



## Contents

<b>1.</b>	<b>Sopra Group: Our business</b>	<b>p. 3</b>
<b>2.</b>	<b>Sopra Group and the stock market</b>	<b>p. 17</b>
<b>3.</b>	<b>Corporate governance</b>	<b>p. 25</b>
<b>4.</b>	<b>Reports of the Management Board and Supervisory Board</b>	<b>p. 39</b>
<b>5.</b>	<b>Sopra Group consolidated financial statements</b>	<b>p. 55</b>
<b>6.</b>	<b>Sopra Group SA simplified individual financial statements</b>	<b>p. 97</b>
<b>7.</b>	<b>Combined General Meeting, 30 May 2006</b>	<b>p. 107</b>
<b>8.</b>	<b>Administrative and legal information</b>	<b>p. 115</b>
	<b>Certification by the person responsible for the Reference Document</b>	<b>p. 120</b>
	<b>Table of Concordance</b>	<b>p. 122</b>

# Contents

<b>1.</b>	<b>Sopra Group: Our business</b>	<b>p. 3</b>
<b>2.</b>	<b>Sopra Group and the stock market</b>	<b>p. 17</b>
<b>3.</b>	<b>Corporate governance</b>	<b>p. 25</b>
<b>4.</b>	<b>Reports of the Management Board and Supervisory Board</b>	<b>p. 39</b>
<b>5.</b>	<b>Sopra Group consolidated financial statements</b>	<b>p. 55</b>
<b>6.</b>	<b>Sopra Group SA simplified individual financial statements</b>	<b>p. 97</b>
<b>7.</b>	<b>Combined General Meeting, 30 May 2006</b>	<b>p. 107</b>
<b>8.</b>	<b>Administrative and legal information</b>	<b>p. 115</b>
	<b>Certification by the person responsible for the Reference Document</b>	<b>p. 120</b>
	<b>Table of Concordance</b>	<b>p. 122</b>

# Sopra Group ■

## Reference Document

### 2005



The original French-language version of this Reference Document was registered with the Autorité des Marchés Financiers on 22 May 2006, pursuant to article 212-13 of its General Regulations. The French-language original may be used as a basis for a financial transaction if it is supplemented by a prospectus authorised by the Autorité des Marchés Financiers.

Copies of this Reference Document may be obtained by submitting a request to Sopra Group, Director of Communication, 9 bis rue de Presbourg, 75116 Paris, France, via our website: [www.sopragroup.com](http://www.sopragroup.com), or via the website of the Autorité des Marchés Financiers: [www.amf-france.org](http://www.amf-france.org).

Pursuant to article 28 of Commission Regulation (EC) No 809/2004 of 29 April 2004, the following information is included with respect to this Reference Document:

1. Relating to financial year 2004:

- the management report and the consolidated financial statements, in addition to the Statutory Auditors' report on the consolidated financial statements, included in the Reference Document filed on 16 May 2005 under number D.05-0706 (pages 35 to 45 and 47 to 76, respectively);
- the simplified individual company financial statements of Sopra Group in addition to the Statutory Auditors' general report on the individual company financial statements included in the Reference Document filed on 16 May 2005 under number D.05-0706 (pages 77 to 81, respectively);
- the Statutory Auditors' special report on regulated agreements included in the reference document filed on 16 May 2005 under number D.05-0706 (pages 82 and 83).

2. Relating to financial year 2003:

- the management report and the consolidated financial statements, in addition to the Statutory Auditors' report on the consolidated financial statements, included in the Reference Document filed on 14 June 2004 under number D.04-0917 (pages 35 to 46 and 47 to 77);
- addition to the Statutory Auditors' general report on the individual company financial statements included in the Reference Document filed on 14 June 2004 under number D.04-0917 (pages 79 to 97, respectively);
- the Statutory Auditors' special report on regulated agreements included in the reference document filed on 14 June 2004 under number D.04-0917 on pages 98 and 99.

The information included in both of these Reference Documents other than the information mentioned above, has been replaced and/or updated, as applicable, by the information included in this Reference Document.

# Sopra

group ■

Société Anonyme governed by Management Board  
and Supervisory Board with share capital of €45,845,940  
326 820 065 RCS Annecy  
Registered office: PAE Les Glaisins - F-74940 Annecy-le-Vieux  
Head office: 9 bis, rue de Presbourg - F-75116 Paris



# 1

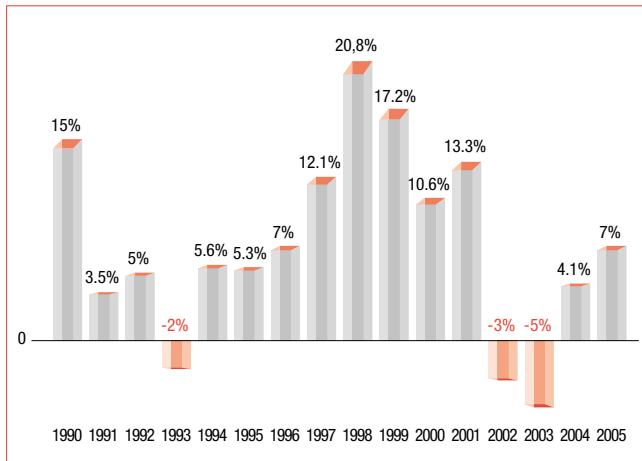
## Sopra Group Our business

1. An overview of the IT services sector p. 4
2. History of Sopra Group p. 5
3. Sopra Group's businesses and strategy p. 7
4. Investments in 2005 p. 9
5. Key figures p. 10
6. Group structure at 30 April 2006 p. 11
7. Group organisation p. 12
8. Human Resources p. 13
9. Sustainable development p. 15
10. Relationships with suppliers p. 15
11. Risk factors p. 16

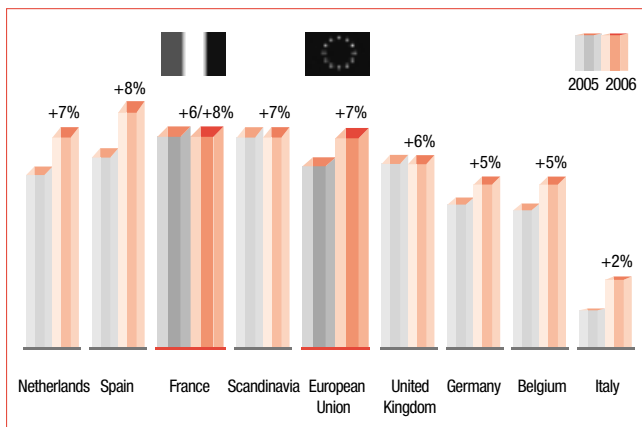
## 1. An overview of the IT services sector

### 1.1. Sustained growth

In Western Europe, the satisfactory growth experienced by the Software and Services sector in 2004 gained momentum in 2005. The impact of this growth on total expenditure on IT services and solutions (companies with 10 or more employees) is illustrated below (Source: Syntec Informatique Conference, 6 April 2006):



In Europe, the 2005 country analysis of IT expenditure and the outlook for 2006 are as follows (Source: Pierre Audoin Conseil, Syntec Informatique Conference, 6 April 2006):



This performance was achieved in a difficult economic environment (GDP growth of only 1.4%), demonstrating that our sector remained particularly robust in 2005 (growing four times faster than GDP). This is due in part to:

- continued strong demand for outsourcing, and particularly application outsourcing;
- significant recovery in consulting;
- stabilisation of prices after three years of decline, accompanied by increases for certain services (such as strategy and management consulting, new technologies and ERP consulting);
- more robust vertical markets (financial services, public sector, telecoms).

### 1.2. Transformation in demand for IT services

There has been an increasing polarisation of demand along the following lines:

- greater industrialisation of processes with clients focusing their attention on a very small number of suppliers, increased pressure on prices (encouraging the building of offshore capabilities) and the rising use of managed services;
- increased emphasis on certification with a surge in industry-oriented consulting, high added-value technological consulting and an intensifying demand for greater innovation.

The direct consequences of this polarisation will be felt soon in the following areas:

- rise in offshore activities;
- further market concentration;
- a probable "talent war" accompanied by a rapid extension beyond the so-called traditional professions and the need to develop a multi-skilled workforce.

#### 1.2.1. Rise in offshore activities

In 2005, all IT services players acknowledged the importance of building up offshore capabilities in order to remain competitive. Although 60% of services offered (consulting, project management, technical assistance, training, facilities management) may not be moved offshore, the outsourcing of the remaining 40% (Source: Syntec Conference, 19 October 2005) to countries with lower costs may provide a real economic advantage. The key areas for offshore operations are:

- helpdesk services;
- technical migration projects;
- application management;
- development of major projects;
- debugging.

Furthermore, each country is responding to these changes in the sector to a different degree and tends to build offshore assets in different countries. Countries that are building such offshore capabilities include the United States (10% of its production), the United Kingdom (6%), and Central and Eastern Europe, the Caucasus, Central Asia and Russia (2%).

This trend is expected to gain significant prominence in the near future due to the constant pressure on prices by our clients, the improved quality of offshore offerings, direct competition from Indian companies, advances achieved in the industrialisation of processes and the rapid decline in the cost of broadband connections. For those software and IT services players willing to embrace this route to move forward, offshore will allow for:

- improved margins;
- further industrialisation of client-supplier relations;
- the transformation of professions within companies;
- a reorganisation of the Software and Services sector, with far greater market concentration;
- a lower rise in recruitments in wealthy countries.

### 1.2.2. Gradual market concentration

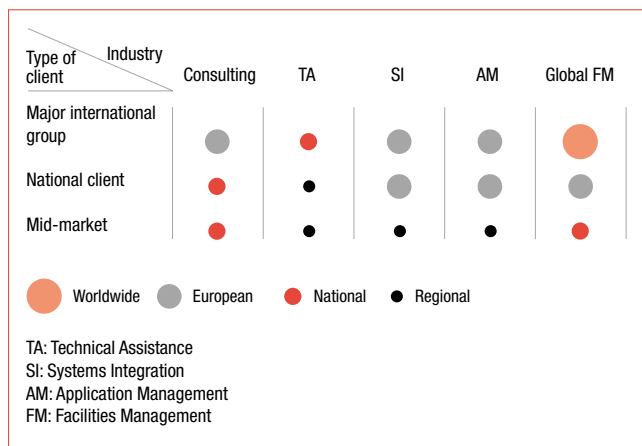
Demand continues to drive market concentration as clients seek to work with a limited number of suppliers by favouring players with:

- extensive geographic coverage to accompany their clients' development;
- proficiency in facilities management;
- an interest in building offshore capabilities.

This market consolidation is developing gradually. Whereas in 1995 the ten leading French companies accounted for 31% of the market, the ten leaders of 2006 are expected to handle 43%.

This relatively slow progression is due to the fact that each company's bid to attain critical mass relies heavily on the success of its particular strategy focusing on a specific category of clients as well as specific expertise.

The following diagram provides an illustration of these dimensions:



In order to remain independent, each company must therefore adapt its strategy to its size.

## 2. History of Sopra Group

Founded in January 1968 by Pierre Pasquier and François Odin, who still control and manage it, Sopra Group is one of Europe's longest established IT services companies.

From the outset, Sopra Group positioned itself in all of the IT services sectors and soon became a key player in the French market.

After an initial period of essentially organic growth, Sopra Group began to restructure its activities in 1985 to become an international IT engineering firm with the creation of the first subsidiary, in Geneva.

It also saw Sopra Group embark successfully on a number of large public-sector projects (including the creation of new systems to manage French vehicle registration books and driving licences), break into the technical products market (with the first client listings for the Règles du Jeu translation software package) and develop its banking offer.

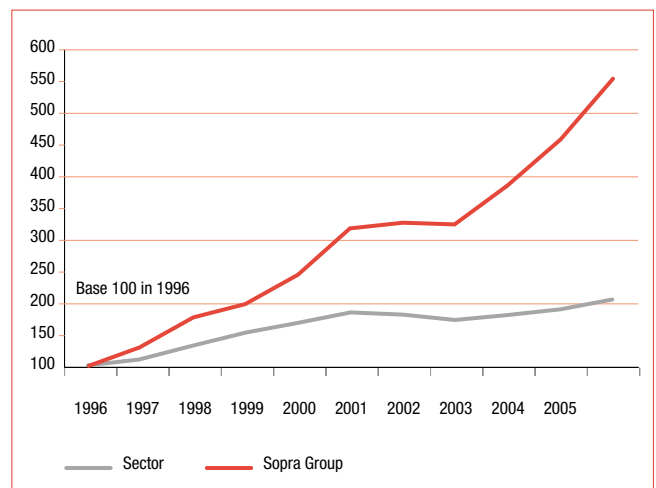
### 1.2.3. Talent war

Today, we are experiencing greater difficulty in recruiting, an increase in staff turnover and nascent skills shortages in certain areas. This is the result of:

- a strong increase in the number of positions available;
- declining student enrolment in science courses;
- the mass arrival at retirement age of baby boomers.

The sector's most successful companies will be those able to recruit specific skills, enrich their pool of specialised resources, enhance their appeal to young people but also and above all, those with the ability to retain top talent.

### 1.3. Development of Sopra Group in comparison to its sector



In recent years, Sopra Group has proven its capacity to outperform its sector. Today, the Group is fully aware of the challenges faced by the IT services sector and constantly adapts its strategy in order to remain among the sector's best performing companies.

In 1990, Sopra Group was ready to be listed on the Paris Bourse. Prior to this initial public offering, a first stock option plan was set in place for the vast majority of employees. From that time on, Sopra Group has maintained a balance between organic growth and growth through acquisition.

