Sopra Group 2010 annual results presentation

Pierre Pasquier, Chairman and Chief Executive Officer

Let me begin by introducing Pascal Leroy, Managing Director of Sopra Group, and Christophe Fabre, CEO of Axway who have joined me for today's presentation. We are using a new format for this presentation, for the first time and perhaps also for the last time. In fact, we have every intention of completing the listing and spin-off of Axway this year, in the second quarter. For this reason, if the plan comes to fruition, the results of Sopra Group and Axway will be presented separately in future presentations.

I will first present Sopra Group's financial highlights. I will turn the floor over to Pascal, who will comment on our position and give his forecast for 2011 and how he thinks the year will shape up. Next, Christophe will give his own view of things concerning Axway. I will then offer my comments on the last three slides, which present our plans for the future and the full-year outlook for 2011. Lastly, we will open up the floor to your questions.

.I Presentation of results

.1 Key events of 2010

Growth was robust and improved steadily from one quarter to the next, in our three main business segments – consulting, systems and solutions integration (or CSSI) in France, CSSI Europe and Axway. In the fourth quarter, growth reached 9.4% for CSSI France, 9.7% for CSSI Europe and 12.3% for Axway, which resulted in overall organic growth of 10%. This represents a solid growth rate and we anticipate that this growth will continue in 2011.

Margins have improved. We have once again attained the double-digit margin level, which we had last seen a very long time ago. We are just on the cusp of the 10%, but this margin is now a reality. CSSI France's margin is close to 10% and Axway's is nearly 15%.

Lastly, our financial position is very sound, with a debt reduction of €71 million since the end of June 2010. At a previous presentation, we announced that we expected to reach a debt level of €70 million by the end of the year. In fact, we brought it down to €57 million, with a net debt to equity (gearing) ratio of 15%. I have not been able to report such results for a very long time.

.2 Achievements in 2010

Even CSSI Europe, which had started the year with negative growth and whose annual revenue growth was only 1.2%, nevertheless ended the year by posting strong organic growth.

Group revenue came to €1,169.9 million, staff costs for employees were €783 million, staff costs for contractors were €84 million, operating expenses were €169 million, and depreciation, amortisation and provisions came to €14 million. These figures resulted in profit from recurring operations at 31 December 2010 of €116.6 million, corresponding to a current operating margin of 10%.

Amortisation of allocated intangible assets (mainly software at Axway, but also to a smaller extent at Sopra Group) came to €2.6 million, for amortisation periods generally in the range of ten years. Other operating expenses were primarily due to the costs incurred in connection with the spin-off and listing proposal prepared to be submitted for approval by the Autorité des Marchés Financiers (which was interrupted in September) and the subsequent plan (which is ongoing today). As a result, other operating expenses were relatively high. Operating profit thus came to €109.3 million, corresponding to an operating margin of 9.3%.

The net cost of financial debt reached €5.8 million, there was a net financial expense of €1.4 million, and the corporate income tax expense was €27.3 million (including the *taxe professionnelle*, a local business tax which has been replaced with a new tax). Net profit was thus €74.8 million, as no activities were discontinued. It is worth mentioning here that Axway benefited from a tax deferral in the United States. In the end, the net margin was 6.4%.

Sopra Group’s CSSI businesses reported profit from recurring operations of €85.5 million, corresponding to a current operating margin of 8.9%, an operating margin of 8.7%, and net profit of €48.2 million, corresponding to a net margin of 5%.

Axway posted profit from recurring operations of €31.1 million, corresponding to a current operating margin of 14.9%, operating profit of €25.6 million, corresponding to an operating margin of 12.3% (since the spin-off costs are largely incurred by Axway), and net profit of €26.6 million, corresponding to a net margin of 12.8%, reflecting the impact of the deferred taxes in the United States.

Now back to the breakdown of Sopra Group’s results. CSSI France recorded profit from recurring operations of €77.9 million, corresponding to a current operating margin of 9.9%. Profit from recurring operations for CSSI Europe was €7.6 million, corresponding to a current operating margin of 4.3%. Operating profit in France thus improved even after taking into account the CVAE (a component of the new local business tax based on the value added each year by the business), and operating profit in Europe improved as well.

In the simplified balance sheet, it is worth noting that goodwill contributed to total fixed assets of €436 million. After adjusting for trade accounts receivable and other assets and liabilities, total assets plus working capital requirements amounted to €421 million. Finally, equity came to €364 million, with net financial debt of €57 million.

