

Cyril Charlot, Sycomore Asset Management

I would like to hear more about the net debt you mentioned of €150 to €170 million. Is that before paying for HR Access?

Pascal Leroy

That includes payment for HR Access.

Dov Levy, CM-CIC Securities

I get the feeling that HR Access' margins are low, though you don't want to disclose them. Can you at least tell us if they show a profit or loss?

Pascal Leroy

I stated that I would refrain from commenting on those figures. And I will indeed refrain from doing so.

Dov Levy, CM-CIC Securities

Without citing any figures, is it a profit? Can you answer yes or no?

Pascal Leroy

I'm afraid all I can say is "no comment".

Dov Levy, CM-CIC Securities

Can you talk more about consulting activities? This business has clearly been hurting for some years. Can you say more about the restructuring initiatives undertaken in 2012? Do you think they will show any results in the first half of the year? Or will we have to wait until the second half?

Pascal Leroy

Without going back over the whole history, let me recap what we've done in the consulting business. Sopra used to contain several different consulting brands. Two years ago, we decided to combine them under the single name Sopra Consulting.

We also decided to make the consulting business our Group priority. So, we started focusing on certain key clients. In addition, we saw to it that consulting helped to upscaling the Group. The idea was to make sure that our consulting, systems integration, and software development businesses (especially in the banking sector) could address clients' key concerns.

This was the whole point of transforming our consulting business. We had to structure it around our priority sectors. We then made sure to carry over the cross-cutting services associated with our business segments. What does that mean? It means we needed to position ourselves as a leading provider of topflight technology, or of client relations solutions. It was emphasised that no major transformation could be undertaken unless a company's human resources could be successfully transitioned, in other words, unless there was change management.

We thus restructured our consulting activities to fit with our priority sectors and still provide three main crosscutting types of service, based on our business segments. I believe that our consulting business is undergoing an important revolution. This is a segment currently in search of its new business model. As we speak, the big generalist firms are probably reconsidering their strategic positioning. The same goes for mid-sized providers.

So, I think, the crisis of the consulting industry is happening everywhere. We have been through it, as have others. I believe the work that has been done will enable us to make the Sopra 2015 project a success. To create value, we obviously need to have a sound, high-level consulting business.

The consulting sector will grow in 2013, after an unsatisfactory year in 2012. Our business even ran at a slight loss in 2012. This year, it will start growing again. Even if it does not show quite the high performance that we would like to see, this business segment will significantly improve its profitability in 2013.

Dov Levy, CM-CIC Securities

Will this happen in the first half of the year?

Pascal Leroy

Yes.

Dov Levy, CM-CIC Securities

Can we return to the topic of growth? You gave some guidance in terms of growth and margins. So I won't venture any questions about your potential margins for 2013.

But can you talk more about the 2 - 5% rate of organic growth you mentioned? Should we expect slightly more growth in France, in Europe, or at Sopra Banking Software?

Pascal Leroy

This growth will be very evenly distributed. France, Europe and Sopra Banking Software will experience the same levels of growth, give or take 1%. All these forecasts are still relative. Growth forecasts for December 2013 remain difficult to make for software developers, such as Axway. In any case, our current forecast is based on growth in France, Europe and Sopra Banking Software, at equal rates.

Dov Levy, CM-CIC Securities

I have one last question for you, or for the Chairman, from whom we have not heard yet. Do you have any other acquisitions planned? If so, are they in software development or other areas?

Pascal Leroy

First, we have to wrap up our purchase of HR Access. We have until the month of March to finalise the acquisition.

I cannot deny that the market is still very active. We have our ears to the ground. I do not have any more information than that. We are still active on the market, along the strategic lines I mentioned earlier. As you can see, we are interested in certain products, in the European regions, in order to create new value. These are the lines within which we will remain active.

Derric Marcon, Société Générale

I have three questions. The first two are easy; they're about figures. What impact will the CICE [tax credit] have in terms of your guidance for 2013? Second, how did real estate and human resources contribute to organic growth in France in the fourth quarter? I'll ask my last question afterwards.