In France, the most significant acquisitions were as follows:

- in 1992, Sopra Group added to its range of technical products through the acquisition of Netsys, a company specialising in data transfer software packages for heterogeneous environments; Netsys' products rounded out Sopra Group's range of technical solutions, forming a coherent whole with its translation and data flow management offer;

- in late 1993, Sopra Group acquired Comelog's offices in northern France, eastern France and Normandy, thus increasing its workforce by 250. The new employees were experienced in Sopra Group's business lines and contributed high added-value in terms of sales;
  - in 1996, Sopra Group made its largest French acquisition with the purchase of SG2 Ingénierie, bringing Société Générale into the group's capital and adding a further 650 members to its workforce. This influx of personnel considerably strengthened the company's presence in Paris and the French provinces. It also added to its international presence and provided a strong position in the Benelux countries;
  - in 1996, Sopra Group bought the Plejades business from Sema. This acquisition reinforced the position of the Human Resources Division and provided the company with a product which was ideally suited to the human resources management market;
  - in late 1997, Sopra Group acquired the products branch of Credintrans (Groupe CIC), thus rounding out its file transfer range and becoming the European leader in the sector. Following this acquisition, the group created a number of European subsidiaries dedicated to increasing the sales of these products;
  - in 1999, Sopra Group bought two Vivendi subsidiaries:
    - IOS ATI, in Paris, which employs 270 people specialising in the telecoms and services sectors, and,
    - IOS RS, in Paris and the South of France, which employs 110 people specialising in technical computing and networks;
  - in 2000, Sopra Group joined forces with Orga Consultants by acquiring 100% of the capital via a share exchange. Orga Consultants, which specialises in strategy, management and organisational consulting, has a workforce of 200. This acquisition enabled Sopra Group to develop a high-level consulting business. With Orga Consultants, Sopra Group has expanded its range of business lines, which now encompasses Consulting and Systems & Solutions Integration;
  - in December 2003, Sopra Group acquired Inforsud Ingénierie. This IT services and software company provides project management, systems integration, and application outsourcing services mainly to banking sector clients. The company also develops software suites specifically for the banking industry. Its functional specialisations include smartcards, risk management, and banking distribution. The company employs a staff of 530 and has branches in Rodez, Toulouse, Albi, Montpellier and Paris. This acquisition reaffirms Sopra Group's dominant position in the banking sector and solidifies its uncontested leadership in lending management and smartcard technologies;
  - in July 2004, Sopra Group acquired Valoris, a European consulting and IT services company employing a staff of nearly 500, specialising in improving the performance of organisations and their management of clients, suppliers, partners and human resources. Its offer of services ranges from strategy consulting to the management of IT architectures. Valoris is a market leader in the following areas: Business Intelligence (BI), Customer Relationship Management (CRM), Portals, and Content Management. This merger forms part of Sopra Group's development strategy to become a European leader in consulting and systems integration, by focusing on solutions providing high added value, capitalising on our highly-acclaimed savoir-faire in a wide range of state-of-the-art technologies, and demonstrating our capacity to manage major transformation projects for our clients.
- In **Europe**, Sopra Group is expanding through strategic acquisitions and is firmly focused on becoming a European leader in systems integration:
- Sopra Group made its first European acquisition in 1999, with Mentor in the **United Kingdom**. This operation laid the foundation for a truly international systems integration network. Mentor's engineering teams have a total workforce of 150 people;
  - in 2000, Sopra Group expanded its footprint in Europe through a total of three acquisitions in **Spain**:
    - Organización Guver (120 employees), in Barcelona,
    - Dipisa (200 employees), in Madrid,
    - Newpath Consulting and Newpath GS, specialising in Oracle-based services (120 employees), in Madrid;
  - in 2001, international expansion continued with the acquisition in the **United Kingdom** of CS Rand which specialises in systems integration and AM (in Oxford and Edinburgh);
  - an **Italian** company, ITI SpA (200 employees), which is based in Milan, and specialises in Consulting and Systems & Solutions Integration was also acquired in 2001;
  - in 2003, Sopra Group acquired full ownership of Soleri-ECL, the **Spanish** subsidiary of Soleri SA, a systems integrator serving corporate accounts in the banking and retail sectors. Soleri-ECL employs a staff of 70 in Madrid;
  - in July 2005, Sopra Group acquired 100% of Newell & Budge in the **United Kingdom** as well as its Irish and Indian subsidiaries. The market leader in Scotland, supported by a staff of 600 (including more than 100 employees of the India-based subsidiary Momentum Technologies), this company provides a complete range of consultancy, delivery and support services.
- As the positioning of Newell & Budge complements that of Sopra Group in the United Kingdom, the combined entity benefits from complete geographic coverage of this market, a highly skilled and experienced workforce and a strengthened client base, particularly in the financial services, telecoms and public sector verticals.
- With this operation, Sopra Group has reinforced its position as a leading systems integrator in the UK. The new entity will continue to strengthen its expertise in its current vertical markets, particularly in the public sector, financial services and telecoms, developing synergies with Sopra Group especially in the fields of applications outsourcing, testing, security and ERP integration.
- in November 2005, Sopra Group acquired 100% of PROFit SA, an independent IT consulting and systems integration company based in **Spain** and in **Portugal**. PROFit offers its blue chip clients a full range of IT services, encompassing consulting as well as the implementation of solutions. From technological consulting to solutions integration by way of applications outsourcing services, PROFit has developed its value-added offerings in the banking, energy, telecoms and public sector verticals.
- As the positioning of PROFit complements that of Sopra Group in Spain, the combined entity benefits from complete geographic coverage of this market (Barcelona, Madrid, Seville, Valencia, Vitoria) and Portugal with a presence in Lisbon, a highly skilled and experienced workforce and a strengthened client base, particularly in the financial services, telecoms, public sector and retailing verticals.

In 2001, Sopra Group began making inroads into the Enterprise Application Integration (EAI) market and set about becoming a global player in the field:

- as part of this strategy, Axway (400 employees and revenue of €50 million) was set up in 2001 to take responsibility for the entire EAI business. Axway draws upon Sopra Group's considerable experience and expertise in project management while combining specialist know-how, a powerful sales force and a loyal client base;
- in 2002, Axway acquired the integration business of Viewlocity Inc., beginning with its **European** subsidiaries and then acquiring units in **Asia** and the **United States**. This acquisition rounds out Axway's offer with products specialised in Electronic Data Interchange (EDI) and gives it global geographic coverage. Thanks to this deal, Axway has become a major EAI services company with a staff of 600;
- in early 2006, the Group acquired Cyclone Commerce in the **United States**.

This merger is in keeping with Axway's worldwide development strategy. The complementary geographic positioning of the two

companies will create a global leader in the B2B, SOA and collaborative services domains, capable of serving the needs of the largest multinational corporations.

Cyclone's products and solutions will be maintained and integrated in an updated version of Axway's XIP integration platform. The 7,000+ clients will thus benefit from expanded offerings in line with the full portfolio of services and expertise currently offered by Axway and Cyclone.

As part of its overseas expansion strategy, Sopra Group works closely with its EAI subsidiary Axway and with its Systems Integration subsidiaries in Europe to drive growth and consolidate its leadership positions in key European markets, particularly the United Kingdom and Spain.

Sopra Group enjoys considerable synergies and opportunities enabling it to leverage its successes in other markets. In this way, the Group aims to become a leading provider of Consulting and Systems & Solutions Integration services of French origin, supported by a strong presence in the banking and insurance sectors, an extensive regional footprint and an ambitious cross-border growth strategy.

### 3. Sopra Group's businesses and strategy

Sopra Group has taken advantage of the upturn in the IT services sector to significantly improve its market share in its strategic segments and was among the top companies in this sector in 2005 in terms of growth.

This performance demonstrates the value of the Group's dynamic enterprise culture and the judiciousness of its policy of consistently investing in its core business lines - Consulting, Systems & Solutions Integration and Application Outsourcing - so as to offer total, state-of-the-art solutions.

The Group's **Consulting** business offers a range of solutions providing high added value, enjoying a coveted upstream position and allowing the Group to gain access to decision makers at the highest levels. This segment posted sharp growth in 2005 and also has the advantage of high margins.

**Systems & Solutions Integration** is Sopra Group's long-standing core business, the first strength that built its fine reputation and enabled the Group to attain leadership positions in key technological fields. In 2005, many highly important projects were entrusted to Sopra Group, in France, but also very significantly in Europe. The acquisitions of Newell & Budge in the United Kingdom and of PROFit in Spain are in keeping with this internationalisation strategy.

**Application Outsourcing** saw robust demand in 2005, particularly in Application Management, a area in which Sopra Group has been recording the strongest gains in the sector for several years now. But the year was especially notable for the increase in demand for offshore capabilities. Sopra Group met this demand by developing a network of Service Centres located throughout France and in several other European countries. The Indian subsidiary of Newell & Budge was a further addition to these resources.

**Application integration and business process management** are the specialisations of Axway, a subsidiary of the Group pursuing

its worldwide expansion. Axway's ambition is to consolidate its position in Europe, continue building its worldwide network of partners and boost its expansion through targeted acquisitions. The acquisition of Cyclone Commerce in the United States dovetails perfectly with this strategy.

#### 3.1. Sopra Group's core business: Consulting, Systems & Solutions Integration, Application Outsourcing

Sopra Group proposes a total solution focusing on achieving performance gains for its clients by enhancing their operational excellence. We guide the choices of our clients without slavishly following the latest trends and manage their major transformation programmes by aligning their information systems with their corporate strategies.

Sopra Group's commitment to its clients is characterised by a set of values and behaviours whose key elements are:

- the guarantee of a total commitment with a view to establishing a long-lasting partnership;
- the development of a strategy based on proximity (both intellectual and geographic);
- the continuous pursuit of innovation;
- expertise and knowledge of our clients' businesses;
- the quality of service performance;
- the industrialisation of services.

In order to accomplish all of these goals, Sopra Group brings to bear the full weight of its professional expertise in Consulting, Systems & Solutions Integration and Application Outsourcing.

### 3.1.1. Consulting

Orga Consultants, a subsidiary of Sopra Group, is a leading consulting firm advising top management personnel of major companies. Through its core business - strategy and management consulting - Orga Consultants assists its clients in determining their strategic orientations and, once these have been elaborated, helps in their implementation. In 2005, the main areas in which Orga Consultants was active included sales and marketing strategies, supply chain and industrial performance management, corporate mergers and restructuring, IT governance and strategy, corporate control and human resources management. Orga Consultants applies these competencies to support decision making by executive management and provide operational assistance for project management.

Sopra Group's own Consulting business focuses on several key technology areas, providing high added-value industry-specific services. Sopra Group's Consulting division helps companies and public sector organisations to select and integrate the IT tools and infrastructures best suited to improving their performance and enhancing their operational excellence. In 2005, the main projects involved IT architectures, ERP technologies, portals and e-commerce, as well as customer relationship management (CRM) and business intelligence applications.

### 3.1.2. Systems & Solutions Integration

#### a. Systems Integration

This was Sopra Group's original business. Sopra Group's sense of professionalism and the rigorous criteria applied in the implementation of its offerings are a big advantage in an area in which only the largest service companies with the most established service offerings and client relationships have been able to continue to invest and expand. The market favours suppliers who can add value to each phase in a project lifecycle and deliver a complete solution. Sopra Group's development of industry-specific knowledge provides valuable insights into its clients' business processes thus optimising the integration of standards-based technologies with legacy systems.

Above all, Sopra Group's Systems Integration business relies upon highly qualified, specialised staff for its success. For almost forty years, these employees have contributed to the development of a deep-rooted corporate culture and shared professional values, the building blocks of the Group's reliability and performance.

The Systems Integration business offers expertise in five key technology areas:

- Integration of industry-leading ERP systems: These are based on market-standard technologies and are generally the core component to be implemented for enterprise management solutions. ERP integration requires high-level project management skills, specialist knowledge of system modules, and an ability to integrate ERP modules with legacy systems. Sopra Group is a leading integrator of a number of systems - Oracle (No. 1 in France for the integration of Oracle eBusiness Suite), SAP and QAD, among others.

- CRM (customer relationship management): Improving the customer performance and focus of a company may take many forms and often relies upon cutting-edge information and communications technologies. In this area, Sopra Group offers expertise for a wide variety of projects: the launching of contact centres, developing new channels of communication or implementing customer knowledge databases, among others. Sopra Group's teams work closely with clients at all CRM project stages, from the formulation of strategy to the implementation of solutions.
- X-Net services: Corporate users and public sector organisations are increasingly adopting enterprise portals, e-commerce websites, intranets, extranets and supplier websites as a means to apply Web services technologies to their business development. Sopra Group helps its clients move toward more paperless environments by implementing tools and services enabling the replacement of manual and paper-based processes with electronic exchanges.
- Business intelligence applications: Analytic and decision support tools are used in a variety of business processes, from CRM through to price modelling, financial reporting and management control. Their design requires specialist IT skills and in-depth industry knowledge. Sopra Group is able to satisfy the growing demand for business intelligence solutions by pairing the extensive experience and skills of its design engineers with the proven and focused expertise of its consultants.
- Proprietary solutions development: Sopra Group's expertise encompasses a broad spectrum of capabilities and experience and comprehensive skills in design, development and implementation underpinned by its strengths in methodology, technology and specialist knowledge of particular subjects or business sectors. Sopra Group is therefore able to assume complete responsibility for major specialised projects for companies or public sector organisations covering all their dimensions and components.

#### b. Industry-specific solutions

Sopra Group's business solutions are widely used and have become the applications of choice in their specific sectors.

Sopra Group has focused on the development of these proprietary application solutions in three areas - banking, real estate and human resources.

- Banking solutions: More than 800 clients in banking and financial services have selected Sopra Group's solutions for loan management, integrated banking systems, regulatory compliance (reporting, financial summarising systems) and smartcard technologies;
- Real estate solutions: More than 4 million managed lots, 35 million sq.m of professional premises and 70% of the shopping centres in France. Sopra Group provides solutions for rental management, financial and accounting management, as well as the construction, renovation and maintenance of properties;
- Human resources solutions: Our clients manage a total of 2 million employees using Sopra Group solutions. Sopra Group provides a complete HRIS solution, including payroll, HR management, time and labour management and facilities management.

Finally, in all sectors Sopra Group offers industry-specific expertise. This allows clients to concentrate their efforts on their core business by offering them the services and tools of professional specialist providers in their sector.

### 3.1.3. Application outsourcing

Application outsourcing services cover the design and development of applications and the provision of off-site helpdesk services for users. Service contracts frequently include provision of Application Management and Service Centres, which are designed to generate economies of scale and productivity gains for clients.

This total solution covers:

- the completion of projects on an ongoing basis with a recurring structure available to the client;
- the maintenance of legacy applications;
- the qualification of all or a portion of the client's information system.

Project completion processes are industrialised and are supported by a network of Service Centres, both nearshore (France, Spain and the United Kingdom) and offshore (India), with the aim of maximising quality and flexibility while keeping costs under control.

