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Sopra Group: Excellent performance in first half 2010

Paris, 4 August 2010 – Buoyed by the performance of its businesses in France and its subsidiary Axway, Sopra Group posted organic growth of more than 4% for the period ended 30 June 2010, in line with Group forecasts, as well as a considerable improvement in its current operating margin, largely exceeding the target announced at the beginning of the year.

- Profit from recurring operations: €42.2 million, representing a 7.4% margin
- Net profit: €19.8 million, representing a 3.5% margin
- France: Profit from recurring operations of €32.4 million, representing an 8.4% margin
- Axway: Profit from recurring operations of €8.2 million, representing an 8.6% margin

		30/06 2010		30/06 2009		Change 2010/2009
Key income statement items						
Revenue	€m	569.0		544.8		+ 4.4%
<i>organic growth</i>	%					+ 4.3%
Profit from recurring operations	€m / %	42.2	7.4%	26.5	4.9%	+ 59.2%
Operating profit	€m / %	38.8	6.8%	22.9	4.2%	+ 69.4%
Net profit - Group share	€m / %	19.8	3.5%	10.8	2.0%	+ 83.3%
Per share data						
Net earnings per share ¹	€	1.69		0.92		+ 83.7%
Key balance sheet items						
Free cash flow ²	M€	11.0		34.1		-67.7%
Net debt	€m	128.2		196.0		-34.6%
Equity (Group share)	€m	315.5		265.8		+ 18.7%
Net debt / Equity	%	41%		74%		

Sopra Group posted revenue of €569.0 million in the first half of 2010, representing organic growth of 4.3%. Profit from recurring operations came to €42.2 million, corresponding to a current operating margin of 7.4%.

¹ Calculated on the basis of the weighted average number of ordinary shares in issue.

² Gross cash flow from operations less net financial interest and tax paid as well as changes in working capital requirements and capital expenditures, net of disposals.

Operating profit totalled €38.8 million, corresponding to an operating margin of 6.8%. Net profit came to €19.8 million, corresponding to a margin of 3.5%.

With effect from the 2010 financial year, the *taxe professionnelle* (a local business tax) has been eliminated in France. It has been replaced by a new tax of which the CVAE component (*cotisation sur la valeur ajoutée des entreprises*), is recognised under corporate income tax in accordance with the position adopted by Syntec Informatique and in keeping with the treatment of similar taxes in other countries. For Sopra Group, the impact on profit from recurring operations represents 90 basis points for all of the Group's activities. A complete comparative presentation of this new contribution is provided in the appendix.

Consulting and Systems & Solutions Integration (CSSI)

Revenue for all CSSI businesses taken together came to €473.8 million, representing organic growth of 2.5%. Profit from recurring operations came to €34.0 million, corresponding to a current operating margin of 7.2%. Operating profit amounted to €33.5 million, corresponding to an operating margin of 7.1%. The level of the book-to-bill ratio was promising at 1.17.

		30/06 2010		30/06 2009	
Total CSSI Sopra Group					
Revenue	€m	473.8		461.7	
<i>organic growth</i>	%	2.5%			
Profit from recurring operations	€m / %	34.0	7.2%	26.4	5.7%
Operating profit	€m / %	33.5	7.1%	23.8	5.2%
CSSI France					
Revenue	€m	386.9		372.2	
<i>organic growth</i>	%	3.9%			
Profit from recurring operations	€m / %	32.4	8.4%	24.0	6.4%
Operating profit	€m / %	31.9	8.2%	23.6	6.3%
CSSI Europe					
Revenue	€m	86.9		89.5	
<i>organic growth</i>	%	-3.3%			
Profit from recurring operations	€m / %	1.6	1.8%	2.4	2.7%
Operating profit	€m / %	1.6	1.8%	0.2	0.2%

In France, these businesses posted organic growth of 3.9%, with revenue of €386.9 million. Profit from recurring operations came to €32.4 million, corresponding to a current operating margin of 8.4%. Operating profit totalled €31.9 million, corresponding to an operating margin of 8.2%. The signature of major contracts in the first half of the year means that growth will possibly accelerate in the second half of the year. A large number of competitive tenders are in progress, particularly in financial services, the public sector and utilities, vertical markets where Sopra Group is well positioned, and may also contribute to the Group's performance in France.