Let’s look at equity in detail. Our equity position was €281.7 million at 31 December 2009. The dividend distribution amounted to €9.4 million. We carried out a capital increase. Stock options were exercised in a total amount of €2.6 million. Translation adjustments increased equity by €15 million. Total equity came to €364.6 million at 31 December 2010.

At the start of the 2010 financial year, we had net debt of €137.4 million. Cash from operations before changes in working capital came to €124.7 million and income taxes paid were €33.8 million. Changes in working capital requirements were positive, despite the growth seen during the year. It is true that the largest proportion of this growth was recorded in the second half of the year. The impact on working capital requirements thus came a bit later. However, efforts were focused on receipts, as indicated, which allowed us to generate positive working capital requirements of €20 million in 2010.

Net cash used in investing activities was €15 million; net interest paid came to €6 million, resulting in free cash flow of €90.8 million.

Taking into account dividends paid and other changes, net debt at the period-end came to €57.2 million.

With respect to our financial ratios, it is worth noting that, ultimately, our syndicated credit facility was less expensive for us, since we hardly had any need for drawdowns. In accordance with the banking covenants for this facility, we are required to meet certain ratios: the gearing (net debt to equity) must be lower than 100% and ours was 16%. The leverage ratio (net debt to EBITDA) must be less than 3%; ours was 0.48%. Lastly, the debt service coverage ratio (profit from recurring operations to net borrowing cost) must be greater than 5; ours was 18. All of the debt ratios imposed on the Group are therefore very comfortably met. Furthermore, basic earnings per share, which came to €4.98 in 2008 and €2.33 in 2009, rose to €6.35 in 2010.

.3 Additional information

Our business positioning strategy is consistent and focused. It ensures the robustness of Sopra's business model. This positioning consists of consulting (11%), fixed-price projects (13%), application outsourcing (23%), staffing (17%), the portion of our technology solutions that became Axway and which will be separated from Sopra Group as a result of the proposed listing (18%) and proprietary solutions (13%). This last category consists of solutions largely developed by Sopra Group. They are very much a part of our core activities and will remain with the Group.

Our vertical market positioning has not changed very much. Financial services is still our largest vertical market and is expected to remain so (22% banking, 7% insurance). Manufacturing accounts for 17%. This proportion has changed only slightly, but is shifting nevertheless. We have not renewed certain contracts and are concentrating all of our efforts on key accounts. EADS, Sopra's largest client, is part of this group, although this does not mean that we work for a broad range of manufacturing clients. We have put all manufacturing accounts through a careful selection process, which has kept our positioning in this vertical market at 17%. Services, transportation and utilities account for 20% of our business, with telecoms at 10%, the public sector at 16% and retail at 8%.

73% of our revenue is generated in France including Axway and 81% for Sopra Group excluding Axway.

Axway generates 34% of its revenue in the United States, 37% in France and 27% in Europe excluding France. Assuming the euro at one-to-one parity with the US dollar, Axway's geographic revenue breakdown is as follows: 40% in the United States, 34% in France and 24% in Europe excluding France.

In terms of offerings, Axway's revenue is comprised of 36% licences, 37% maintenance and 27% services. This is clearly consistent with a software developer model. Nevertheless, it is worth noting that a portion of recent growth is due to acquisitions. It is for this reason that licence revenue has grown as follows: +11% in 2007, +20% in 2008, +2% in 2009 and +21% in 2010. This does not represent organic growth. There was actual organic growth in 2010, to a very large extent, but the situation in 2009 was very different. We need to be very cautious in interpreting these figures.

Finally, I would like to speak about our workforce figures. Between December 2008 and December 2010, we went from 12,450 employees to 13,310 employees at the level of the Group, in France from 8,300 employees to 8,800 employees and in Europe excluding France from 4,100 employees to 4,400 employees. For many years now, Sopra has not slowed the pace of its recruitments even, and especially, in difficult years. Therefore, we continued to recruit in 2009, to nearly the same extent as in other years. This trend is not new for us. It is part of our strategy to recruit young people, and to find talent apt to become tomorrow's managers among these young people.

I have come to the end of what I wanted to say at this point and will now turn the floor over to Pascal, who will speak about 2010 and 2011.

.4 Sopra Group's key contract wins and highlights in 2010

Pascal Leroy, Managing Director

Significant growth in major client accounts

Good morning. I will start by highlighting the principle events of the year that permitted the performance in 2010 that was just presented. Firstly, a significant number of large accounts structured the profitability and the growth of Sopra Group during the year.