## 4. Investments in 2005

### 4.1. Acquisitions

In July 2005, Sopra Group acquired **Newell & Budge** in the **United Kingdom** as well as its Irish and Indian subsidiaries, in a cash transaction.

In November 2005, Sopra Group acquired 100% of the capital of **PROFit SA** in **Spain**.

Detailed information on acquisitions completed in 2005 is provided in Notes 2.2 and 4 to the consolidated financial statements.

### 4.2. Research and development

The Group continued to pursue R&D initiatives during 2005 and set aside €26.7 million to develop and expand its EAI services and proprietary solutions for banking, real estate and human resources applications.

Sopra Group's policy of consistent investment in its strategic solution lines has been central to its excellent performance and resilience in recent years and has given the Group a solid platform for future growth. It is also a key element underpinning "Project 2010", the Group's new strategic plan.

### 3.2. Axway

Axway's solutions offering is built around the aXway Integration Platform (XIP), a modular software infrastructure which allows clients to combine software modules to meet their application and process integration requirements. XIP spans all of the components used in application integration, from process automation layers through to Business Process Management (BPM), data transmission (files, messages, web services) and transformation (integration broker technologies). In addition to its technical platform, Axway has also developed vertical solutions for each of its end-user markets (banking and financial services, trade, healthcare and e-government). Its products are integrated with the business processes and standards applied in each sector. The know-how accumulated over many years of work carried out for many thousands of customers enables Axway to provide end-to-end solutions for major IT infrastructure and integration projects.

These expenses, which relate mainly to the direct cost of staff dedicated to developing solution offers and software packages created by Sopra Group and Axway Software, have been recognised in full as operating expenses.

### 4.3. Facilities

A total of €9.4 million was invested in infrastructure and technical facilities.

## 5. Key figures

### 5.1. Financial summary

<i>(in millions of euros)</i>	2005	2004
Revenue	757.0	629.8
EBITDA	66.4	47.4
Profit from recurring operations	56.1	41.0
Operating profit	56.1	38.9
Net margin	7.4%	6.2%
Net profit attributable to the Group	35.3	24.5
Net profit	4.7%	3.9%
Total assets	653.5	449.8
Total non-current assets	285.4	161.9
Total non-current available for sale assets	1.4	1.1
Equity - Group share	185.3	131.2
Minority interests	0.0	0.0
Number of shares at 31 December (number)	11,444,095	10,731,950
Net earnings per share (in euros)	3.08	2.29
Weighted average net earnings per share (in euros)	3.25	2.32
Fully-diluted net earnings per share (in euros)	3.18	2.25
Net dividend per share (in euros)	1.10*	0.80
Staff at 31 December (number)	9,100	7,500

\* Amount proposed to the General Meeting of 30 May 2006.

### 5.2. Breakdown of revenue by activity

<i>(in millions of euros)</i>	2005		2004	
SSI France	504.7	66.6%	442.1	70.2%
Consulting	41.3	5.5%	34.5	5.5%
SSI Europe	125.5	16.6%	78.7	12.5%
Axway	85.5	11.3%	74.5	11.8%
<b>TOTAL</b>	<b>757.0</b>	<b>100.0%</b>	<b>629.8</b>	<b>100.0%</b>

SSI: Systems & Solutions Integration.

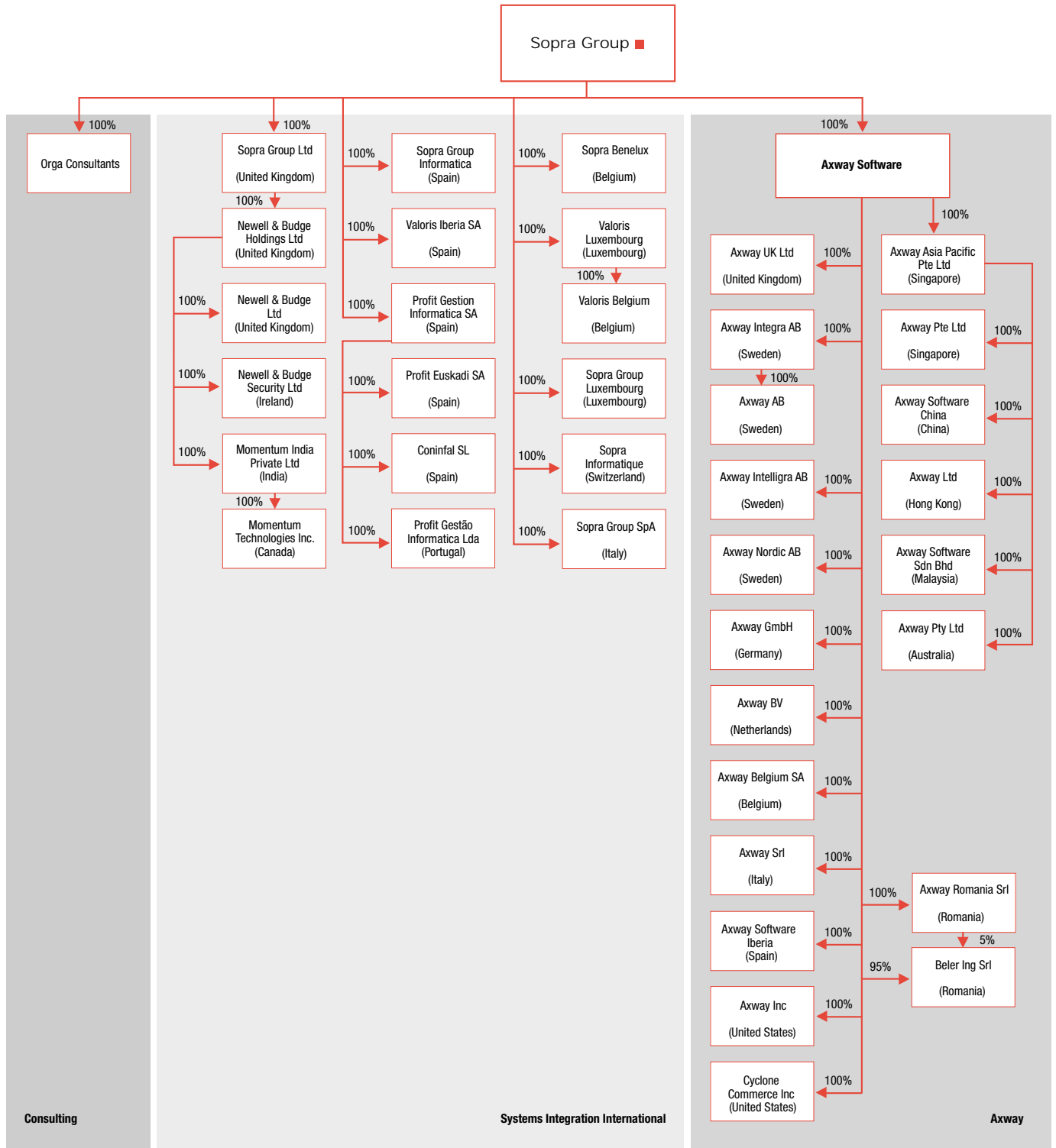
### 5.3. Revenue by business sector

<i>(in millions of euros)</i>	2005	2004
Banking	23.2%	26.1%
Manufacturing	18.6%	20.2%
Services (including real estate)	20.2%	20.5%
Telecom	12.8%	11.0%
Public sector	10.8%	10.3%
Insurance	8.7%	7.7%
Retail	5.7%	4.2%
<b>TOTAL</b>	<b>100.0%</b>	<b>100.0%</b>

### 5.4. International revenue

<i>(in millions of euros)</i>	2005		2004	
Systems & Solutions Integration	125.5		72.4	
Axway	35.5		28.7	
Other	23.2		15.3	
International revenue	184.2	24.3%	116.4	18.5%
<b>TOTAL REVENUE</b>	<b>757.0</b>	<b>100.0%</b>	<b>629.8</b>	<b>100.0%</b>

## 6. Group structure at 30 April 2006



Consulting

Systems Integration International

Axway

## 7. Group organisation

Sopra Group's governance structure consists of a Supervisory Board and a Management Board. A proposal for the adoption of a management structure consisting uniquely of a Board of Directors has been submitted to the Annual General Meeting of 30 May 2006.

This organisational structure is supported by an ongoing operational and functional structure as well as a temporary mission structure for the management of particular businesses and projects.

### 7.1. Ongoing structure

Sopra Group's ongoing structure is composed of three operational tiers and their associated functional structures.

#### 7.1.1. Tier 1: Executive Management

Executive Management comprises the members of the Sopra Group Executive Committee, who are responsible for the development of strategy and supervise operational matters (organisation, management control, functions and development of major client accounts).

The members of the Executive Committee are the Chairman of the Management Board, the Managing Director, Vice-Chairman, Directors of our French subsidiaries (Axway and Orga Consultants) as well as other Directors appointed by the Chairman of the Management Board.

#### 7.1.2. Tier 2: Divisions and subsidiaries

This tier consists of entities having the status of divisions. Sopra Group's divisions are market-oriented and are organised around one of the following parameters:

- business line (Consulting, Systems & Solution Integration, EAI);
- geography (countries, regions);
- economic sector.

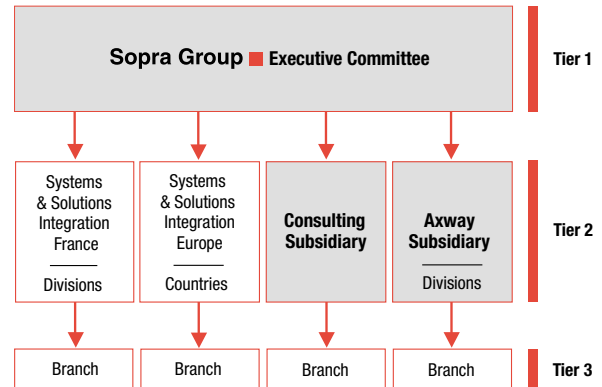
Tier 2 is the core level of the ongoing structure. The component entities of each division are autonomous branches with their own management, sales force and production teams.

#### 7.1.3. Tier 3: Branches

Tier 3 is composed of branches which constitute subdivisions of Tier 2 entities whose workforce exceeds a certain number of employees, that are fragmented at the geographic level or whose activities require separate management structures.

These branches are the organisation's primary building blocks. They operate as profit centres and enjoy genuine autonomy. They have responsibility for their own budgets, operating statements and results. They invoice their customers and manage debt collection. Steering meetings focusing on sales and marketing strategy and human resources are held weekly, and the income statement and budget are reviewed on a monthly basis.

The diagram below illustrates the three tiers of the permanent structure:



#### 7.1.4. Functional structures

Functional management (Management Services, Finance and Administration, Logistics, Human Resources Management, Communication, Quality and Application Outsourcing, Information System Resources, Internal Information Systems, Legal Affairs) is centralised for the entire Group. Functional managers contribute to overall Group cohesiveness, transmit and ensure commitment to the Group's core values, serve the operational entities and report directly to Executive Management.

They propose their own policies, assist and render services to the operational units and monitor the application of policies and regulations.

In this manner, they contribute to overall supervision and enable the operational entities to focus on business.

Their direct accountability to Executive Management ensures that the entire Group functions smoothly.

### 7.2. Temporary mission structure for business and projects

Sopra Group's organisation must retain flexibility in order to adapt to changes in its markets and ensure the successful completion of projects.

Projects are handled by temporary mission teams and are supervised:

- at the level of the ongoing structure's fundamental business units (branches);
- or under the authority of a pilot unit, established to leverage synergies across several branches;
- or finally by the Business Development Director, who coordinates projects for major client accounts.

Each project must be organised in order to meet a fundamental objective: guaranteeing the financial success and contributing to the overall growth of the Group.

Success depends mainly on the competence of project managers who must:

- work closely with the Group's ongoing structures (vertical orientation);
- continually seek to create and maintain synergies across all relevant business units (horizontal orientation).

The horizontal dimension, the least hierarchical and the most operational, affords a certain flexibility. It is situation-dependent and does not lend itself to the traditional organisational chart presenta-

tion. The increasing complexity of projects handled by the Group encourages the use of this latter type of organisation, which requires greater willingness and facility on the part of participants to collaborate within teams composed of elements originating in different entities.

Depending on their particularities (size, area of expertise, geographical zone covered) large-scale projects can be managed at the Branch Level, Division Level or Executive Management Level. Certain larger projects requiring the resources of several branches may involve the creation of a Tier 3 profit centre.

## 8. Human resources

### 8.1. Sopra Group's corporate culture

To support its development over the long term, Sopra Group's strategic orientations are examined and refined in the context of an Enterprise Project.

This Enterprise Project, which is generally revised every five years, includes an overall strategic vision and is grounded in a system of shared values. These values are communicated on a day-to-day basis across all levels of Sopra Group's organisation and enable the group to maintain its managerial performance at the level required to ensure development.

#### 8.1.1. Sopra Group's values

Sopra Group's business philosophy is built around five core values:

- respect (for employees, clients and shareholders) demands attentiveness to others, honouring commitments and developing skills;
- client-focused services require availability, creativity and the commitment to meet, without exception, the expectations of our clients;
- quality orientation inspires us to achieve excellence at the first attempt, to work consistently and rigorously to maintain these standards;
- proactive and effective approach prompting us to face competitive challenges head-on, set ambitious goals and choose the path of confidence;
- professional excellence demonstrated by our capacity for innovation, our obsession for developing our know-how and our complete mastery of the latest technological advances.

#### 8.1.2. Sharing values and integrating new staff

Sopra Group's system of values must be shared by our entire workforce, which consisted of 9,100 employees at 31 December 2005. A programme has been set up specifically to communicate and ensure the commitment of all staff to these values, especially among the 2,500 new members we welcomed in 2005.

This programme is organised by **Sopra Group Academy**, the Group's training structure. The Academy was established in 2005 with the following aims:

- satisfy training requirements related to the Enterprise Project and current missions;

- meet the expectations of staff members;
- serve as a forum for exchanging best practices;
- facilitate the integration of companies joining the Group;
- accompany the Group's internationalisation;
- implement measures in conformity with reforms introduced in France by the new vocational training law of 4 May 2004.

#### 8.1.3. Welcoming seminars

We regularly organise welcoming seminars lasting one, two or three days with a view to discussing the history, corporate project, values and offerings of Sopra Group.

The purpose of these seminars is to allow participants to achieve an overall understanding of how our organisation functions.