Pascal Leroy

Since we have not given any notion of profits, you can either choose to take the CICE into account, or not.

Derric Marcon, Société Générale

I'll reformulate. What is your estimate of its impact?

Pascal Leroy

We will have to wait for the terms of its implementation to be officially published before we know exactly what effect it will have. As far as Sopra is concerned, we can estimate the amount at €6 to €8 million in 2013, and a little more in 2014. The rate will go up in 2014. We do not yet know quite how this amount will be treated. I prefer to remain extremely prudent as to the manner in which this legislation will be applied, and as to the treatment of this amount.

Derric Marcon, Société Générale

What about France's organic growth in the fourth quarter, in real estate and human resources?

Pascal Leroy

It will be hard for me to give you a straight answer here. Real estate experienced adequate growth, I think. Both these parts of the software development business definitely grew in 2012. But I am a little unclear on the fourth quarter. Overall, the last quarter was good. We can get you the figures later.

Derric Marcon, Société Générale

I am somewhat confused about the implicit strategy behind the HR Access acquisition. HR Access does include a software business, but also a BPO practice, which is not necessarily faring so well. How are you approaching this acquisition? Are you going to carve part of it out before buying? Is Fidelity paying you cash to carry out the restructuring or will you be taking that on yourselves? Can you explain the reasoning, given that BPO services do not seem to me to be part of Sopra's culture?

Pascal Leroy

There are several parts to your question. We currently have two human resources activities. We sell software and we provide outsourced processing – we charge for services per pay slip. HR Access also does both of these things.

Right now, Sopra processes roughly 100,000 pay slips a month, while HR Access processes 200,000. Together, we can process between 300,000 and 400,000 pay slips monthly. This is a business that we know well, that we are interested in, just like we are interested in selling licences, services, and systems integration.

Let's talk about BPO, which I have not addressed. When you charge per pay slip, you are standing in for the client, but not actually taking over their staff. This is something we are thinking about. I can't really give you an answer. We will probably have to adjust the business model. I am sure this is something that will come up again. It's a question we are asking ourselves, about how far to take this outsourcing business.

As for the middle part of your question, about figures, I will not comment any further on that.

Derric Marcon, Société Générale

I have one last question to clarify this business of charging for pay slips or providing payroll BPO. Where is HR Access' computing platform located? In France?

Pascal Leroy

No. Their host, Colt, is in England. In this respect, they work like us. We use a host for our computing activities. These are not activities handled by the company's IT resources. We have a service agreement. HR Access has a service agreement with Colt. Similarly, Sopra has a service agreement with Sigma, who is our provider.

From the floor

I'm not looking to understand the HR Access acquisition price. It must not be very high anyway. What about the dividend? Is the 2013 dividend supposed to be as high as the 2012 one?

Pascal Leroy

We have published information about this. Sopra has distributed a dividend of €1.7 for the year 2012, pending approval by the Shareholders' Meeting. The ratio will stay the same from 2011 net profit to 2012 net profit.

Laurent Daure, Kepler

I would like to come back to three things. You are not disclosing many figures, but I would like to know what the mechanism is for pulling HR Access' margins up. What are your potential cost synergies with your existing business and this new acquisition, considering that you already have about fifteen points to make up? What is your feeling on how you will proceed?

Then I would like to talk about France. Right now the margins are 8.5% I understand that the consulting business might not be up to par or that there may be bidding costs at play. Nonetheless, what potential do you estimate on your margins in France, in the medium term? Can we aim for something close to 10%? Is 8.5% or 9% now the standard at Sopra?

Lastly, bookings were good in the fourth quarter. Can you give us more details, especially about the visibility this affords you on growth in France for 2013?

Pascal Leroy

Let me start with the last question first. Bookings were indeed good in the last quarter of 2012. I will just cite one or two examples. The French Ministry of Defence selected us to reorganise its command structure. It was divided into army, air force and navy. This made the command structure quite complex. Projections of force, into Mali for example, required the coordination of planes, infantry and warships. We won this contract worth several tens of millions of euros. It is planned over an eight-year period, with the aim of restructuring and change-managing the French armed forces. That is an example of a very big project.