Revenue posted by the European CSSI subsidiaries came to €86.9 million, thus representing limited negative organic growth of 3.3%. In the second quarter, these businesses exhibited stability (organic growth of 0%), indicating a possible return to growth in the second half of the year. Profit from recurring operations came to €1.6 million, corresponding to a current operating margin of 1.8%. Operating profit, which does not include exceptional expenses, was €1.6 million, corresponding to an operating margin of 1.8%, an increase of 140 basis points.



Axway

Axway posted revenue of €95.2 million, representing total growth of 14.6% and organic growth of 13.7%.

		30/06 2010		30/06 2009	
Axway					
Revenue	€m	95.2		83.1	
<i>organic growth</i>	%	13.7%			
Profit from recurring operations	€m / %	8.2	8.6%	0.1	0.1%
Operating profit	€m / %	5.3	5.6%	-0.9	-1.1%

Profit from recurring operations for this business came to €8.2 million, corresponding to a current operating margin of 8.6%. Operating profit totalled €5.3 million, corresponding to an operating margin of 5.6%, after taking into account the amortisation of allocated intangible assets and exceptional expenses related to the proposed spin-off.

This excellent performance, in relation to growth as well as operating profit, is atypically high for this period of the year. It is attributable in part to a strong operating performance, coupled with the finalisation of licence sales in 2010 which had been postponed by the crisis in 2009.

Change in the Group's total workforce

At 30 June 2010, the Group's total workforce was 13,030 persons, a rise of 580 persons compared to 31 December 2009.

Financial position

The Group ended the period with a sound financial position, in regard to both debt maturity and compliance with banking covenants. Equity amounted to €315.5 million. The currency translation differential, in the amount of €25.9 million, generated a significant increase in equity.

Net debt totalled €128.2 million, declining by 35% compared to its level at 30 June 2009, and the net debt to equity (gearing) ratio was 41%. The gearing ratio, excluding employee profit sharing for the purposes of calculating banking covenants, was 33%.

Free cash flow amounted to €11.0 million for the period despite several deferred client payments that were expected to have been received in June.

Strategy: proposed spin-off of Axway from Sopra Group

An assessment of the terms and conditions of the proposed spin-off of Axway's business from Sopra Group is ongoing and is expected to be submitted to Sopra Group's Board of Directors in September, with a view to being presented to shareholders for approval at the end of the year unless adverse circumstances dictate otherwise, on the basis of a prospectus describing the terms and conditions of the operation and providing the information necessary for the shareholders of the new listed company (Axway), which will be published in French one month before the Shareholders' Meeting after the AMF's visa has been obtained.



Outlook

As of this writing, there are no other known events considered likely to have a material impact on the Group's financial position.

For 2010, Sopra Group confirms its forecast for organic growth as well as slight current operating margin improvements for both its CSSI businesses and Axway.

Finally, the Group anticipates a further material improvement in its cash position once again this year, which should bring its net debt down to about €70 million at year-end.

Financial calendar

Thursday, 5 August 2010 at 11.30am: Analysts' meeting at Hôtel Meurice, Paris.

Friday, 29 October 2010 before stock market opening: publication of third quarter revenue.

Forward-looking information

This document contains forecasts in respect of which there are risks and uncertainties concerning the Group's future growth and profitability. The Group highlights the fact that the signature of licence contracts, which often represent investments for clients, are more significant in the second half of the year, and as a result, may lead to more or less favourable impacts on the end-of-year performance.