I would like to draw your attention to a few elements, which seem to me to be relatively significant for 2010.

In the first place, I would mention some large deals that have contributed to the financial results and growth discussed earlier. I will only be giving a brief summary of these operations. The purpose of this summary is to underscore the various client systems and solutions where Sopra is present, and our capacity to build our business beyond these systems and solutions.

Behind emblematic contract wins, it is important to note that the various systems and solutions delivered to clients are able today to drive sales of the Group's offerings, but also to help the Group move beyond the limits of these systems and solutions themselves, to other clients in South America, for example.

.a Back on track in Europe

As you know, there was a downturn in business in late 2008. Our business in Europe was hit particularly hard since we have many clients in the industries that suffered the most.

We entered a recession in late 2008 and our business contracted in Europe the following year. Fortunately, the situation improved in 2010. After slightly negative growth early in the year, our activities began to expand throughout Europe in the second half, with stronger sales and earnings. This was true in all European countries.

.b Development of Evolan banking products to serve our major clients in foreign markets

Evolan is our range of products for the banking industry, offering solutions for retail banking, lending, automated payment systems, banking distribution and compliance. We have structured this offering from a software publisher's perspective, in terms of R&D, product distribution and technical support.

By doing so we were able to assist major French banks in deploying this offering on their international platforms.

Lastly, we also took advantage of some new opportunities in the English-speaking world of finance, thus bringing Evolan into the European market.

.c Further developing our continuum of services to support large business transformation projects

Sopra has three core businesses: consulting, systems integration and software development. We are working to combine this three-fold expertise to offer solutions for major business transformation projects. Our work for major French banks is a good example of how we can combine our three core businesses intelligently to win the best contracts on a variety of platforms. To do this we must offer our clients a continuum de service, all along the value chain.

.d Continuous business transformation

Companies today must continuously transform their businesses to stay ahead of the curve and this is what we are doing at several levels. The new global responsibilities that our managers took on in late 2010 and early this year are one example of this transformation process. It should be noted that all of these managers were promoted from within Sopra Group and that we are showing a real ability to develop our future leaders from within our own ranks. We must continue in this direction.

.5 Operating objectives for 2011

.a Leveraging our strong market positions in France

You seen the result, our strong position in France is an important foundation that we must continuer to build on and reinforce. This involves two things: first, developing our business with key clients, since we know that some of them still offer good growth potential; and secondly, targeting vertical markets (such as retail banking, telecoms or utilities) by aligning our three core businesses (consulting, systems integration and software development) and using this expertise and continuum of services to better serve these industries.

.b Expanding in the European market

We need to develop our continuum of services on our European platforms and continue to develop our Evolan banking solutions in those areas where we are strongest in France and in Europe.

We also intend to make more acquisitions to strengthen our Evolan offering. Our expansion in the European banking industry will therefore involve consolidating and developing our presence on platforms and making acquisitions to strengthen Evolan.

.c Client proximity, quality of service delivery and ongoing process industrialization

Our focus on the quality of service delivery and on human resources is the foundation upon which we have built our success. We strive to ensure that our methodologies are deployed everywhere in each country where we are present, that the tools required for these methodologies are implemented, that they are best-in-class in their markets, and that our service centers in France, Europe and India are perceived as forming a single management and service delivery system. This is how Sopra has earned its reputation. We will continue to invest to deploy this offering on all of our European platforms and to ensure that our methodologies and tools are the best.

.d Extreme focus on human resources and recruitment

Sopra's top managers of the future already work for us, and we will continue to invest in their professional development. This investment in personnel begins the moment they walk in the door. Moreover, some 2,500 people will be hired in 2011. We will continue to promote the career development of our employees and to identify tomorrow's senior esecutives. We have provided an extensive training and career-development system for our engineers and consultants.

It should be noted however that there is a high demand for talent in the consulting and IT market. This is why we have decided to make recruitment a priority. We will preserve our high standards, since we continue to believe that recruitment is an investment for the long term.

.e Growing organically and preserving our profit margins

As in 2010, we expect substantial organic growth this year. We also plan to make acquisitions to strengthen our market positions and offerings. Even though we expect prices to remain under pressure, we will do everything possible to increase our revenue in 2011 while preserving profit margins.

