

Presentation of Sopra Group's first-half results 1 September 2011

Pierre Pasquier, Chairman and Chief Executive Officer, Sopra Group

Welcome and thank you all for attending this afternoon. There will be two of us making this presentation. You already know Pascal Leroy, our Managing Director. I will continue to serve as Chairman and Chief Executive Officer until next year. We will therefore begin by making this presentation jointly.

I. Key events

Page 2: Key events of the first half of 2011 (1/2)

In our view, the key events of the first half were the successful completion of the Axway spin-off and listing, followed by its capital increase, which was carried out in the month of July. I will not be bringing up this subject again today. We were fortunate, because the stock market turmoil sparked by the downgrade of the US credit rating occurred afterwards. The spin-off, listing and equity issue proceeded smoothly, as we had expected.

Page 3: Key events of the first half of 2011 (2/2)

The key events in the results of our operations were indicators of the Group's strong performance:

- Organic growth in excess of 11%
 - France: +12.2%
 - Europe: +7.7%
- Clear improvement in the operating margin on business activity
 - France: 9.0%, up 60 basis points
 - Europe: 3.9%, up 210 basis points
 - Group: 8.1%, up 90 basis points
- Recruitment in line with targets
- Excellent contract wins

II. Key figures

Page 5: Revenue

Revenue for the first half of 2011 grew 11.4% to €29.7 million. The Group's business in France saw its revenue increase by 12.2%, while European revenue outside France grew 7.7%. This growth

was supported by a favourable basis of comparison, since the results of the Group's operations in the first half of 2010 were lacklustre and the first half of 2011 benefited, at least in France, from one additional working day. In the second half, the basis of comparison will be less favourable given that the results for the second half of 2010 were excellent and that there will be two fewer working days in the second half of 2011.

Page 6: Income statement

As I have already mentioned, revenue growth amounted to 11.4% in the first half. Staff costs, both direct and indirect, climbed 11.6%, which is not too bad, considering that we had a net increase in the workforce of between 620 and 630 persons. We kept our operating expenses in check since they only rose from €67 million to €71.2 million, such that the operating profit on business activity came to €42.9 million, representing a margin of 8.1%. Expenses related to stock option plans and the amortisation of intangible assets amounted to €0.4 million. Profit from recurring operations came to €42.5 million, representing a margin of 8%, to be compared with €33.7 million and a margin of 7.1% in the first half of 2010.

Other operating income and expenses, which totalled €1.5 million, comprise three types of goodwill or expenses:

- €1 million in expenses related to the separation of Axway's business from that of the Group;
- €2.9 million in additional investments due to a temporary equity shortfall;
- the remainder corresponds to expenses related to the Axway spin-off and listing: we used the average price of the Axway share on the first day of trading (€24 on 14 June). Next, we recognised an impairment charge for this investment because the share price fell; for this calculation we used the figure of €19.70 per share. Goodwill of €71 million was thus followed by an impairment charge in the amount of €8 million. In the end, the investment appreciated by a little more than €50 million. Next, we looked at the positions of our foreign-based subsidiaries. Although circumstances have improved compared to last year, we decided that prudence was essential given the economic context. We therefore recognised a goodwill impairment charge of €20 million for the UK subsidiary, €15 million for Spain and €3 million for Belgium.

Taken together, these transactions amounted to €1.5 million in additional profit, resulting in operating profit of €54 million.

Our net borrowing cost was €1.8 million and our tax expense was €6.3 million.

The share of income in equity-accounted associates amounted to €1.1 million, corresponding to 26.5% of Sopra Group's net profit between 14 and 30 June.

Net profit before discontinued operations came to €37.7 million.

Lastly, profit after tax from discontinued operations corresponds to Axway's net profit between 1 January and 14 June 2011.

This results in net profit of €36.3 million, up 6.9% owing to the impact of a certain number of exceptional transactions.

Page 7: Operating profit

In France, we recorded an operating margin on business activity of 9%, a current operating margin of 8.9% and an operating margin of 8.2%. However, for our Group the first half of the year is usually not better than the second. These results are clearly better than those recorded for the same period last year.

For an engineering firm like ours, during the holiday period management-level staff members are on leave and second-half expenses are generally lower, which means that in an equivalent economic context, second-half results are usually better.

In Europe, although we have not been able to match our historical performance, we went from €1.6 million to €3.7 million, representing a margin of 3.9%, for all three profit levels.