The actual sequence of events or results may differ from that described in this document, in light of a certain number of risks and uncertainties, as described in the 2009 Reference Document which was filed with the Autorité des Marchés Financiers (AMF) on 27 April 2010.



Appendices

The tables below present comparative information describing the accounting impacts of the reform of the *taxe professionnelle* business tax (CVAE).

Consolidated income statement

	1st Half Year 2010		1st Half Year 2010 Restated (CVAE)		1st Half Year 2009		Change 2010/2009	
	M€	%	M€	%	M€	%	%	%
Revenue	569.0		569.0		544.8		+ 4.4%	
Staff costs - Employees	-393.1		-393.1		-374.6		+ 4.9%	+ 3.9%
Staff costs - Contractors	-37.4		-37.4		-39.6		- 5.6%	
Operating expenses	-88.3		-93.4		-96.1		- 2.8%	
Depreciation and provisions	-8.0		-8.0		-8.0		+ 0.0%	
Profit from recurring operations	42.2	7.4%	37.1	6.5%	26.5	4.9%	+ 40.0%	
Amortisation of allocated intangible assets	-1.3		-1.3		-1.4			
Other operating income and expenses	-2.1		-2.1		-2.2			
Operating profit	38.8	6.8%	33.7	5.9%	22.9	4.2%	+ 47.2%	
Cost of net financial debt	-3.3		-3.3		-4.9			
Other financial income and expenses	-1.0		-1.0		-0.9			
Income tax expense	-14.7		-9.6		-6.3			
Net profit	19.8	3.5%	19.8	3.5%	10.8	2.0%	+ 83.3%	

Comparative information restated for CVAE tax application

		30/06 2010		30/06 2010 Restated (CVAE)		30/06 2009	
Total Sopra Group							
Revenue	€m	569.0		569.0		544.8	
Profit from recurring operations	€m / %	42.2	7.4%	37.0	6.5%	26.5	4.9%
Operating profit	€m / %	38.8	6.8%	33.8	5.9%	22.9	4.2%
Net profit	€m / %	19.8	3.5%	19.8	3.5%	10.8	2.0%
CSSI Sopra Group							
Revenue	€m	473.8		473.8		461.7	
Profit from recurring operations	€m / %	34.0	7.2%	29.4	6.2%	26.4	5.7%
Operating profit	€m / %	33.5	7.1%	28.9	6.1%	23.8	5.2%
of which CSSI France							
Revenue	€m	386.9		386.9		372.2	
Profit from recurring operations	€m / %	32.4	8.4%	27.8	7.2%	24.0	6.4%
Operating profit	€m / %	31.9	8.2%	27.3	7.1%	23.6	6.3%
of which CSSI Europe							
Revenue	€m	86.9		86.9		89.5	
Profit from recurring operations	€m / %	1.6	1.8%	1.6	1.8%	2.4	2.7%
Operating profit	€m / %	1.6	1.8%	1.6	1.8%	0.2	0.2%
of which Axway							
Revenue	€m	95.2		95.2		83.1	
Profit from recurring operations	€m / %	8.2	8.6%	7.7	8.1%	0.1	0.1%
Operating profit	€m / %	5.3	5.6%	4.8	5.0%	- 0.9	-1.1%



Simplified balance sheet

€m	30/06 2010	30/06 2009	31/12 2009
Goodwill	381.9	377.6	356.6
Allocated intangible assets	25.1	24.7	23.1
Other fixed assets	43.2	41.0	40.4
Fixed assets	450.2	443.3	420.1
Trade accounts receivable (net)	371.1	358.0	333.9
Other assets and liabilities	-377.6	-339.5	-334.9
Operating assets and liabilities	-6.5	18.5	-1.0
ASSETS + WCR	443.7	461.8	419.1
Equity	315.5	265.8	281.7
Net financial debt	128.2	196.0	137.4
CAPITAL INVESTED	443.7	461.8	419.1