.6 Axway major contract wins and highlights

Christophe Fabre, CEO Axway

I will begin by quickly showing a few slides.

.a Axway's offering

Axway is the world leader in Business Interaction Networks. This means that we serve companies and not consumers. The term *interaction* refers to all types of data exchange both within the company (i.e. between plants, subsidiaries, sales outlets and branch offices) and with external suppliers, partners and customers. The term *networks* refers to fact that clients want their entire corporate ecosystem to benefit from this exchange of data, with optimum visibility and security. This data can be exchanged in various forms, including files, messages, web services, EAI, etc.

.a Distribution

Axway now has a global distribution system, thanks to the acquisition of largely US-based Tumbleweed in 2008. We are the market leader in Europe and are now considered a serious player in the US market. We also have a solid presence in Asia, where we accompany our world-class clients.

We have adopted a vertical market approach, which means we align our technology with our clients' business environment. Our main vertical markets are the finance and insurance sectors, and then the extended supply chain ranging from product fabrication to distribution.

.b Software development

We are also a software developer and as such operate a widespread production system. We design our products in France and the United States and then outsource most of the fabrication to Eastern Europe and India.

We have developed a long-term investment strategy and invest 25% of our sales each year. Sixty percent of this investment is used for product maintenance and the remaining 40% is used to develop future releases.

Our expertise has been acknowledged by such market research firms as Gartner and Forrester.

.c Corporate functions and management

Over the past few years we have developed finance, human resources and IT infrastructure functions specifically to meet Axway's requirements as a software developer.

Our management team has grown and strengthened over the years. Some members, such as myself, were promoted from within Sopra, while others came on board from companies we acquired (a majority of whom have stayed with us). They are now an integral part of the Axway management team, whose members have an average of four years with the company.

.d Highlights in 2010

Licence revenue grew substantially in 2010. This growth may mainly be attributed to the postponement of large investment projects in 2009, and, in particular, innovation projects intended to enable clients to propose new services to their partners or manage their internal processes more efficiently. The release of this pent-up demand was quite apparent in early 2010.

Business remained robust up to the end of 2010, which confirms how competitive our offering is and how well we have adapted to the market.

Given the postponement of projects in 2009, there was little growth in services business in 2010. There were therefore few implementation projects in 2010. Acceleration in service orders was observed in late 2010, in response to the pick-up in licence sales.

Maintenance, which accounts for 40% of our annual revenue, grew in nominal terms in 2010.

Profit margins were far higher than in 2009. In that year, about €4 to €6 million euros of revenue were lacking. That was not the case in 2010. Axway is structured to ensure an intrinsically substantial profit margin, and this margin has been achieved without cutting back on investment in products.

.e Major contract signings

In Europe, major groups continued to place their confidence in Axway and to roll out our solution in various contexts (MFT, B2Bi). Ultimately, it transpires that clients have bought Axway solutions in order to connect or better connect their partners with new technologies. Other clients have used Axway’s offering offering to enhance the security of exchanges using non-secure technologies, notably with regard to confidentiality. Finally, other clients had to manage consolidation issues, for example if certain elements of its infrastucture began to cost too much, after having been duplicated. These infrastructure items are centralized at Axway.

In the United States, our activity is strongly influenced by regulations, particularly with regard to the healthcare segment. All of the ecosystems in the American healthcare are attached to the importance of rendering all data exchanges secure and transparent. We have notably won the first contract in this area, which augurs for success in the future, in similar profiles to equivalent profiles in Europe.

.f 2011 Objectives

We expect to see a more normal growth in licences, after the very high level observed in 2010.

The outlook in the United States looks very positive, thanks to new regulations and also the impact of the installed client base. The merger with Tumbleweed will therefore continue to contribute growth perspectives. We are equipping this client base from our platform, bearing in mind that Tumbleweed only had a partial platform.

Moreover, the major offerings (MFT, B2B, EAI) continue to be resold to the existing installed bases in Europe.

The services business, which looks set to be strong in the first half of the year, still needs to be built up for the second half.

In-depth work needs to be performed in maintenance in order to progressively enhance our support offerings. These installations are often critical for clients, which means that support needs to be available 24 hours a day, 7 days a week and experts need to be available to provide support worldwide, both in operating platforms and in managing their enhancement.

Finally, to answer the question “Is Axway ready for the spin-off ?”, I would say yes it is, both in operational terms and from the functional perspective. Teams are globalized and in full working order. Market perspectives are promising, and our offering is competitively positioned. I also think that, like Sopra Group, we are ready to maintain our acquisition drive and remain a market leader through consolidation.