Page 8: Simplified balance sheet

At 30 June 2011, for Sopra Group goodwill amounted to €64.1 million, equity-accounted associates totalled €3.4 million, and the current account with Axway came to €60 million. Next, you have trade receivables, other assets and liabilities, equity and net debt. It was only in the month of July that Axway was able to reimburse Sopra, after successfully completing its capital increase. If we were to restate this balance sheet at 18 July, net debt would be reduced by €60 million.

Page 9: Change in equity

At 31 December 2010, we had €64.6 million in equity. The distribution in kind (73.73% of Axway measured at fair value), which amounted to €284.5 million, corresponds to the shares distributed. Capital gains on these distributed shares came to €200.4 million. We accompanied this distribution of shares with a cash distribution in the amount of €3.91 per share, for a total amount of €46.6 million. The tax impact on this distribution amounts to €3.2 million. Profit for the period came to €36.2 million. The cash distribution (of ordinary dividends), which amounted to €9.5 million, was at the same level as last year. To this are added translation adjustments and a certain number of small transactions that I will not discuss here.

Page 10: Change in net debt

At the beginning of the period, net debt was €7.2 million. Cash from operations before changes in working capital was €46.6 million and the tax expense was €19 million. The change in working capital requirements reached €25.7 million, but we recorded strong growth of 11% and at Sopra we do not have the invoicing of maintenance in January, as is the case for Axway. Net cash flow from operating activities came to €1.9 million. Net cash used in investing activities (for premises and networks) amounted to €3.4 million. Net interest paid came to €1.9 million. Free cash flow thus amounted to a loss of €3 million. We fully expect this item to be positive, as usual, at the end of the year. Dividends paid totalled €6.1 million. Net cash flow from discontinued operations is a positive amount and net debt from discontinued operations is a negative amount. The result is a net debt of €19.8 million at the end of the period.

Page 11: Financial ratios

Basic earnings per share amounted to €3.06. The gearing ratio was 49%, but it would have been 31% after taking into account the reimbursement of Axway's debt with Sopra.

Page 12: Workforce (excluding contractors)

The net increase in the workforce was 630 persons. We devoted considerable efforts to recruitment during the period.

III. Additional information on Sopra Group's business activity

Page 14: Business model

Pascal Leroy, Managing Director

In this chart, you see the various components of the Group's business:

- application outsourcing (32%);
- expertise delegation (supplying expert personnel at the local level, 24%);
- application solutions (15%);
- fixed-price projects (15%);
- consulting (14%).

There are three points I would like to address. First of all, last year we combined all of our consulting operations under a single brand, Sopra Consulting. Secondly, we have noted considerable growth in the Group's recurring business. In application outsourcing, we are increasingly signing longer-term contracts with our clients (4 to 5 years rather than 3 years). In application solutions, clients who buy our solutions are making a commitment of 10 years, and sometimes 15 years or more. If we add to this the fixed-price projects, we have long-term commitments covering more than 50% of Group revenue. Thirdly, thanks to the gradual transformation of the Group's organisation and processes launched several years ago, we are now able to deliver a genuine continuum of services to our clients.

Page 15: Geographic markets

France accounts for more than 80% of our business. Spain ranks second with 7%, followed by the United Kingdom with 6%, Italy with 3% and other countries (Belgium and Switzerland) with 3%. All of these countries recorded organic growth in the first half.

Page 16: Vertical markets

We have a balanced presence across all economic sectors:

- financial services (25%);
- services, transport and utilities (21%);
- public sector (18%);
- manufacturing (17%);
- telecoms and media (12%);
- retail (7%).

The three sectors driving growth in the first half of 2011, as in 2010, were financial services, the field of utilities and services (major energy firms) and the public sector, since the major transformation projects pursued by its organisations focus above all on information systems.

In manufacturing, I remind you that a few major clients drove our revenue growth: Airbus, Safran and Thales.

IV. Major market trends

Pierre Pasquier, Chairman and Chief Executive Officer, Sopra Group

There are two main reasons why our business will continue to grow:

- the need to rationalise information systems;
- expanding technology adoption.

Page 19: Rationalisation of information systems

All large companies and organisations are looking to rationalise core information systems, to ensure that they remain as cost effective as possible, that they are managed using an industrialised approach, that they allow for acquisitions, etc.

Page 20: Expanding technology adoption

The main technologies being adopted now are B2B and B2C, smartphones and networks. By the time that everyone has a computer in his or her pocket and when PCs are replaced by tablets, relationships between the enterprise and its partners will have undergone a profound transformation. All companies and organisations are looking into ways that they can take advantage of social networks.

Page 21: Competitive landscape

All of these trends are reshaping the competitive landscape, with major shifts that are difficult to predict (e.g., Google's buyout of Motorola).