As for margins, that of the Group needs to be considered separately. The margin was 9% in 2012, and we have set long-term goals. This margin comprises various business segments – software development, consulting and integration – over a range of geographies. Spain's situation, for example, is quite complex compared with that of France or the United Kingdom. What needs to be painstakingly analysed is definitely the combined result of all these factors. We cannot simply claim that the issues in Spain are comparable to those in the United Kingdom.

I also think our performance in the systems integration business is among the best in France. It is thus fairly likely that our main leverage on margins is not there. There are other potential places to improve our margins. Those few points should answer your question on that subject.

Let's come back to synergies with HR Access. This is what your first question was about. The positioning for each market segment needs to be analysed. Right now, HR Access is a provider for large-scale companies. These companies are CAC 40 corporations in France, or Santander, BBVA or Banco Popular in Spain. On the other hand, Pléiade, which is Sopra's product, works more with mid-sized or smaller businesses. The result will thus be a stronger overall service offering. Synergies will then arise quite easily in the area of G&A, which is quite normal in operations like this. So I am quite confident that this business will get back up to standard profit levels.

Laurent Daure, Kepler

Historically, has HR Access had high margins?

Pascal Leroy

Yes.

Laurent Daure, Kepler

Is this a recent problem?

Pascal Leroy

It's more complicated than that. I will not go over the entire history of HR Access, which has had a number of owners (CGI, IBM, then Fidelity). Different strategies were implemented by these different players. Nevertheless, as you brought up, HR Access has always maintained a culture of profitability. Success with this acquisition is therefore quite attainable.

From the floor

Can you explain the rather surprising changes in margins in the European countries, particularly in the United Kingdom, Italy and Benelux? I observe inverse changes in relation to the increase or decrease in revenue. What is the outlook for 2013?

Pascal Leroy

The figures that are presented to you for the United Kingdom come from two acquisitions, with Sopra's existing business activities on one side, and Business & Decision and Tieto on the other. Tieto is a software company. This activity will become part of Sopra Banking in 2013. Its integration will probably slightly reduce the visual profitability of the United Kingdom. The margin will nevertheless still be adequate. Business & Decision is experiencing strong growth. The United Kingdom will therefore see growth in profitability on the whole.

We have seen an improvement in our profitability between 2011 and 2012 in Belgium.

We are showing slightly lower profitability in Italy. Nevertheless, we need to keep in mind that the figures are low. In any case, significant investments have been made. Moreover, one project is a bit tricky. It is being resolved but it has weighed down margins.

From the floor

I see that the margin in Benelux was 2.7%, versus 18.6% in 2011. What happened there?

Pascal Leroy

That is due to a transposition error in the figures. I understand your confusion. The table is incorrect. The rate of 18.6% relates to Switzerland. We are earning a bit more money there than in Belgium. You need to transpose the two figures. We're sorry about that.

Richard Bono, Natixis

What are your ambitions in software? I see that you conducted a spin-off with Axway, which was not a match for your core business activities. Now you are developing software in-house. The goal of this activity is to provide 35% of your revenue by 2015. Is your goal for 2015 to sell this activity, like with Axway?

Pascal Leroy

We want to succeed. Above all, we want to generate a significant percentage of our revenue in the field of software. Unlike Axway, we are catering to specific industry needs. Thus, banking software is built for core banking activities. Being a provider in human resources means getting involved with human resources specialities, and so on.

With regard to Axway's activities, these are technological products more than industry-specific products.

Industry-specific products are central to the Group's positioning. We have indicated that we want to make Sopra a European leader in the financial services vertical market. Obviously, industry-specific solutions are at the centre of this plan. We are not looking to move away from our core business activities. We aim to increase our overall coherence and strength. As we see it today, our plan is designed to build a richer, more coherent, and more synergistic whole.

Thank you very much for your attention and your questions. I would like to invite you to continue our discussion during the cocktail hour.