.2 Strategy and outlook

.a Strategy

Pierre Pasquier, Chairman & CEO

I will finish the presentation with a few slides.

The separation of Axway from Sopra Group remains a key component of our strategy. We have been trying to bring this project to fruition for some time now. And this year we will succeed.

We must set our sights on ensuring that Axway joins the group of software developers with revenues of at least $500 million. We are not conducting the spin-off with the purpose of selling

Axway, but with the aim of developing the company. We aim at reaching this threshold of $500 million as quickly as possible. Axway's revenue was around €210 million in 2010. This target thus implies that we will conduct operations to achieve organic growth, develop the company’s performance and make acquisitions.

The goal of the new Sopra Group (ex. Axway) is to become a European leader in its core businesses. The fact that we are a French group elicits comments about us being a little special. In any event, I can assure you that we are more than capable of successfully developing an independent project by drawing on an effectively driven strategy as well as on our strengths, management structure and our ability to deliver. Come what may, to ensure our independence, we must conduct operations to achieve organic growth, develop the company’s performance and conduct acquisitions. We must carry out these operations appropriately, while maintaining our reputation as a major player in the eyes of our clients and while continuing to be consulted for large projetcs.

.b Outlook for 2011

For 2011, both Sopra Group and Axway forecast solid organic growth and a slight improvement in their current operating margins.

Over the next three years, Sopra Group foresees making acquisitions in France and in Europe and having a profit margin target of 10 %. As things stand today, this target seems quite achievable.

Over the next three years, Axway forecasts solid organic growth, acquisitions in Europe and the United States as well as the implementation of a true software developer strategy.

That brings our presentation to a close; we will now be happy to answer your questions. François Lefèvre, Group CFO, is also here to answer your questions on specialised financial matters.

Questions

Sébastien SZTABOVITCH, Kepler

I would like to come back to the situation in Europe. Sopra finished 2010 on a high note, in terms of organic growth and operating margin, but what is your outlook for 2011 and what measures remain to be taken to put your European business back on track?

Pascal LEROY – Managing Director

We need to examine the situation from the point of view of each platform. I'll give a short overview.

In Spain, the market remains difficult with no upward trend in growth. Our activities are growing, but the market is not. For many years, Sopra has been investing in its Spanish business and the service centre that was set up there. It provides industrial know-how and an effective and efficient way of managing human resources. This service centre is beginning to bear fruit. The banking vertical market remains buoyant. Mergers in the banking industry are on the horizon. I believe we are adequately equipped to continue achieving growth and improving our profit margins.

In the UK, the market is relatively stable. We must undertake efforts to develop our offering. These efforts should come alongside those of industrialisation that I referred to earlier. This work must be carried out not only in England, but also in Scotland, as we have a substantial presence there. In addition, we must make best use of our key accounts, in particular our French key accounts, to ensure that French expertise serves the banking, aerospace and telecommunication industries.

I won't go into details for the other countries. Volumes in Belgium, Switzerland and Italy are limited. Our development in these countries is normal. The quality of local management ensures performance.

Pierre PASQUIER – Président and CEO

To maintain our powerful position as the leader in the French market, our clients ask us to be present in Europe and not to leave Europe. They also request us to have the capacity to install our products throughout the world, in particular our Evolan products, a request we are able to satisfy and will satisfy. The European strategy is thus a reality: meeting the needs of key accounts wherever they are located.

Antonin Beaudry, HSBC

I would like to ask you a question about Axway. You talked about achieving a software developer margin, whereas you have already achieved a profit margin of 15% in 2010. What is your guidance? What do you mean exactly by "software developer margin"?

Pierre PASQUIER – Président and CEO

We aim to achieve the highest possible profit margin.

Antonin Baudry, HSBC

A margin of 40 %, for example?

Pierre PASQUIER – Président and CEO

To my mind, the figure you give is a little high. Let's come back to what we did with Axway. We started by investing, developing and gaining market share in mainstay countries. In the end, at our roadshows, we gave a target for profit margin of 10%, which I believe we always delivered. The Group's free cash flow was then invested in products or in setting up sales teams. Afterwards, we acquired Viewlocity, then Cyclone Commerce in the US, then Actis and finally Tumbleweed.