#### 8.1.4. Management training

For 200 Sopra Group managers, we have developed a training programme covering the fundamentals of the Group's corporate culture with respect to the management of an entity which allows participants to perfect their human resource management techniques. The motivation and mobilisation of our teams is central to our continued success.

This training programme consists of residential seminars led by an external consultant. They are the first phase in a more substantial programme focusing on the development of management skills.

### 8.2. Change in the Group's total workforce

	2005	2004	2003	2002	2001	2000
Workforce	9,100	7,500	6,060	6,000	6,000	5,300
o/w executive-level	8,800	7,250	5,800	5,720	5,710	5,050

In 2005, the Group recruited 1,100 new staff (excluding acquisitions) in France and 200 at its international subsidiaries.

These recruitments supported organic growth of 10%. In July, Newell & Budge, the leading IT services company in Scotland, joined the Group with 600 employees, 100 of which are located in India at its subsidiary Momentum Technologies, now the base of our Indian operations.

In November 2005, PROFit, a leading company in our sector in Spain, joined the Group with its workforce of 700 employees.

These two acquisitions have allowed Sopra Group to consolidate its positions in two major European countries.

At 31 December 2005, the Group had a total of 9,100 staff, of which 2,700 were employed outside France.

### 8.3. Recruitment

In terms of recruitment policy, Sopra Group considerably reinforced its partnerships with a group of prestigious engineering schools, increased the number of internship places for graduates by 50% (a very large proportion of which led to permanent work contracts), and also recruited certain experienced professionals with expertise in SAP, Oracle, business intelligence tools, architecture and project management.

Virtually all newly recruited staff have completed five or more years of higher education.

Furthermore, the workforce attrition rate, while on the increase, remained low in 2005 and was about 9.6% in France. The overall rate is not necessarily a compelling indicator, due to wide disparities between Paris and the rest of France.

### 8.4. Analysis of workforce by age and length of service

Sopra Group's average length of service in France is 7.1 years at 31 December 2005.

This indicator was heavily affected by the large numbers of new staff members joining the Group in 2004 and 2005.

The average age of employees (35.9 years) remained virtually stable in 2005. This stability is the direct result of a recruitment policy targeting young graduates in 2004 and 2005, with an average age of 29.6 years for newly recruited staff.

### 8.5. Development of human resources

#### 8.5.1. Career advancement

All new staff members joining the Group do so with the intention of developing their skills and advancing in their chosen career.

Their advancement to positions of greater responsibility follows the organisation of the Group and its subdivisions (production, commerce, management, etc.), which lay out the possible paths for career development.

#### 8.5.2. Evaluation

The evaluation of staff members allows us to optimise the performance of our organisations but it is above all the cornerstone of our human resources development system. This system relies on two tools: mission evaluations (focusing on performance and skills acquisition) and annual evaluations (summaries of progress and development).

These evaluations, in which the staff member plays an active role, are then discussed at HR department meetings held every four months, where decisions are made with respect to promotion, training and compensation.

#### 8.5.3. Skills development

The Group places a priority on the training of its staff members.

In 2005, the training programme pursued by the Academy allowed for the development of new initiatives. Management training, as already mentioned above, was one of the areas to which we devoted special attention, and these efforts were rounded out by seminars dealing with sales and marketing, human capital and attitudinal issues.

Naturally, we also pursued training initiatives in the areas of technology and quality methodology. In particular, we enhanced our training coverage in ERP, which is a core business concern for the Group.

The key figures relating to our training actions in 2005 are as follows:

- 18,000 training days;
- 4,800 staff members trained;
- 75% of the training efforts were devoted to technological skills acquisition.

#### 8.5.4. Compensation

The Group's compensation policy is founded on the following objectives:

- respect for the principle of internal fairness;
- recognition of achievement and motivation of staff through a policy of variable and fixed compensation aligned with specific performance goals consistent with the Group's major challenges;
- remain competitive so as to attract and retain the most qualified candidates.

The rate of salary increases was greater than the average for the sector. The principle of individually tailored compensation packages was maintained.

### 8.6. Application of the provisions of Book 4 of Part IV of the Labour Code

Sopra Group has signed a profit sharing agreement and has established an employee savings plan.

The profit sharing agreement currently in force was signed in April 2002. This agreement covers all employees of the UES (Union d'Economie Sociale) Sopra Group (Sopra Group SA, Axway Software SA). The special profit sharing reserve consists of two portions: the first, for two-thirds of the amount, is calculated in relation to length of service and the second, for the remaining one-third, is calculated in relation to salaries.

An agreement pertaining to the establishment of an employee savings plan within the UES Sopra Group was signed in July 2002. The amounts paid under this plan are invested in mutual fund shares. The Group's contribution consists in the payment of all operating fees for the employee savings plan.

## 8.7. Equality between men and women

The principle of equality between men and women is very closely monitored by Sopra Group, particularly through the ad hoc commission of the Group's works council established for this purpose.

Women represented 27% of the Group's workforce in 2005. Salary differentials across all categories were minimal.

There is no gap in salaries for newly recruited staff.

In terms of new hires, the balance of men to women observed within the UES Sopra Group tips in favour of women, which reflects a similar ratio in engineering schools.

## 9. Sustainable development

Sopra Group is mainly active in consulting, systems integration and EAI. Consequently, the company's offerings do not have any significant direct impact on the environment. Nevertheless, all of Sopra Group's employees and partners strictly observe its guidelines for the protection of the environment, whether in connection with the internal management of the Group or during the provision of services to clients.

The Group's environmental policy covers all aspects of the life of the company, and in particular travel and commuting, the management of business premises and waste management.

### 9.1. Travel and commuting

Sopra Group has put in place a deliberate policy encouraging the use of public transport as much as possible thus reducing the environmental impact of commuting and travel by its staff. At the same time, and also so as to limit the number of business trips, a plan for the installation of videoconferencing equipment throughout the Group was established with the result that, today, most of the Group's major sites are so equipped.

### 9.2. Management of business premises

At all of its sites in France and, depending on local legislation, in its subsidiaries worldwide, Sopra Group favours the application of measures for the protection of the environment:

- furnishing of premises with ergonomic workstations enhancing the quality of working conditions for its staff;

- installation of the most energy-efficient and environmentally friendly heating and air-conditioning systems;
- preventive maintenance of installations to conserve energy;
- use of non-toxic and non-hazardous products by the cleaning services;
- installation of fountains dispensing purified water;
- commitment by site managers to observe and encourage respect for the environment on a day-to-day basis;
- prohibition of smoking in all workplaces.

### 9.3. Waste management

Sopra Group makes every effort to recycle its waste to the full extent possible, and particularly with respect to the following areas:

- scrapping of computer equipment by specialised companies;
- special containers for toner and ink cartridges with removal by accredited companies.

In addition, and depending on measures adopted by local authorities, Sopra Group works to ensure the sorting of used paper from other waste, as is already the case at its site in Aix-en-Provence.

## 10. Relationships with suppliers

Sopra Group has defined purchasing rules and procedures based on ethical principles in its relations with suppliers, especially by respecting the following priorities:

- observing principles of fairness and equality between suppliers;
- building long-term partnerships;
- clarity and transparency of bidding and supplier selection processes;

- emphasising the quality of products and services offered.

The Group also prefers to work with suppliers adhering to ethical guidelines based on internationally recognised human rights standards.

## 11. Risk factors

### 11.1. Legal risks

#### 11.1.1. Intellectual property

##### a. Brands

Sopra Group and its subsidiaries have trademark protection for the main brand names used in each country.

The brand portfolio is managed by the Group's Legal Department with assistance from an industrial and intellectual property advisor.

##### b. Patents

Neither Sopra Group nor its subsidiaries have filed patent protection for software.

##### c. Software licences

Sopra Group and its subsidiaries own exclusive rights to all its software, either through having developed it in-house or by having acquired these rights.

The software is protected by copyright. In some cases, copyright protection has been filed with bodies such as Logitas.

Sopra Group and its subsidiaries grant only non-exclusive user licences for software packages supplied to their customers.

#### 11.1.2. Software distribution

Software published by Sopra Group and Axway Software is usually marketed directly by the group. The group nonetheless has set up a number of distribution agreements.

#### 11.1.3. Specific regulations

The Group is not subject to any specific regulations and its activities are not subject to any legal, regulatory or public authorisation.

#### 11.1.4. Significant disputes and financial impact on the Company

Provisions are recognised in respect of disputes taking into consideration the nature of the case and the estimated risk, as described in Notes 15 and 30 of the notes to the consolidated financial statements.

Risks are recognised in accordance with the method presented in Note 1.5.11 of the consolidated financial statements.

The Group is not aware of any legal or arbitration proceedings which could have a significant impact other than those reflected in the Group's financial position.

### 11.2. Industrial and environmental risks

Sopra Group operates exclusively in the field of IT services and is therefore not exposed to any specific industrial or environmental risk.

### 11.3. Market risks

This issue is discussed in Note 4 of the consolidated financial statements.

In October 2005, Sopra Group entered into a €200 million syndicated credit facility with its banks. The new credit facility contains covenants described in Note 28.4 of the consolidated financial statements.

### 11.4. Business risks

Sopra Group is exposed to specific risks inherent in its particular business as an integrator and software developer. The main risk to which the company is exposed is its capacity to carry out the commitments contracted with its clients in terms of quality, deadlines, and costs: delivering products and services in conformity with specifications, meeting agreed deadlines and operating within the budget allocated.

Management of these risks requires perfect knowledge of numerous and constantly evolving technical and functional environments, the prior implementation of a validation system covering technical, legal, and financial aspects, a proven methodology for project management, and a technical and accounting surveillance and control system.

### 11.5. Insurance and risk coverage

#### 11.5.1. Civil liability insurance

Sopra Group has taken out a civil liability insurance policy with AGF covering operating liability and post-delivery insurance, both for the parent company and its subsidiaries.

This contract provides world-wide cover for the period from 1 January 2005 to 31 December 2005.

The amounts of the cover and excesses are as follows:

##### a. Operating liabilities

- Physical, moral and bodily damages: €30,000,000 per year covered, of which:
  - Non-consecutive non-property damages: €1,525,000 per year covered,
  - Accidental pollution: €1,525,000 per year covered;
- Excess: €15,000 for all damage claims except bodily damage.

##### b. Civil and professional liability after delivery

- Physical, moral and bodily damages: €30,000,000 per year covered, of which:
  - embezzlement: €3,050,000 per year insured,
  - property entrusted to the Group: €800,000 per year insured,
  - computer viruses: €1,500,000;
- Excess: €300,000 per claim.

#### 11.5.2. Civil liability relating to aeronautic products

Sopra Group has subscribed to an insurance policy covering civil liability arising from aeronautic products.

#### 11.5.3. Management liabilities

Sopra Group has also contracted an insurance policy covering managers' liabilities.

# 2

## Sopra Group and the stock market

- |  |       |
|--|-------|
| 1. General information   | p. 18 |
| 2. Current ownership structure   | p. 18 |
| 3. Changes in share capital  | p. 20 |
| 4. Authorisations granted<br>to the Management Board<br>of Sopra Group to issue securities | p. 20 |
| 5. Stock options   | p. 21 |
| 6. Share price   | p. 22 |
| 7. Monthly trading volume  | p. 22 |
| 8. Share price performance   | p. 23 |
| 9. Earnings per share  | p. 23 |

## 1. General information

Sopra Group was listed on the Second Market of the Paris Bourse on 27 March 1990.

The capital of Sopra Group has been increased gradually from 1,530,720 shares with a nominal value of 20 francs each in 1990 to the current 11,461,485 shares with a nominal value of €4 each as of 19 January 2006, representing a total share capital of €45,845,940. The share capital comprised 11,444,095 shares with a nominal value of €4 as of 31 December 2005, representing a total amount of €45,776,380.

Sopra Group's shares were transferred to the Premier Marché (Monthly Settlement Market) in September 1999. Sopra Group's shares were admitted to the Deferred Settlement System (*Système à Règlement Différé* - SRD) on its creation.

Sopra Group is included in the SBF 250 and forms part of the new IT CAC, IT CAC 50 and NEXT 150 benchmarks.

Sopra Group's share price was €73.40 on 11 May 2006.

## 2. Current ownership structure

Shareholder	At 31/12/2005				At 31/12/2004				At 31/12/2003			
	Shares	% of capital	Voting rights	% voting rights	Shares	% of capital	Voting rights	% voting rights	Shares	% of capital	Voting rights	% voting rights
SOPRA GMT	4,356,535	38.07%	8,649,387	48.36%	4,356,535	40.59%	8,649,387	49.09%	4,356,535	41.30%	8,649,387	52.10%
Pasquier family *	181,574	1.59%	312,037	1.74%	218,363	2.03%	436,726	2.48%	225,363	2.14%	450,726	2.71%
Odin family*	296,670	2.59%	368,532	2.06%	277,550	2.59%	555,100	3.15%	277,550	2.63%	555,100	3.34%
GENINFO (Groupe SG)	1,434,700	12.54%	2,869,400	16.04%	1,434,700	13.37%	2,869,400	16.28%	1,434,700	13.60%	2,366,400	14.25%
IBI	576,697	5.04%	576,697	3.22%	-	-	-	-	-	-	-	-
Groupe Crédit Agricole	235,000	2.05%	235,000	1.31%	235,000	2.19%	235,000	1.33%	235,000	2.23%	235,000	1.42%
Caravelle	69,672	0.61%	69,672	0.39%	69,672	0.65%	69,672	0.40%	-	-	-	-
Free float	4,293,197	37.51%	4,803,842	26.88%	4,139,830	38.58%	4,805,814	27.28%	3,974,608	37.68%	4,345,302	26.18%
Treasury stock	50	-	-	-	300	0.00%	-	0.00%	44,769	0.42%	-	-
<b>TOTAL</b>	<b>11,444,095</b>	<b>100.00%</b>	<b>17,884,567</b>	<b>100.00%</b>	<b>10,731,950</b>	<b>100.00%</b>	<b>17,621,099</b>	<b>100.00%</b>	<b>10,548,525</b>	<b>100.00%</b>	<b>16,601,915</b>	<b>100.00%</b>

\* In previous financial years, these lines represented the personal holdings of Messrs. Pasquier and Odier.