There are very few global players – just three or four US-based companies.

We are witnessing the emergence of broad niche players, although they lack a global presence, whether in terms of offerings or markets (geographic or vertical).

It is difficult to ensure organic growth and profitability: some, but far from all, manage to deliver both. How do they do it? They focus either on the quality of their business model or on the quality of their execution.

A word about consolidation: there are many services companies that make suitable acquisition targets, but there are very few buyers. Conversely, product companies are very much in demand and it is difficult for buyers to find what they need.

V. Strategy and outlook

Page 23: Sopra Group: quality-based positioning

Our recent history is one of success.

We have some indisputable strengths:

- A position among the top three or four players in France
- Promising product offerings (in banking, HR, property, etc.)
- A high-quality delivery model
 - Strongly forward-looking
 - Methods/tools/platforms
 - Onshore/nearshore/tailored offshore
 - A powerful, dedicated team (our best engineers are continuously working on this delivery model)
- A high-quality management team, HR approach and governance

However, we have some weaker areas that need to be addressed. We need to strengthen our position in Europe:

- We are working to enhance our European offering.
- We are looking for partnerships or acquisitions.

Page 24: an independent project

We are looking to consolidate our position in the French market, develop a robust positioning in Europe and, within that positioning, we have a sub-project in relation to Evolan, which we want to make into a genuine software vendor. We want to roll out a programme of acquisitions, particularly in connection with Evolan. We want to continue to achieve above-market organic growth and deliver a high level of profitability.

Page 25: project success criteria

The project's success criteria are support from shareholders, the Board of Directors and management, together with financial resources. On this latter point, both Sopra and Axway will end the year with a very low level of debt. Sopra has credit facilities totalling €320 million. Finally, we have the people we need, including a fine management team.

Page 26: outlook

The Group has maintained the full-year performance targets it set at the beginning of the year:

- organic growth
- a slight uplift in profit on operating activities

However, the current economic environment makes it impossible for us to give any firm commitment. The last sentence was added in light of the August financial crisis. That said, we have yet to see the effects of that crisis. I think it will be late September/early October before we see whether this stock market crisis spills over into an economic crisis.

That concludes the presentation. We are happy to answer any questions you might have.

VI. Questions/answers

Sébastien Sztabowicz, Kepler Capital Markets

Your European margins improved in the first half of the year, yet at the same time you booked an asset write-down. Do you expect the situation to deteriorate in the second half? If so, have you already taken steps to raise the bar in this geographical region?

Pierre Pasquier

As of today, we are on budget for the second half. The budget came out slightly lower in the UK. In agreement with our statutory auditors, we have revalued impairments in these countries using a more cautious approach, in light of the general economic situation. However, Sopra's 2011 budget is still an improvement on 2010.

Brice Prunas, Exane BNP Paribas

Firstly, what are your key accounts saying to you about their investment intentions for September? Secondly, can you tell us any more about your intention to consolidate your position in France? Which are the segments in which you are targeting organic growth? Are you considering making acquisitions?

Pierre Pasquier

Although the financial sector likes to think it is being cautious, this caution is not reflected in reality. The public sector is not telling us much. On the other hand, we have industrial customers like Airbus who are amassing order after order.

Pascal Leroy

Our number one customer is currently EADS Airbus with Eurocopter, which represents just over €80 million in revenue. This is a promising sector, as shown by the latest Le Bourget air show. In answer to your first question, at this point in time we do not have any indicators in relation to September. We simply have to be cautious. It is more or less a given that the financial sector will be more complex. As of today, it is very difficult to hazard an opinion as to how things will turn out. In any case, we see no impact from the August stock market crisis in the very near term.

Pierre Pasquier

We're currently in a position where we need more staff.

Pascal Leroy

By the end of the year, we'll have recruited around 1,500 people in France.

Pierre Pasquier

Your second question was about consolidation in France. With many French and European companies seeking buyers, we are looking at potential acquisitions. We would like to build a French stronghold, subject to having sufficient representation in nearby countries to serve our key customers. We are studying various companies, and not only in relation to Evolan. Up until the beginning of 2011, the main concern of Sopra's Board was the success of the spin-off; that transaction is now behind us. The second concern was putting in place appropriate management. This has now been completed at Axway and is in progress at Sopra. At Sopra, we are now coming back to focusing on project aims, mainly revolving around our core business areas, with the required dose of diversification. The emphasis will obviously be France and Europe. Evolan is a subset of this strategy.

Grégory Ramirez, Bryan Garnier

I would like some clarification on the operating margin guidance. What impact might president Sarkozy's dividend bonus law have on your margins? What is the status of discussions with trade unions over the implementation of this law?