When we purchased Tumbleweed, we decided that our client base was sufficiently broad and that we should start looking to increase our profit margin, by one or two percentage points a year, then perhaps quicken the pace with a one-off five-point jump in just one year.

In any case, we set ourselves these targets, which to date we have met.

The software developer business allows for strong profit margins. I cannot say any more than this.

Dove Levy, CIC Securities

I have a technical question I would like to ask concerning the 2010 tax rate, which was very low thanks to a tax credit of Axway in the US. Could you tell us what remains of this tax credit, and what impact it could have? Otherwise, was the tax rate of services business activities in Europe normative?

Also, you mentioned the positive trend of organic growth of some 10% at the start of 2011. Could you confirm this?

Pierre PASQUIER – Président and CEO

The Group's tax rate in Europe is perfectly normal.

François LEFEBVRE – CFO

Sopra's tax rate is around 30%, which is practically a normative tax rate. The same applies to the Axway subsidiaries. There just remains the question of the carry-over of losses used by Axway, which impact the normative tax rate somewhat. In 2010, we used capitalised losses carried forward of €8.5 million.

Pierre PASQUIER – Président and CEO

We also transferred more product ownership.

In any event, we must earn money in the US in order to use the reserve; the reserve can only be used if operations are profitable. We believe that the amount of the reserve is satisfactory, as we believe is our ability to make a profit.

I do not wish to give the exact figure, as some uncertainty remains. These loss reserves come from Cyclone Commerce, which developed as a start-up, and from Tumbleweed which, before its sale, had spent some of its cash.

I should stress the fact that these sums are only used with respect to the American subsidiary. Furthermore, the transfer of the ownership of products to the French subsidiary led to a loss carry-forward.

Pascal Leroy, Managing Director

I do not recall our having said that we would achieve the same growth at the beginning of 2011 as that which we obtained in the fourth quarter of 2010. I can say, however, that the signs are favourable for the beginning of 2011.

What's more, it is important to note that the comparisons of our business units are based on the number of working days. Even if the start of the year sees positive growth, we prefer waiting to have the results for the first half of 2011 before making any statements.

As you have noted, Sopra has signed contracts for some large projects in France and Europe, which enables the Group to start the year on a promising note.

Jean-François DELCAIRE, Louvois Finance

Please could you give us an overview of the competition faced by Axway? Also what percentage of Axway's share capital will Sopra retain? And lastly, do risks remain with regard to preparations for Axway's listing?

Christophe FABRE, CEO Axway

Some of our competitors our bigger than us. Others our smaller, whether in MFT or B2B or EAI market segments. But no current competitor covers all the bases. Axway is alone in forging a positioning of specialist in all segments of the interactions market. As regards B2B, noteworthy competitors include Software AG, Tibco, IBM, Seeburger and Crossgate. As for EAI, our competitors inclue players in the SOA segment, as well as IBM and Axway in the MFT segment, etc.

Axway is the only firm that can offer all types of exchange solutions and provide the right governance system, in particular when it comes to community management systems. Axway is the sole player that is investing in such an approach, which is why clients continue to put their trust in us. Axway is alone in offering clients a platform of specialists for managing the interaction component while taking into account all security constraints, which are covered thanks to Tumbleweed.

Axway specialises in providing interaction solutions, which will be used, in-house, in conjunction with major ERP processing solutions, for example.

Pierre PASQUIER – Président and CEO

To reply to your question concerning Sopra's shareholding in Axway, I should refer to the press release we published following the meeting of Sopra's Board of Directors, in January. We aim to retain a stake of between 25% and 30%, the exact percentage depending on the state of the market and decisions that have not yet been taken.

The third question concerned any remaining stumbling blocks. No obstacle exists as regards the Board's commitment to the project. Besides this, who knows? Anything could happen, a war, for example. The commitment to the project remains, with unanimous agreement by all Directors of the Board to work in accordance with the press release published after their meeting.

From the floor

If I may come back to the question of banking software. For the first time for many years, you mention the possibility of acquisitions. Could you tell us your plans? Furthermore, do you have any plans to recreate a banking software division, to be gradually spun off , as we've seen with Axway?

Pierre PASQUIER – Président and CEO

I'll answer your second question first. These elements are not comparable. Axway offers technical software programmes. It is a software development business which has no issues addressing cross-border business. Banking software is customised to meet the needs of each country. The service component is therefore highly important, and the spinning off of a dedicated division is not a possibility worth considering. All the development work surrounding Evolan will therefore be carried out within Sopra Group.