Sopra GMT is a public limited company (société anonyme) under French law. Its ownership structure is as follows:

Shareholders	31/12/2005		30/04/2006	
	Shares	% of share capital	Shares	% of share capital
Pierre Pasquier family	318,050	49.90%	318,050	48.23%
François Odin family	186,050	29.19%	132,050	20.02%
Caravelle	132,000	20.71%	186,000	28.21%
Sopra Group management	1,290	0.20%	23,320	3.54%
<b>TOTAL</b>	<b>637,390</b>	<b>100.00%</b>	<b>659,420</b>	<b>100.00%</b>

At the beginning of 2006, its ownership structure changed as follows:

- the members of the Odin family group sold 54,000 shares to the Caravelle holding company, representing 8.19% of Sopra GMT's current share capital;
- members of the Sopra Group management team exercised share subscription options; there are no more Sopra GMT stock option plans.

**GENINFO** is a holding company fully owned by the Société Générale Group. It acquired a holding in Sopra Group in 1996 through a share exchange when Sopra Group acquired SG2's Systems Integration division.

**IBI** is a financial holding company governed by Luxembourg law owned by Mr. José Sancho (Managing Director of Sopra PROFit, the Spanish-Portuguese division of the Group's Systems and Solutions Integration business).

**Crédit Agricole Group** became a shareholder of Sopra Group following the Inforsud Ingénierie acquisition in December 2003.

**Caravelle** is a diversified holding company controlled by Pierre-André Martel, who is also a member of Sopra Group's Supervisory Board.

No individual shareholder owns more than 5% of the capital.

On 31 December 2005, Sopra Group did not own any treasury shares other than those held under the liquidity contract (approximately 50 shares).

## 2.1. Share ownership thresholds

“Any shareholder whose shareholding exceeds the three per cent or four per cent thresholds must inform the company, in the same conditions and using the same calculation methods as provided by law for larger shareholdings” (Article 29, paragraph three of the Articles of Association).

Apart from Sopra GMT and Geninfo (Société Générale), no other shareholder exceeds these thresholds.

## 2.2. Approximate number of shareholders

At 31 December 2005, Sopra Group had 316 registered shareholders who owned an aggregate total of 7,520,792 registered shares out of a total share capital of 11,444,095 shares.

On the basis of the most recent data in the company's possession, the total number of Sopra Group shareholders can be estimated at more than 11,000.

## 2.3. Shareholders' agreements notified to the stock market authorities

- A shareholders' agreement was signed on 4 July 2000 between Sopra GMT, Pierre Pasquier and François Odin on the one hand and Geninfo (Société Générale) on the other.

Under this agreement:

- Geninfo is entitled to hold two seats on the Supervisory Board/ Board of Directors of Sopra Group as long as it has a direct or indirect stake in Sopra Group of 10% or more, which is reduced to one seat on the Board if Geninfo's shareholding drops to between 5% and 10%. Geninfo is entitled to hold more than two seats on the Board if its shareholding increases to more than 20%.
- In the case of a proposed sale of Sopra Group shares to a third party, each party has the obligation to inform the other party. In the case of the sale of a block or several blocks of shares by Geninfo (defined as a sale for an amount equal to or in excess of either 5% of Sopra Group's market capitalisation or €7.5 million) to a competitor, Sopra Group's founders (Sopra GMT, family groups of Messrs. François Odin and Pierre Pasquier) shall have pre-emptive rights with respect to the conditions of the proposal. In such cases, initial notice of the planned deal should contain the details of the potential acquirer as well as the financial terms and conditions for the deal. Sopra Group shall have 40 days from the date the notice is served to exercise its pre-emptive rights. After this time, Geninfo is free to sell its holding according to the conditions notified. If Sopra Group exercises its pre-emptive rights, the sale must take place within 20 days from the date of its reply to notice of the deal.

This agreement came into effect on 7 July 2000 for an initial period expiring on 30 June 2001. It is automatically renewable for subsequent terms of two years;

- A shareholders' agreement was signed on 29 September 2004 between the Pasquier and Odin families and the holding company Caravelle who certify that they are acting in concert for the purposes of the agreement concluded with respect to Sopra GMT and Sopra Group. This agreement governs their relationship within Sopra GMT and is concluded for a period of 10 years.

It is renewable automatically for subsequent terms of 5 years.

This agreement has been approved by the French stock market authorities (Conseil des Marchés Financiers) and notably includes the following provisions:

- Sopra GMT share transfers

Reciprocal pre-emption rights in the event of a sale of Sopra GMT shares are granted between the Pasquier and Odin families and Caravelle.

In addition, as a preferred shareholder Caravelle is granted a tag-along right enabling this company to sell all or a portion of its Sopra GMT shares should one or more members of one of the abovementioned families consider selling their Sopra GMT shares to one or more members of the other family or to a third party.

- Protection of Caravelle's investment in Sopra GMT and Sopra Group

The Pasquier and Odin families and Caravelle agree to ensure that:

Sopra GMT does not sell any of its shares in Sopra Group without the express prior consent of Caravelle, does not acquire debt or increase its capital, does not enter into any merger or other transaction having an impact on its capital, without the express prior consent of Caravelle, and that the financial situation of Sopra GMT reported at the Extraordinary General Meeting of Sopra Group be established by mutual agreement among the parties.

- Membership of the Board of Directors

Caravelle is granted one seat on the Board of Directors of Sopra GMT, which will thus be composed of five members, including four representatives of the Pasquier and Odin families. The membership of this Board is subject to future modification should changes in share ownership arise, with the stipulation that as long as the Pasquier family and the Odin family hold the majority of the capital and voting rights of Sopra GMT, the majority of the members of its Board of Directors will be nominated subject to mutual agreement of these two groups.

- Corporate governance and Sopra Group management

The Pasquier family and the Odin family agree to ensure that Pierre-André Martel, Chairman and Chief Executive Officer of Caravelle, retains the seat he currently holds on the Supervisory Board of Sopra Group and that members of either family serving on the Supervisory Board of Sopra Group neither propose nor accept the nomination, renewal or removal of a member of the Management Board without prior agreement among themselves and the prior consent of Caravelle, whose opinion may not be discounted without adequate justification. Moreover, the Pasquier and Odin families and Caravelle agree to ensure that Pierre Pasquier is appointed as Chairman of the Supervisory Board upon relinquishing the chairmanship of the Management Board of Sopra Group.

- Possible merger of Sopra GMT and Sopra Group

The Pasquier and Odin families and Caravelle will entertain the possibility of a possible merger of Sopra GMT and Sopra Group as from 1 January 2009. With effect from this date, should one or more parties to this agreement holding at least 5% of the voting rights of Sopra GMT, whether individually or as a group, request such an operation, the remaining parties agree to make every effort to bring this operation to a successful conclusion, provided that such a move is in the interest of Sopra GMT.

### 3. Changes in share capital

At 31 December 2005 Sopra Group had share capital of €45,776,380 comprising 11,444,095 shares with a nominal value of €4. The following changes were made to the capital since 1997:

Year	Description	Capital after operation	Nominal value	← Number of shares →		← Contributions →	
				Created	Total	Nominal value	Premiums or reserves
1997	Capital increase through the exercise of options	FF 91,212,400	FF 50	7,998	1,824,248	FF 399,900	FF 1,439,640
1998	Capital increase through the exercise of options	FF 91,906,600	FF 50	13,884	1,838,132	FF 694,200	FF 2,505,970
1999	Increase in capital by capitalisation of reserves, conversion into euro and reduction of nominal value	€36,762,640	€4	7,352,528	9,190,660	€22,751,569	- €22,751,569
1999	Capital increase through the exercise of options	€37,985,140	€4	305,625	9,496,285	€1,222,500	€928,517
2000	Capital increase through contributions in kind of shares of companies of the Orga Consultants group	€40,549,140	€4	641,000	10,137,285	€2,564,000	€79,612,200
2000	Capital increase through the exercise of options	€40,680,940	€4	32,950	10,170,235	€131,800	€124,330
2001	Capital increase through the exercise of options	€40,709,540	€4	7,150	10,177,385	€28,600	€29,315
2002	Capital increase through the exercise of options	€40,855,440	€4	36,475	10,213,860	€145,900	€188,165
2003	Capital increase through contributions in kind of shares of companies of Inforsud Ingénierie tendered by Crédit Agricole Group	€41,795,440	€4	235,000	10,448,860	€940,000	€7,192,000
2003	Capital increase through the exercise of options	€42,194,100	€4	99,665	10,548,525	€398,660	€1,067,356
2004	Capital increase through the exercise of options	€42,927,800	€4	183,425	10,731,950	€733,700	€2,088,547
2005	Capital income through contributions in kind of shares of PROFit tendered by IBI	€44,726,000	€4	449,550	11,181,500	€1,798,200	€22,176,302
2005	Capital increase through the exercise of options	€45,776,380	€4	262,595	11,444,095	€1,050,380	€3,047,365
2006	Capital increase through the exercise of options	€45,845,940	€4	17,390	11,461,485	€69,560	€197,734

### 4. Authorisation granted to the Management Board of Sopra Group to issue securities

	Nominal amount	Expiry date	Maximum number of corresponding shares
Sopra Group shares	€10 million	25/07/07	2,500,000
Convertible bonds or equivalent	€150 million	25/07/07	2,500,000

The Management Board used these authorisations to fund a portion of the acquisition of PROFit SA in shares. For this purpose, 449,550 shares with a par value of €4 were issued. The Annual General Meeting of 30 May 2006 will be requested to renew the authorisations to be granted to the Group's management body.

## 5. Stock options

In 1989, under its first stock option plan, Sopra Group allocated stock options to nearly all its employees. This plan is now closed and virtually all the options have been exercised.

The different stock option plans together with the employee share ownership policy implemented before the group was floated have

enabled employees to acquire, or be potential acquirers of, more than 20% of the company's shares.

The table below summarises share subscription option plans at 31 December 2005 granted by Sopra Group to its employees:

Date of Management Board or Board of Directors' Meeting	Number of beneficiaries	Number of options allocated initially	o/w to members of the present Management Board	Number of Management Board members concerned	Start date of exercise period	End of exercise period	Exercise price	Number of options cancelled at 31/12/2005	o/w cancelled in 2005	o/w members of the present Management Board	Number of options exercised at 31/12/2005	o/w members of the present Management Board	o/w options exercised in 2005	Number of options remaining to be exercised at 31/12/2005	o/w members of the present Management Board
<b>PLAN No. 3 - 1998 stock option plan (General Meeting of 07/01/1998): maximum of 721,250 shares</b>															
13/01/1998	283	614,000			01/10/2002	12/01/2006	€15.37	60,175			526,435		260,595	27,390	
04/12/1998	1	25,000			25/02/2003	24/08/2006	€46.86	25,000							
03/03/1999	2	20,000			04/03/2004	02/03/2007	€48.05	10,000						10,000	
12/10/1999	13	51,750			13/10/2004	12/10/2007	€46.20	46,000			2,000		2,000	3,750	
16/12/2002	12	129,250			17/12/2007	15/12/2010	€22.50	39,250	39,250					90,000	
<b>TOTAL</b>	<b>311</b>	<b>840,000</b>						<b>180,425</b>	<b>39,250</b>		<b>528,435</b>		<b>262,595</b>	<b>131,140</b>	
<b>PLAN No. 4 - 2000 stock option plan (General Meeting of 29/06/2000): maximum of 714,774 shares</b>															
29/06/2000	107	33,900			30/06/2005	29/06/2008	€73.00	33,800	200					100	
22/03/2001	147	301,500			23/03/2006	22/03/2009	€61.40	283,500						18,000	
19/12/2001	25	34,600			20/12/2006	19/12/2009	€61.40	34,600							
24/04/2002	2	6,000			25/04/2007	23/04/2010	€61.40							6,000	
16/12/2002	214	303,200			17/12/2007	15/12/2010	€22.50	25,100	1,200		12,000			266,100	
03/09/2003	69	88,000			04/09/2008	02/09/2011	€32.50	3,100	1,900					84,900	
13/01/2004	5	23,000			14/01/2009	12/01/2012	€35.90	3,000						20,000	
<b>TOTAL</b>	<b>569</b>	<b>790,200</b>						<b>383,100</b>	<b>3,300</b>		<b>12,000</b>			<b>395,100</b>	
													<b>Total for both plans</b>	<b>526,240</b>	

At 31 December 2005, Sopra Group's earnings per share would be diluted by a total of 4.4% if all the 526,240 outstanding share subscription options were exercised.