Pierre Pasquier

Sopra's ordinary dividend is unchanged. We have paid an extraordinary dividend in the form of shares. We are not yet sure how this law should be interpreted. The legal firms advising us initially said that we were not affected; we are currently taking time to think about this. I do not know whether or not we will be affected.

Sébastien Sztabowicz, Kepler Capital Markets

Could you talk to us about growth in salaries and prices over the first half and the full year?

Pascal Leroy

As regards salaries, there was significant market pressure late last year and early this year, with many companies looking to recruit. I am not certain that this pressure will continue into the second half.

In our business lines, salaries will be the same in September and October as they were at the beginning of the year. This shows that we are successfully managing salary increases and, thanks to recruitment, maintaining salary levels.

We increased salaries by 2.1% in January and 1.1% in July, making a little over 3% in the full year.

As regards prices, the situation is highly variable. Prices are currently still under severe pressure, with procurement divisions within all groups wielding significant influence. Furthermore, the contracts we aim to secure are multi-year contracts involving large amounts, and are therefore subject to heavy pricing pressure. However, our delivery model enables us to reap the benefits of our productivity efforts over the long term. Finally, we are developing the Group's consulting activities.

That said, we feel that there is currently slightly less pressure than in the past two or three years. We have observed that it is currently easier to secure price increases than it has been in recent years.

Dov Levy, CM-CIC Securities

Can you come back to the performance of your consulting activities?

Pascal Leroy

All the consulting activities arising from the Group's various brands (Orga, Valoris, etc.) as well as Sopra itself have been brought together under a single brand: Sopra Consulting. Furthermore, consulting activities suffered in 2009. 2010 was rather more stable for us. I think 2011 will be stable as well. We have aligned our consulting activities with our key economic sectors (finance, manufacturing, etc.) so that we can provide end-to-end consultancy on business transformation.

Dov Levy, CM-CIC Securities

So you haven't seen any impact on consulting from the stock market crisis?

Pascal Leroy

No. On the contrary, we have some major consulting contracts. What conclusion should we draw from this? I have no idea. We anticipate recruiting a hundred or so staff in our consulting businesses in full year 2011.

Dove Levy, CM-CIC Securities

Financial services represent 25% of your revenue. It is obvious that banks could suffer as a result of the stock market crisis. Can you clarify your activities in this segment? Which ones do you think are the most and the least risky?

Pascal Leroy

The vast majority of the financial sector consists of retail banks and, to a lesser extent, insurance companies. Retail banking is the sector within banking that is liable to continue growing. We have no exposure at all to investment banking or other sectors within banking. Within this sector, we have a strong presence in products (through Evolan), lending, electronic payment systems, regulation and banking distribution. The projects we are currently committed to have long time frames. This is therefore the sector in which we have the greatest long-term visibility. In light of the operating environment, I think we need to expect to be extremely vigilant in relation to this sector. Having said that, however, we currently have no specific indicators of future problems in the sector. If you ask me at the end of the month, I might give you a different answer. We should bear in mind that we are positioned in retail banking, which is a special sector within banking.

Dove Levy, CM-CIC Securities

Can you be more specific about your external growth strategy? What impact will current economic uncertainties have on your propensity to make acquisitions?

Pierre Pasquier

The current economic uncertainties are not necessarily bad news: they could drive acquisition prices down. Some of our peers are encountering difficulties, while others are doing very nicely. Banks seem to be significantly tightening access to borrowing, and we are seeing the effects of this in companies that come to us experiencing difficulties. Those that are doing well are often encouraged by their major customers to sell. For both of these reasons, there are many potential opportunities out there. I have quite often talked about our desire to build a much bigger offering around Evolan (including integrated solutions) and to address a wider market than the French market. Our approach has been component-based up until now. We now need to enhance this approach by including integrated solutions. There is space for such an approach, both in countries close to France and in emerging countries. We will be presenting the various growth options to the Sopra Board within the next two months. I am convinced that, in our core businesses, under normal economic conditions, and with a business model that we know how to develop, we can achieve profitability on a par with what we have achieved in the past, of 8%, 9% or even 10%. Some of our competitors – mainly those based outside France – are achieving this level of performance. Within Sopra's development strategy, the emphasis has been placed on both organic growth and independent projects. We will continue in this vein. Now that Axway has left the Group, we have some acquisition opportunities. Six months from now, you will have every right to ask us what we have done about them. If there are no further questions, I would like to invite you to the cocktail reception. Thank you for attending this meeting and I hope to see you shortly.