As regards acquisitions, we did in fact carry out acquistions recently. Two years ago, we purchased CIBF and, three years ago, we acquired BAI, both for Evolan. We continue to examine other projects.

Pascal Leroy, Managing Director

I mentioned the four areas in which Evolan operates: credit, automated payment systems, compliance (for which Evolan's market share is increasing) and distribution (that is, the ability to provide a bank's offerings through its branch network). For us, it is question of developing these fields of expertise, pursuing the development of our offerings in Europe, and taking into account the extremely favourable market conditions. There does appear to be a concentration of companies offering software solutions to the banking industry.

For all these reasons, it would seem natural for us to seriously examine several possible acquisitions. As long as nothing is signed, we cannot really tell you more. However, we do not exclude the possibility of our making some announcements in the course of the second, if not in the first half.

Derric MARCON, Société Générale

Please could you tell us what percentage of its revenue Axway spends on R&D?

Don't you think that ESB and BPM represent a certain weakness in Synchrony's offer? What could you do to remedy that, bearing in mind the rapid rate of consolidation in the market? Please could you therefore comment on the take-over of Metastorm, which continues its consolidation in market segments in which Axway wishes to develop?

Christophe FABRE – CEO Axway

The percentage spent on R&D is about 25% of revenue, which is a standard rate for the industry.

To reply to your other questions, I should recall the following point. Even if we are also in the middleware market, Axway above all aims to specialize in interactions, by which we mean everything that is externally oriented and the corresponding internal components. From our point of view, the ESB is just one brick which helps to build our markets, rather than a market in its own right. We are not looking to position ourselves as direct competitors with the biggest players in the ESB market, such as IBM with MQSeries. At the end of the day, we operate in a sector that is complementary to that of the big players. If we were to draw a comparison with the automobile sector, we'd be a player like BMW facing Peugeot or Citroën, which have established strong positions.

Having said that, our offering is not considered weak. Forrester positioned us among the leaders in its most recently published Wave™. We are at a level considered to be “good enough” as far as ESB is concerned, which is more than acceptable for interaction.

Finally, we identified Metastorm a few years ago and BPM is effectively a component that you tend to see everywhere, including in application offerings such as those of SAP and Oracle. So BPM also relates to the interaction segment, and our offering is also adequately positioned for our clients.

Fabrice REVOL, Amplegest SAS

I have a technical question. Can you give us more information about the level of WCR, which has been kept so well under control?

I also have a second question. The arrangement for the Axway spin-off anticipates a relatively substantial cash dividend, in particular so as to offset a portion of the operation’s tax impact. If I have understood correctly, Axway has a current account with Sopra and it seems to me that minority shareholders will be bearing the brunt of this operation’s tax expense. Is this an accurate interpretation?

François LEFEBVRE - CFO

I will shed some more light on the level of WCR.

In 2008, we had 2½ months of client-related WCR, in other words non-invoiced production and client receivables. At year-end 2010, this amount came to a little less than two months. To attain this result, we focused considerable efforts over the course of two years on every aspect of the client payment cycle. This also allowed us to generate cash flow and the change in WCR.

It is possible that some regulatory avenues that might help us to reduce this level further may be introduced by the French authorities. Opportunities may also present themselves outside France, since payments in other countries are still spread out over lengthy periods. However, it seems that it may be difficult for us to significantly improve upon our current two-month WCR level.

Pierre PASQUIER – Président and CEO

With respect to Axway, I will share with you what I am authorised to communicate. I would first like to reiterate what we announced in our January press release. We indicated that the separation would involve the distribution of dividends, in such a way that the tax issues faced by small shareholders would be addressed. As the tax impact is generally felt a year later, this leaves each shareholder the possibility to subscribe to share warrants as needed, and then to make the necessary arbitrage arrangements, buying or selling these warrants to pay the future tax.

We have also carefully examined the ownership structure. Our analysis has been meticulous and comprehensive. In the end, we found that there were only a small number of persons in this situation. If we are able to offset the tax impact via a dividend, at a level of 30–31% (which is the ordinary level in France), we will be providing, at a minimum, a sufficient extent of coverage. It all depends on the tax regimes. Some people have put their shares in retirement savings plans, regulated by different and more advantageous tax regimes.

That’s what I’m able to tell you about a process that is still ongoing, subject to approval by the AMF and Group shareholders.

If there are no other questions, I would like to thank you all for attending this meeting and for listening to our presentation.