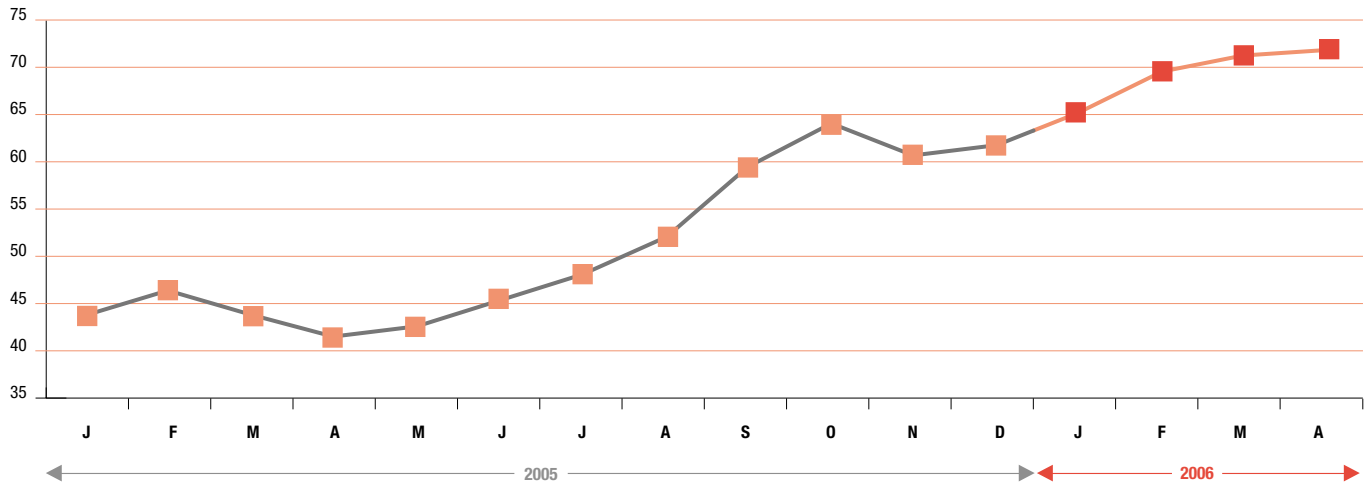
### Information concerning share subscription or purchase options

Options granted to company officers and options exercised by company officers	Number of options allocated/ number of shares subscribed or purchased	Price	Expiry	Plan
None				

Ten largest stock option allocations to employees and options exercised by said employees	Number of options allocated/ number of shares subscribed or purchased	Weighted average price	Expiry	Plan
Ten largest stock option allocations to employees granted by the issuer company within the scope of the stock option plan during the year	None			
Options exercised by said employees during the year	82,500	€15.37	12/01/2006	(plan No. 3)

## 6. Share price

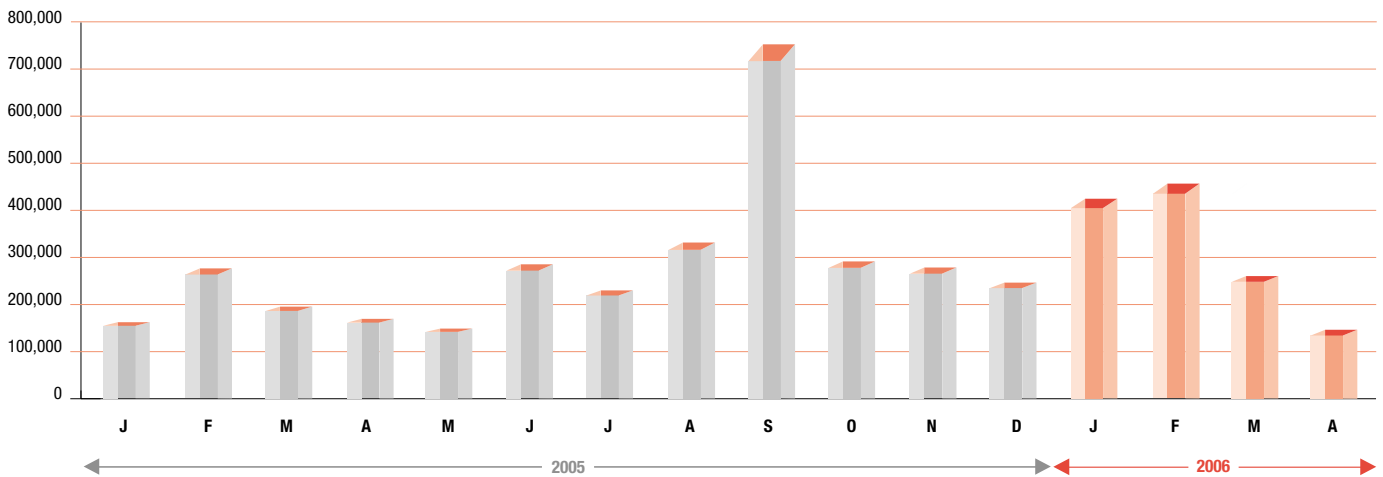
Average closing price in euros



Source Euronext Paris: issuers' brochure.

## 7. Monthly trading volume

Number of shares



Source Euronext Paris: issuers' brochure.

## 8. Share price performance

Month	Number of trading days	Price (in euros)			Trading volumes	
		High	Low	Average closing price	Number of shares	Capital (in € million)
January 2005	21	44.70	41.70	43.66	161,689	7.06
February 2005	20	48.70	44.05	46.27	270,284	12.51
March 2005	21	46.50	41.80	43.64	185,154	8.17
April 2005	21	43.00	37.00	41.26	167,977	6.86
May 2005	22	45.00	37.30	42.37	149,530	6.31
June 2005	22	47.52	42.02	45.16	275,483	12.51
July 2005	21	49.60	45.00	47.84	223,994	10.64
August 2005	23	55.80	47.81	51.84	322,268	16.75
September 2005	22	65.45	52.75	59.33	724,121	42.99
October 2005	21	66.45	60.15	63.90	287,048	18.40
November 2005	22	64.00	56.60	60.70	266,216	16.15
December 2005	21	63.50	60.00	61.60	238,262	14.69
January 2006	22	67.20	60.95	65.05	414,654	26.77
February 2006	20	73.50	63.80	69.57	442,101	30.71
March 2006	23	73.25	69.25	71.15	251,447	17.91
April 2006	18	76.20	71.05	73.43	136,519	10.03

Source Euronext Paris: issuers' brochure.

## 9. Earnings per share

Year	Number of shares bearing a dividend	Dividend
2001	10,177,385	€0.80
2002	10,213,860	€0.60
2003	10,548,525	€0.40
2004	10,731,950	€0.80
2005 *	11,444,095	€1.10

\* Amount proposed to the General Meeting of 30 May 2006.

Dividends not collected before the five-year prescription period expires are paid to the French State.



# 3

## Corporate governance

1. **Supervisory Board** p. **26**
2. **Management Board** p. **26**
3. **Statutory Auditors** p. **27**
4. **Regulated agreements** p. **28**
5. **Chairman of the Supervisory Board's report on the functioning of the Board and on internal control procedures** p. **29**
6. **Statutory auditors' report on the Report of the Chairman of the Supervisory Board (article L. 225-35 of the Code of Commerce)** p. **38**

## 1. Supervisory Board

In accordance with the provisions of article L. 225-68 of the French Code of Commerce, information on the organisation and function-

ing of the Supervisory Board is provided in the Report of the Chairman of the Supervisory Board (cf. section 5).

## 2. Management Board

### 2.1. Members of the Management Board

Name	Date of appointment	Expiration of term: General Meeting convened to approve the financial statements for the year indicated	Principal position at Sopra Group SA	Principal positions held in other companies	Other positions
Pierre Pasquier	30/06/2003	2006	Chairman of the Management Board	<ul style="list-style-type: none"> <li>• President, Axway Software</li> <li>• MD, Orga Consultants</li> <li>• MD, Sopra GMT</li> </ul>	
Jean-Paul Bourbon	30/06/2003	2006	Director		
Jean-Claude Boutin*	30/06/2003	2006	Director	<ul style="list-style-type: none"> <li>• Director, Axway Software</li> </ul>	<ul style="list-style-type: none"> <li>• Member of the Strategy and Supervisory Board of Caisse d'Épargne Île-de-France Paris</li> <li>• Chairman of the Board of Directors of Société Locale d'Épargne de Paris Est</li> </ul>
Claude Decq	27/10/2005	2006	General Manager	<ul style="list-style-type: none"> <li>• Director, Orga Consultants</li> </ul>	
Georges Koessler	30/06/2003	2006	Director		
Jean Mounet	30/06/2003	2006	Vice-Chairman		<ul style="list-style-type: none"> <li>• Chairman of the Board of Directors of Syntec Informatique</li> <li>• Director, Fédération Syntec</li> <li>• Member of the Supervisory Board of Medasys</li> </ul>
José Sancho	27/10/2005	2006	Director		<ul style="list-style-type: none"> <li>• Director, Information Business Integration S.A.</li> </ul>

\* Until 28 February 2006.

In addition, certain members of the Management Board serve as directors in wholly owned foreign subsidiaries.

All of the members of the Management Board are experienced managers.

In addition, none has declared:

- any familial relationship with another member of the Management Board or the Supervisory Board;
- any conviction during the last five years in relation to fraudulent offences or official public sanctions;

- involvement in any bankruptcy proceedings during the last five years as a member of a Board of Directors, a management body or a Supervisory Board;

- any conflict of interest affecting the exercise of their duties and responsibilities.

Subject to the approval of the change in the Group's management structure proposed to the Combined General Meeting of 30 May 2006, the terms in office of the members of the Management Board shall expire as of this date.

## 2.2 Remuneration paid to members of the Management Board

Remuneration paid to members of the Management Board in 2005 was allocated as follows:

Surname	First name	Position	Basic monthly salary	Gross - for tax purposes	Net - for tax purposes	Gross - fixed portion	Benefits in kind	Objective-driven bonuses	Bonus paid in 2005
Pasquier	Pierre	Chairman	15,245	221,097	179,706	198,185	6,859	44,592	16,053
Bourbon	Jean-Paul	Director	12,958	187,580	157,363	172,258	1,677	37,902	13,645
Boutin	Jean-Claude	Director	18,447	271,122	230,200	244,376	7,321	53,957	19,425
Decq	Claude	Managing Director	18,770	283,698	239,149	244,182	7,016	83,301	32,500
Koessler	Georges	Director	13,721	198,620	163,665	178,373	5,799	40,134	14,448
Mounet	Jean	Vice-Chairman	16,770	246,530	207,034	222,575	6,296	49,052	17,659
Sancho Garcia	José	Director		39,352	39,352		0		0
				<b>1,447,999</b>	<b>1,216,469</b>		<b>34,968</b>	<b>308,938</b>	<b>113,730</b>

For the 2004 financial year, the members of the Management Board received variable compensation composed of:

- a performance-linked portion as high as 7.5% of their fixed salary for 2004: this bonus was not paid;
- a second portion as high as 15% of their salary, based on the attainment of sales targets by division directors. As 54% of these targets were attained, a bonus was paid amounting to 8.1% of their fixed salary for 2004. With respect to Claude Decq, this second portion is linked to the performance of Orga Consultants for a maximum amount of €65,000, resulting in the payment of 50% of this amount for 2004.

No stock options or bonus shares were granted to members of the Management Board in 2005.

## 2.3. Role and functioning of the Management Board

### 2.3.1. Rules of Procedure for the Management Board

No rules of procedure have been adopted by the Management Board.

### 2.3.2. Management Board meetings

The Management Board met on 16 occasions in 2005.

All of the Management Board members are also members of the Executive Committee and meet in this capacity on a weekly basis.

## 3. Statutory Auditors

### 3.1. Statutory Auditors and Alternate Auditors

- **Cabinet Mazars & Guérard** represented by Pierre Sardet, Statutory Auditor;
- **Auditeurs & Conseils Associés SA** represented by Philippe Ronin, Statutory Auditor;
- **Gérard Vincent-Genod**, Alternate Auditor;
- **AEG Finances**, Alternate Auditor.

A proposal submitted for the approval of the Combined General Meeting of 30 May 2006 calls for the renewal of the appointment of Cabinet Mazars & Guérard as Statutory Auditor and the appointment of Mr Jean-Louis Simon as Alternate Auditor, for a term of six years, which shall thus expire at the conclusion of the Annual General Meeting convened to approve the financial statements for the year ending 31 December 2011.

### 3.2. Fees charged by the Statutory Auditors and members of their network to the Group

Financial year 2005 (in thousands of euros)	Mazars & Guérard (MAZARS)		Auditeurs & Conseils Associés (NEXIA International)	
	Amount	%	Amount	%
Statutory audit and certification of the individual company and consolidated financial statements	371	-	234	-
Related assignments	59	-	119	-
<b>Subtotal</b>	<b>430</b>	<b>66%</b>	<b>353</b>	<b>93%</b>
Legal, tax and employee-related	147	23%	28	7%
Other	70	11%	0	0%
<b>TOTAL</b>	<b>647</b>	<b>100%</b>	<b>381</b>	<b>100%</b>

## 4. Regulated agreements

### 4.1. New agreements signed during the year

No regulated agreements were made in 2005 falling under the provisions of article L. 225-38 of the Code of Commerce.

### 4.2. Agreements approved in previous years which continued to be applied during the year

The execution of the following agreements which were approved in previous years continued in 2005:

#### 4.2.1. Agreements between Sopra Group and Orga Consultants

Agreement	Impact on the 2005 financial statements
<b>Provision of premises</b>	€58,488 revenue
<b>Assistance</b> (functional management)	€1,149,800 revenue
<b>Commercial support</b> Payment of management fees for commercial support: 0.5% of Orga Consultants' revenue	€206,340 revenue
<b>Tax consolidation</b> The tax charge is apportioned as if no tax consolidation agreement applied	No impact
<b>Provision of IT resources</b>	€200,474 revenue

#### 4.2.2. Agreements between Sopra Group and Axway Software

Agreement	Impact on the 2005 financial statements
<b>Provision of premises</b>	€2,608,937 revenue
<b>Expense recharge</b> Sopra Group charges Axway Software the proportion of the various expenses relating to the shared premises (telecoms, postage, professional tax, etc.).	€277,326 revenue
<b>Provision of IT resources</b>	€1,951,804 revenue
<b>Assistance</b> (functional management)	€3,744,300 revenue
<b>Commercial support</b> Payment of management fees for commercial support.	No impact: not applied in 2005
<b>Tax consolidation</b> Tax charge is apportioned as if no tax consolidation agreement applied	No impact

#### 4.2.3. Cash management agreements

Company concerned	Balance of current account held with Sopra Group at 31 December 2005 (CB: credit balance; DB: debit balance)	(Expense)/Income
Axway Software	DB: €9,583,013	€216,899
Orga Consultants	CB: €12,278,389	€(166,101)

## 5. Chairman of the Supervisory Board's report on the functioning of the Board and on internal control procedures

Pursuant to Article L. 225-68 of the Code of Commerce (enacted in accordance with the Law on Financial Security of 1 August 2003), the purpose of this report is to inform shareholders as to:

- the manner in which the work of the Supervisory Board was prepared and organised;
- the internal control procedures implemented by the company.

The first section, which deals with the work of the Supervisory Board, is based on the document entitled *Le Corporate governance des sociétés cotées*, published in October 2003 by the AFEP and the MEDEF. This document draws on the conclusions of the Viénot and Bouton reports of 1995, 1999 and 2002. The second section, which deals with internal control procedures, is based on the document published in December 2003 by the AFEP and the MEDEF as well as on the legal opinion issued by the ANSA (Association Nationale des Sociétés par Actions) in November 2003.

### 5.1. Manner in which the work of the Supervisory Board was prepared and organised

#### 5.1.1. Regulatory framework governing the Supervisory Board, its organisation and its working procedure

The organisation and working procedures of the Supervisory Board are governed by law, the company's articles of association, internal regulations, and a charter.

##### **a. Legal provisions**

The working procedure of the Supervisory Board is governed by Articles L. 225-57 and subsequent of the Code of Commerce. The principal mission of the Supervisory Board is to fulfil a control function on a permanent basis with respect to the management of the company by the Management Board.

##### **b. Provisions included in the articles of association**

These include both organisational and procedural guidelines for the Supervisory Board, and restrictions applying to the powers vested in the Management Board.