Statement of net debt

€m	30/06 2010	30/06 2009	31/12 2009
Net debt at opening	137.4	198.2	198.2
Gross cash flow from operations before net financial debt & tax	54.6	32.4	94.6
Tax paid	- 5.3	- 12.9	- 32.2
Changes in working capital requirements	- 27.6	26.4	50.2
Net cash flow from operations	21.7	45.9	112.6
Net financial interest paid	- 7.3	- 6.8	- 12.0
Capital expenditures	- 3.4	- 5.0	- 9.4
Free cash flow	11.0	34.1	91.2
Changes in scope	- 0.2	- 8.8	- 8.8
Dividends paid ³	-	- 19.3	- 19.3
Capital increases in cash	0.3	-	1.2
Other changes	- 3.3	- 4.6	- 3.9
Net cash flow	7.8	1.4	60.4
Changes in interest rates	1.4	0.8	0.4
Net debt at closing	128.2	196.0	137.4

³ A dividend of €9.4 million was paid in July 2010.



Changes in equity

	€m
Position at 31 December 2009	281.7
Dividends	- 9.4
Net profit - Group share	19.8
Capital increase through exercise of share options	0.3
Purchase or sale of own shares	0.1
Share-based payments	0.2
Actuarial differences	- 3.2
Variation of financial instruments	-
Translation adjustments	25.9
Other movements	0.1
Position at 30 June 2010	315.5

Staff breakdown and changes

	30/06 2010	31/12 2009
Staff - France	8,820	8,335
Staff - International	4,210	4,115
Total	13,030	12,450
Staff at the beginning of the period	12,450	12,450
Integration of acquired companies	-	-
Net recruits	580	-
Total	13,030	12,450

Vertical sector breakdown

	Revenue 2010 (%)	Revenue 2009 (%)
Banking / Finance	22%	22%
Insurance	7%	7%
Manufacturing	17%	18%
Services	19%	18%
Telecoms	10%	12%
Public Sector	17%	16%
Retail	8%	7%
	100%	100%



Quarterly revenue

	Q1	Q2	H1 2010
SSI France			
Revenue 2010 (M€)	192.8	194.1	386.9
Revenue 2009 (M€)	186.5	185.7	372.2
Total growth (%)	3.4%	4.5%	3.9%
Organic growth (%)	3.4%	4.5%	3.9%
SSI Europe			
Revenue 2010 (M€)	42.3	44.6	86.9
Revenue 2009 (M€)	45.1	44.4	89.5
Total growth (%)	-6.2%	0.5%	-2.9%
Organic growth (%)	-6.6%	0.0%	-3.3%
Axway			
Revenue 2010 (M€)	43.8	51.4	95.2
Revenue 2009 (M€)	39.5	43.6	83.1
Total growth (%)	10.9%	17.9%	14.6%
Organic growth (%)	12.6%	14.7%	13.7%
Group			
Revenue 2010 (M€)	278.9	290.1	569.0
Revenue 2009 (M€)	271.1	273.7	544.8
Total growth (%)	2.9%	6.0%	4.4%
Organic growth (%)	3.0%	5.5%	4.3%



The plan to complete the spin-off Axway by the end of 2010 means that the interim accounts are presented in compliance with IFRS 5. Pursuant to this standard, Axway's assets and liabilities, together with the overall profit for the period are presented separately on distinct lines in Sopra Group's balance sheet and income statement.