##### **Supervisory Board organisation and working procedure**

These matters are governed by Articles 17 to 20 of the articles of association.

Article 17: Members, appointments, term of office

Article 18: Organisation and functions

Article 19: Powers and authorisations

Article 20: Compensation

##### **Restrictions applying to powers of the Management Board**

Article 16 of the articles of association, "Powers and obligations of the Management Board", lists two categories of actions to which restrictions apply:

- the first category consists of actions requiring the prior authorisation of the Supervisory Board whenever these actions involve amounts greater than a threshold revised periodically by the Supervisory Board:
  - investments or acquisitions of equity,
  - financial operations likely to substantially modify the financial structure of the company,
  - all merger, demerger, or partial contribution of assets agreements,
  - disposals of business segments;
- the second category consists of actions not authorised regardless of the amount of the operation:
  - granting of share subscription or purchase options,
  - issuance of securities of any type,
  - decisions likely to substantially modify the strategy of the company as well as the scope of consolidation of the Group,
  - share buybacks authorised by the General Meeting (with the exception of liquidity agreements).

##### **c. Supervisory Board internal regulations**

Internal regulations deal with such matters as: summary of legal and statutory powers, meetings, information received by the Supervisory Board, training of members, committees, conflicts of interest, directors' fees, confidentiality and works council representatives.

These Rules of Procedure are available upon request from the Group's Communications department.

##### **d. Supervisory Board charter**

The responsibilities of Supervisory Board members are governed by a charter that deals with such issues as: proxies, missions and conditions of service, knowledge of rights and obligations, individually owned shares, ethical rules pertaining to stock market transactions, transparency, conflicts of interest, meeting attendance, and confidentiality.

This Charter is available upon request from the Group's Communications department.

## 5.1.2. Members of the Supervisory Board

Name	Supervisory Board	Date of appointment	Expiration of term: General Meeting convened to approve the financial statements for the year indicated	Audit Committee	Compensation and Nomination Committee	Positions and appointments held in other companies
François Odin	Chairman	30/06/2003	2006			Managing Director, Sopra GMT Director, Axway Software
Pierre-André Martel	Vice-Chairman	30/06/2003	2006	Member	Member	Chairman of the Board of Directors, Caravelle SA Chairman of the Supervisory Board, XRT SA Chairman of the Supervisory Board, Cooper SAS Chairman of the Supervisory Board, Marrel SAS Chairman of the Supervisory Board, PX Holding SAS Director, Innodex SA Director, Sopra GMT Member of the Supervisory Board, Legris Industries SA Member of the Supervisory Board, Groupe Norbert Dentressangle Member of the Supervisory Board, Sonovision Itep SAS Member of the Supervisory Board, Fruehauf SAS Caravelle - Managing Partner; Kléber Aviation SNC - Legal Representative
Philippe Citerne	Member	30/06/2003	2006		Chairman	Managing Director, Société Générale Chairman, Systèmes Technologiques d'Échange et de Traitement Director, Accor Director, Crédit du Nord Director, Généval Director, SG Hambros Bank & Trust Ltd Director, Grosvenor Continental Europe SAS Director, TCW
Gérard Jean	Member	30/06/2003	2006		Member	Managing Director, Altime SA
Bernard Michel	Member	18/12/2003	2006	Member		Member of the Executive Committee, Crédit Agricole SA Member of the Executive Committee, TLJ SAS Chairman, Aeprim Chairman, Progica SAS Chairman, Silca Managing Director, Crédit Agricole Immobilier Chairman, Commission de Gestion Provisoire Caisse Régionale Corse Chairman of the Supervisory Board, CPR Billets Chairman of the Supervisory Board, Unibiens Chairman of the Board of Directors, Tansfact Chairman of the Board of Directors, Unimo Director of Operations and Logistics, Crédit Agricole SA Member of the Supervisory Board, CPR Billets Director, Cedicam Director, Cholet Dupont Director, Euro Securities Partners Permanent Representative, Crédit Agricole SA; Chairman of the Supervisory Board, Systèmes Technologiques d'Échange et de Traitement
Hervé Saint-Sauveur	Member	30/06/2003	2006	Chairman		Chairman, Géninfo Director, Crédit du Nord Director, Fimat Banque Director, Génébanque Director, Généfinance Director, Généval Director, SG Financial Services Holding Director, UIB Director and Permanent Representative of SG Financial Services Holding to the Board of Directors of Sogecap
Gérard Vincent	Member	30/06/2003	2006	Member		Honorary Advisor, Sopra Group

N.B.: The articles of association specify a four-year term of office for Supervisory Board members.

The Audit Committee was created on 2 March 2004, the Compensation Committee on 27 April 2004 and the Nomination Committee on 22 October 2004.

The members of the Supervisory Board who are considered to be independent based on the definition provided in the 2003 AFEP/MEDEF report:

- Gérard Jean;
- Gérard Vincent.

All of the members of the Supervisory Board have management expertise.

Moreover, none of them have declared:

- any family relationship with another member of the Management Board or Supervisory Board;
- any condemnation for fraud or any public sanction over the last five years;
- any implication in a bankruptcy in the course of the last five years as member of a Board of Directors, a management body or a Supervisory Board;
- any conflict of interest in carrying out their functions.

Subject to the approval of the proposed change in management structure proposed to the Combined General Meeting of 30 May 2006, the term of office of the members of the Supervisory Board will expire at that date.

### 5.1.3. Supervisory Board meetings

#### **a. Number of meetings held during the year and participation of Supervisory Board members**

In accordance with its internal regulations, the Supervisory Board is required to meet at least five times each year.

An annual calendar of meetings including a provisional agenda was established by the Board. This calendar may be modified should any specific events justify a change in the agreed schedule.

The Supervisory Board met nine times over the course of 2005. The attendance rate was 82.5%, representing a total roll call of 52 out of a possible 63 (the Board was composed of 7 members).

#### **b. Issues discussed by the Supervisory Board**

The main Issues discussed by the Supervisory Board in 2005 were:

- the organisation of and calendar for meetings,
- the 2004 financial statements,
- the preparation and convocation of the Annual General Meeting of 26 May 2005,
- the interim financial statements for the first half of 2005,
- the renewal and updating of the authorisations granted to the Management Board;
- changes in the guidelines for variable compensation paid to company officers;
- the financial information and planning documents,
- the acquisition of the companies Acanthis, Crinsoft/Beler, Newell & Budge, PROFit and Cyclone Commerce;
- the capital increase to be performed by Sopra Group in view of the acquisition of PROFit Gestión Informática SA;

- the Group's financing structure;
- the appointment of two new members to the Management Board and the appointment of a new Managing Director;
- the assessment of various potential acquisitions.

#### **c. Attendance by members of the Management Board**

The members of the Management Board are regularly invited to attend all or a portion of the meetings of the Supervisory Board.

### 5.1.4. Company strategy and the Supervisory Board

Article 16 of the articles of association stipulates that the Management Board may not, without prior authorisation by the Supervisory Board, take any decision likely to substantially modify the strategy of the company or the scope of consolidation of the Group.

In this regard, the internal regulations specify that the responsibilities of the Supervisory Board include:

- reviewing the strategic orientations of the Group as a whole at least once a year;
- considering all proposals for strategic investments as well as any operations, notably concerning acquisitions or disposals, proposed by the Management Board, likely to significantly impact the Group's earnings or the structure of its balance sheet.

### 5.1.5. Access to information by members of the Supervisory Board

#### **a. Dissemination of information - Preparatory materials**

Article 3 of the internal regulations states that:

- each member of the Supervisory Board shall receive all information required in the performance of his or her mission and is authorised to request any documents deemed pertinent;
- in advance of each meeting of the Supervisory Board, a set of preparatory materials shall be addressed to members presenting the items on the agenda requiring special analysis and preliminary reflection, provided that confidentiality guidelines allow the communication of this information;
- the members of the Supervisory Board shall also receive, in the intervals between meetings, all pertinent and critical information concerning significant events or operations. This information shall include copies of all press releases disseminated by the Company.

#### **b. Training**

Article 4 of the internal regulations states that "any member of the Supervisory Board may, on the occasion of his or her appointment or at any point during his or her term in office, engage in training sessions he or she feels are required by the performance of his or her duties."

### 5.1.6. The Committees of the Supervisory Board

#### a. Audit Committee

The Audit Committee was created on 2 March 2004. Its members are:

- Hervé Saint-Sauveur, Chairman;
- Pierre-André Martel;
- Bernard Michel;
- Gérard Vincent.

This Committee has two principle missions:

- examining the financial statements, especially in order to:
  - review the company's exposure to risks as well as its off-balance sheet commitments,
  - verify that the procedures for gathering and checking information guarantee its reliability;
  - ensure that accounting policies have been applied consistently and are pertinent;
- ensuring compliance with the rules guaranteeing the independence and objectivity of the Statutory Auditors.

It met six times in 2005 in the presence of a representative of Executive Management, the Chief Financial Officer and the Statutory Auditors.

The main subjects discussed were the following:

- transition to IFRS;
- accounts close-out process;
- Statutory Auditors' work programme for 2005;
- accounts close-out at 31 December 2004, 30 June 2005 and 31 December 2005;
- assessment of acquisition financing arrangements.

#### b. Compensation Committee

The Compensation Committee was created on 27 April 2004. Its members are:

- Philippe Citerne, Chairman;
- Pierre-André Martel;
- Gérard Jean.

This Committee has three main missions:

- determining the fixed and variable components of compensation as well as the benefits in kind to be paid to company officers and to the company's principal directors,
- verifying the application of rules determined for the calculation of their variable compensation component,
- verifying the quality of the information communicated to shareholders concerning compensation, benefits in kind, options, and fees received by company officers and principal directors.

The Committee met three times in 2005.

#### c. Nomination Committee

A Nomination Committee was formed on 22 October 2004. It has the same members as the Compensation Committee. Its main missions are as follows:

- propose appointments of members of the Supervisory Board and the Management Board, particularly in the event of an unforeseen vacancy;
- evaluate the Supervisory Board, the Management and the Group's corporate governance.

The committee met three times in 2005.

### 5.1.7. Compensation of members of the Supervisory Board

#### a. Fees

The Combined General Meeting of 24 June 2004 set the annual total amount of fees allocated to the members of the Supervisory Board to the amount of €70,000 for 2004 and all subsequent financial years barring any revision by this body.

The Supervisory Board has decided to distribute the fees in the following manner beginning with financial year 2004:

- half is split equally between the members of the Board;
- the other half is apportioned, at the end of the year, in proportion to the number of Board and Committee meetings that each member has attended.

Directors' fees for financial year 2005 break down as follows:

■ François ODIN	€8,889
■ Philippe CITERNE	€9,753
■ Gérard JEAN	€9,753
■ Pierre-André MARTEL	€11,049
■ Bernard MICHEL	€8,889
■ Hervé SAINT-SAUVEUR	€10,618
■ Gérard VINCENT	€11,049

#### b. Special compensation allocated to the Chairman of the Supervisory Board

In its meeting held on 30 June 2003, the Supervisory Board decided to allocate to François Odin, in his capacity as Chairman of the Supervisory Board, the following special compensation:

- fixed component: €66,000 per year;
- variable component: 33% of the variable component paid to the Chairman of the Management Board. In 2005, this component totalled €5,351;
- reimbursement of travel and entertainment expenses upon presentation of receipts;
- company vehicle provided.

### 5.1.8. Evaluation of the Supervisory Board

The Supervisory Board is now evaluated by the Nomination Committee formed on 22 October 2004.

## 5.2. Internal control procedures implemented by the company

### **Definition of internal control**

In accordance with the definition given by the CNCC (Compagnie Nationale des Commissaires aux Comptes) in their Standard n° 2-301, the internal control system consists of "all policies and procedures implemented by the management of an entity with a view to ensuring, to the extent possible, the rigorous and efficient management of its activities. An internal control system includes:

- the general internal control environment, which is the sum total of management's specific behaviours, awareness, and actions relating to internal control and its importance within the entity;
- the control procedures giving rise to policies and procedures determined by management supplementing the general internal control environment with a view to attaining specific objectives of the entity."

Therefore, internal control essentially consists of:

- basic principles of the organisation contributing to the existence of an environment conducive to the establishment of reliable internal control;
- the organisation's specific techniques guaranteeing the security required by operations implemented within the company.

In April 2006, Sopra Group's Executive Management launched a comprehensive review of its internal control structure. This review will be guided by the recommendations of the workgroup officially established by the Autorité des Marchés Financiers, which is due to publish a framework document by the end of June 2006.

### **Risks inherent in the company's business**

Sopra Group is exposed to specific risks inherent in its particular business as an integrator and software developer. The main risk to which the company is exposed is its capacity to carry out the commitments contracted with its clients in terms of quality, deadlines, and costs: delivering products and services in conformity with specifications, meeting agreed deadlines and operating within the budget allocated.

Management of these risks requires perfect knowledge of numerous and constantly evolving technical and functional environments, the prior implementation of a validation system covering technical, legal, and financial aspects, a proven methodology for project management, and a technical and accounting surveillance and control system.

### **Approach adopted**

This report on internal control procedures is intended to provide general information concerning the Group's organisation principles, its information, monitoring, and control system, its Quality System (the lynchpin of the internal control system), and the processing of financial and accounting information.

### 5.2.1. Group structure

#### **a. Legal structure**

Sopra Group's legal structure is designed to be as simple as possible, involving a single entity per business segment and per country, with the exception of short periods following acquisitions, the latter being rapidly succeeded by merger-absorption operations, or in the case of specific agreements providing for the participation, for a limited time, of company managers in the capital of certain subsidiaries.

All Group companies are fully consolidated, with the Group holding in almost all cases 100% of the capital of these subsidiaries. For this reason, the Group controls all companies within its scope of consolidation. There are no ad hoc entities outside the scope of consolidation.

#### **b. Operational structure**

Sopra Group's operational structure is composed of a limited number of hierarchical levels within which elementary operational entities each perform an overall management function.

These elementary operational units, called branches, business units or skill centres, are the entities within which the Group pursues its activities.

#### **Systems & Solutions Integration - France**

All of this segment's entities are subsumed within Sopra Group SA. These include:

- branches organised by region, as Sopra Group benefits from significant geographical coverage over about twenty sites;
- branches organised by major business segment (Banking, Telecoms, Manufacturing, Public Sector, Services, etc.) based in Paris;
- branches organised by function (sales, research & development, customer service, etc.) for the development and distribution of software solutions for Banking, Human Resources and Real Estate;
- skill centres (Oracle, SAP, Outsourcing, etc.) providing services and resources to the other entities of the Group;
- technology consulting branches.