Consolidated income statement IFRS 5 Sopra Group

	1st Half Year 2010		1st Half Year 2010 Restated (CVAE)		1st Half Year 2009		Change 2010/2009	
	M€	%	M€	%	M€	%	%	%
Revenue	475.2		475.2		462.1		+ 2.8%	
Staff costs - Employees	-328.9		-328.9		-317.2		+ 3.7%	+ 2.4%
Staff costs - Contractors	-36.6		-36.6		-39.6		- 7.6%	
Operating expenses	-68.6		-73.2		-71.9		+ 1.8%	
Depreciation and provisions	-7.0		-7.0		-7.0		+ 0.0%	
Profit from recurring operations	34.1	7.2%	29.5	6.2%	26.4	5.7%	+ 11.7%	
Amortisation of allocated intangible assets	-0.4		-0.4		-0.4			
Other operating income and expenses	-0.2		-0.2		-2.2			
Operating profit	33.5	7.0%	28.9	6.1%	23.8	5.2%	+ 21.4%	
Cost of net financial debt	-		-		-			
Other financial income and expenses	-3.7		-3.7		-5.0			
Income tax expense	-12.6		-8.0		-6.6			
Net profit from continuing operations	17.2	3.6%	17.2	3.6%	12.2	2.6%	+ 41.0%	
Net profit from discontinued operations	2.6		2.6		-1.5			
Net profit	19.8	4.2%	19.8	4.2%	10.7	2.3%	+ 85.0%	
Group share	19.8		19.8		10.7			
Minority interests	-		-		-			

Simplified balance sheet IFRS 5

€m	30/06 2010	30/06 2009	31/12 2009
Goodwill	207.3	377.6	356.6
Allocated intangible assets	2.0	24.7	23.1
Other fixed assets	39.1	41.0	40.4
Assets	248.4	443.3	420.1
Trade accounts receivable (net)	322.8	358.0	333.9
Other assets and liabilities	130.1	-	-
Operating assets and liabilities	213.1	18.5	-1.0
ASSETS + WCR	461.5	461.8	419.1
Equity	315.5	265.8	281.7
Net financial debt	146.0	196.0	137.4
CAPITAL INVESTED	461.5	461.8	419.1



Consolidated income statement IFRS 5 Axway

	1st Half Year 2010		1st Half Year 2010 Restated (CVAE)		1st Half Year 2009		Change 2010/2009
	M€	%	M€	%	M€	%	
Revenue	95.3		95.3		83.1		+ 14.7%
Staff costs - Employees	-63.9		-63.9		-57.4		+ 11.3%
Operating expenses	-22.2		-22.7		-24.6		- 9.8%
Depreciation and provisions	-1.0		-1.0		-1.0		+ 0.0%
Profit from recurring operations	8.2	8.6%	7.7	8.1%	0.1	0.1%	+ 8100.0%
Amortisation of allocated intangible assets	-1.0		-1.0		-1.0		
Other operating income and expenses	-1.9		-1.9		-		
Operating profit	5.3	5.6%	4.8	5.0%	-0.9	-1.1%	+ 488.9%
Cost of net financial debt	-		-		-		
Other financial income and expenses	-0.6		-0.6		-0.9		
Income tax expense	-2.1		-1.6		0.3		
Net profit from continuing operations	2.6	2.7%	2.6	2.7%	-1.5	-1.8%	+ 73.3%
Net profit from discontinued operations	-		-		-		
Net profit	2.6	2.7%	2.6	2.7%	-1.5	-1.8%	+ 73.3%
Group share	2.6		2.6		-1.5		
Minority interests	-		-		-		

Disclaimer

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About Sopra Group

A leader in the European consulting and IT services market, Sopra Group generated revenue of 1.094 billion euros in 2009 and has a human and intellectual resource potential of over 12,000 people. Thanks to a longstanding culture of excellence and strong sector-specific, functional and technological know-how, the Group offers its clients an end to end approach based on a well-honed business model. Sopra Group's ambition is to allow its clients to focus on transformation projects that will give them a competitive edge and help them drive growth. Sopra Group's savoir-faire encompasses prior strategic reflection through to the supervision and implementation of major systems integration and application outsourcing projects. The Group also pursues the worldwide deployment of its activities in both application integration and business process management through its subsidiary Axway, a leading provider of Business Interaction Networks, with a complete range of solutions and services. For more information, please visit our website www.sopragroup.com.