#### **Strategy and management consulting - France**

All of this segment's entities are subsumed within Orga Consultants, a wholly owned subsidiary of Sopra Group. These include:

- branches organised by major business segment, all of which are located in Paris;
- skill centres.

#### **Systems & Solutions Integration - International**

The international subsidiaries include operational units generally limited in number to two or three per country. All these companies are wholly owned subsidiaries of Sopra Group.

#### **Axway (EAI)**

This activity is pursued:

- in France, by Axway Software, a wholly owned subsidiary of Sopra Group, for sales and service to French clients, with respect to service offers, development, support, and maintenance;

- elsewhere, by twelve distribution subsidiaries located mainly in Europe and Asia, for sales and service to clients in these regions.

Sopra Group's operational units perform an overall management function. They are each responsible for their own sales, production, human resources management, and reporting in line with the Group's management system, all under the control, or with the assistance, of operational and functional managers.

Sopra Group is organised into only three hierarchical levels:

- Tier 1 is composed of the members of the Sopra Group Executive Committee. It is situated at strategic level, and supervises operational matters (organisation, management control and development of major client accounts, etc). The Executive Committee is currently composed of about ten individuals, including the six members of the Management Board. It is chaired by Pierre Pasquier, who also serves as Chairman of the Management Board;
- Tier 2 is the core of this structure. It consists of:
  - Divisions, for Systems & Solutions Integration France; each division is centred on a market, an offer, a solution or a region,
  - Countries, for Systems & Solutions Integration outside France,
  - Subsidiaries, for Consulting (Orga Consultants) and EAI (Axway). The managers of these Level 2 entities (about thirty individuals) report to a member of the Executive Committee.
- Tier 3 corresponds to the operational units described above. The internal working procedure of these units is a project organisation.

### **c. Functional organisation**

Functional departments (Finance and Administration, Human Resources, IT, Solutions, Communication, Quality, Legal Affairs, Logistics, Management Services) are centralised within Sopra Group SA for the entire Group and report directly to Executive Management. The functional capacity of international subsidiaries is strictly limited to the local business environment. Functional managers contribute to overall Group control and enable operational entities to devote the entirety of their resources to their business.

## **5.2.2. SIPC: Sopra Group's system for information, piloting, and control**

### **a. General description of the SIPC**

The purpose of this system is to manage information, and to direct, monitor, guide, assist and train personnel. Its regular meetings are adjusted according to the different perspectives considered:

- weekly, for the month in progress, with priority accorded to the monitoring of sales, production, and human resources;
- monthly, for the year in progress (special attention is paid to the coming three months), which, apart from the issues handled on a weekly basis, place additional emphasis on economic indicators: entity performance for the previous month, review of annual forecasts, budget monitoring;
- yearly, in regard to the entity's strategic plan and budget.

Steering meetings are held at the different levels presented above: operational units (themselves endowed with a project organisation), divisions, subsidiaries, and the Sopra Group Executive Committee.

The monitoring and guidance system is supported by a software tool developed in-house.

### **b. Application of the SIPC to all entities of the Group**

This system is deployed for all of the Group's entities, both operational and functional, without exception. It is rapidly implemented in any company acquired. The total coverage of the Group ensured by the SIPC makes it a highly effective vehicle for cohesiveness, the sharing of values and practices throughout the Group, and for control.

### **c. Rules and procedures**

The Group observes rules and procedures encompassing the areas of organisation and steering, management and the information system, human resources, production and quality assurance, and sales and marketing.

Functional managers are responsible for the establishment, maintenance and dissemination, by means of a training programme, of these rules and procedures, and for monitoring compliance, acting under the aegis of Sopra Group Executive Management.

These rules and procedures are in the process of being updated and adapted for the international subsidiaries.

## **5.2.3. Sopra Group's Quality System**

Given the business segments in which Sopra Group operates, its Quality System serves as a key component of the company's internal control structure. It is for this reason that a detailed presentation of this system and its contribution to the achievement of company objectives is given here.

Sopra Group's Quality System reflects the company's quality policy, which seeks to meet client's needs and to guarantee the financial success of the company. But this system does not aim merely to correct non-conformities or organisational problems as they occur: it is built in such a way as to prevent their occurrence, to continually improve the processes of the company to ensure that they remain efficient and competitive at all times.

Sopra Group's Quality System is defined, documented, and maintained by the Quality Department. It is used within Sopra Group's Systems & Solutions Integration segment and for the services associated with these activities (training, organisation, support, warranty maintenance).

The organisation, procedures, processes, and resources mobilised in the service of quality encompass the following areas: pre-sales, production, human resources management, and the management of the Quality System itself.

The basic principles of the Quality System are described in a Quality Manual supplemented by Guides to procedures and Operating Manuals.

### **a. Quality and pre-sales**

Each new commercial opportunity is analysed by Sopra Group's operational structure. If the opportunity is to be pursued, this structure evaluates the size of the business in order to confer the definition of commercial strategy to the appropriate management level. The purpose of this validation procedure is to ensure that the business is feasible from the contractual, organisational, technical, and financial standpoints prior to entering into any commitment with

the client. During the preparation phase for the final contract, this procedure verifies that suitable solutions were found for any changes between the initial offer and the content of the contract.

The quality of the contractual relationship is guaranteed through the use of specific Sopra Group contracts including general terms and conditions respecting professional standards and special terms and conditions describing the particular nature of the business. The use of a standard blueprint for the drafting of special terms and conditions ensures the quality of the contract proposed to the client.

## **b. Quality and production**

### **Personnel responsible for project quality and their roles**

The operational structure of Sopra Group is responsible for the quality of products and services produced and the quality of resources involved in the production process.

Within this structure, each project is managed by a project manager and supervised by an individual at a higher level in the hierarchy. Supervision is an indirect project management role performed by a manager named as the supervisory director for the project, whose location in the hierarchy is determined by the size of the project. The supervisory director's role is to safeguard the advancement of the project, which also means that the manager in question is personally accountable for the success of the project.

The Supervisory Director is given complete authority during production to launch, recommend, or provide solutions likely to safeguard the project objectives and then to verify the implementation of these solutions. He or she also has the authority to accept or refuse the delivery of a product at the conclusion of its internal testing phase.

The management of a project is entrusted to a project manager selected by the Supervisory Director. As the direct manager of the project, the project manager is delegated overall responsibility for the project, its successful conclusion with respect to costs, deadlines, and quality in keeping with the expectations of both the client and Sopra Group.

Sopra Group's Quality System is independent of the project management procedure. In this regard, it offers external quality assurance for projects with a view to safeguarding production and verifying both conformity and compliance with and the effectiveness of the quality assurance procedure described in the quality scheme for the project.

### **The foundations of the management system**

Project management consists of three phases:

- the requirements planning phase organises the project, setting the balance between desired objectives and resources, evaluates the resources required, performs provisional planning, and models the optimal mobilisation of production processes for the project;
- the managerial phase ensures the continuity of the production process by making the decisions required on a day-to-day basis to guarantee its advancement (allocation and reception of missions, incident management, etc.);
- the analysis phase during which knowledge acquired during the execution of the project is summarised and its future utility is assessed.

Regular monitoring is performed during each phase in order to assess the project's extent of advancement towards its ultimate goal by comparing, at pre-determined intervals, real progress with forecasts.

### **Quality procedures**

Project quality is ensured through the application of pertinent quality procedures defined during the requirements planning phase and implemented throughout the life cycle of the project.

Sopra Group distinguishes between the procedures performed under the responsibility of the project manager (internal quality assurance) and the procedures performed under the responsibility of supervisory structures, the project quality structure and the Supervisory Director (external quality assurance).

### **Project documentation**

The project quality scheme describes the production process as well as the specific measures undertaken to meet quality requirements for the project.

The quality scheme is drafted during the requirements planning phase by the project manager. Prior to its implementation, it must be certified by the appropriate quality structure, approved by the Supervisory Director, and validated by the client.

The management and quality assurance log for a project meets a twofold objective: facilitating dialogue between the client and Sopra Group by providing a shared repository of information during the entire life cycle of the project, and facilitating internal communication between the project manager and his or her team.

Initiated under the responsibility of the project manager during the first phase of the project, entries are added to this log over the course of the project and in particular following monitoring and quality procedure sessions. This log contains all the quality assessments pertaining to the project, which are thereby tracked in accordance with the requirements of ISO certification.

## **c. Human resources management**

An essential component of quality, human resources management involves:

- career and skill management: annual interviews, skill assessments, allocation of staff to teams, etc.;
- and training management: evaluation of training requirements, drafting of the annual training plan, monitoring of training initiatives.

## **d. Management of the Quality System**

Quality management requires the involvement of the operational structure and the quality structure on a day-to-day basis.

Monthly monitoring sessions enable the assessment of quality at all levels, the tracking of the annual quality objectives determined during management reviews, and the formalisation of pertinent action plans to provide continual improvements in the quality of the products and services offered by Sopra Group.

Structural audits are performed in order to verify the application and effectiveness of the Quality System (i.e. processes) among the staff members concerned.

An annual review is performed by management to ensure that the Quality System remains pertinent, adequate and effective. This review is based in particular upon an examination of project reviews and internal structural audits performed at all levels of the company. During this review, the pertinence of the quality policy is evaluated, the annual quality objectives are defined and possible improvements and changes in the Quality System are considered. This review is performed at the levels of Executive Management, Division Management, and Subsidiary Management.

The effectiveness of actions undertaken as a result of monitoring sessions, audits and reviews is verified by the Quality Department. In addition, annual plans for improvement of the Quality System are drafted during the annual review performed by Executive Management.

#### 5.2.4. Handling of financial and accounting information

##### **a. Organisation of the financial and accounting function**

###### Centralisation of the financial and accounting function

As for most functions, the financial and accounting function is predominantly centralised within Sopra Group SA. The other companies in France do not have specific financial and accounting structures and the international subsidiaries have only small teams working in this function.

The responsibilities of the Finance and Administration Department involve mainly maintaining the accounts for the different Group companies and preparing the consolidated financial statements, financial control, tax issues, financing and cash accounting, and participation in financial communication and legal matters.

The Finance and Administration Department reports to Executive Management. As with all other entities, it participates in the monitoring and guidance system described above: weekly meetings dealing with ongoing business, monthly meetings devoted to a detailed examination of figures (achieved and forecast), the organisation of the function, and the monitoring of large-scale projects.

###### Limited number of accounting entities

As indicated above, the legal entities, and therefore the accounting entities, are limited in number, providing reductions in operating costs and curtailing risks inherent in the function.

##### **b. Organisation of the financial and accounting information system**

Sopra Group's information, coordination and control system is deployed at all of the Group's entities, providing access to the most complete and standardised information possible, in the shortest possible time.

###### Internal management system

All Group entities prepare a monthly budget, a monthly operating statement and budget forecasts revised monthly. These procedures are designed to present the reality of operations and are based upon simple management rules that provide a clear view of performance.

The budget process, which is short in duration and takes place in the last quarter of the year, is a key event. It is the opportunity to apply the strategy approved by the Executive Committee, to adapt the organisation to developments in business segments, to market demand, and the competition, as well as to assign quantitative and qualitative objectives to all Group entities. Budgets, including detailed monthly operating forecasts, are prepared by each unit.

A monthly operating statement closed on the third working day of the following month is prepared by each Group entity.

The third component of the management system is a revised operating statement prepared each month. This statement includes the results of the previous month and a revised forecast for the remaining months of the current year.

All these documents pertaining to operations are combined with numerous management indicators, related to the economy (labour force participation rate, selling prices, average salary), human resources, invoicing, and receipts, among others.

Commercial activities (prospective clients, contracts in progress, signings, etc.) and cash accounting (client invoicing, receipts) are monitored on a weekly basis.

###### Financial accounting

All Group companies prepare complete quarterly financial statements on which the Group bases its published quarterly sales figures and interim financial statements. All these companies are fully consolidated.

The results derived from the monthly management reporting documents are verified by financial controllers reporting to the Chief Financial Officer, who also reconcile these data with the quarterly accounting results. Certain key figures are reconciled on a monthly basis.

Monthly cash flow forecasts are prepared for all companies.

###### Accounting policies and presentation

The accounting policies applied within the Group are presented in the notes to the consolidated financial statements.

They were subject to a special review procedure by the Audit Committee.

The proper use of the percentage-of-completion method to evaluate projects is monitored on a permanent basis jointly by the Quality Department, which validates the commitment remaining on projects, and by the finance department.

##### **c. Procedures for the preparation of the consolidated financial statements**

Each company establishes quarterly financial statements and prepares a consolidation pack that is identical for all entities of the Group.

The interim consolidation packs are examined by each company's auditors. Once approved, they are used by the Finance and Administration Department and the consolidated financial statements are examined by the Group's Statutory Auditors.

#### **d. Control procedures**

##### **Financial control**

Financial control is performed within the Finance and Administration Department by a team currently numbering some 20 individuals. The main responsibilities of financial control are to consolidate and analyse monthly results produced by the management accounting system, verify the consistency of the monthly forecasts, ensure that the Group's accounting policies are properly applied, assist the operational managers, train participants in using the management accounting system, prepare quarterly reviews on the operational units, and reconcile results generated by the management accounting system with financial accounting.

##### **Quality Department**

The Quality Department is a key element of the company's control system as presented in §5.2.3 above.

##### **External Audit**

The annual financial statements of all Group companies are submitted for a legal or contractual audit. The interim financial statements are examined in a more limited manner by these auditors.

The mission of the statutory auditors includes an assessment of internal control procedures.

##### **Audit Committee**

The establishment of an Audit Committee in March 2004 was intended to supplement the control system already in place in the Group. The organisation and missions of this committee are described in §5.1.6.a.

25 April 2006,

**François Odin**

Chairman of the Supervisory Board

## 6. Statutory auditors' report prepared pursuant to the last paragraph of article L. 225-235 of the Code of Commerce, on the Report of the Chairman of the Supervisory Board of Sopra Group on the internal control procedures relating to the preparation and processing of accounting and financial information

Ladies and gentlemen,

In our capacity of statutory auditors of Sopra Group, and in compliance with the provisions of the last paragraph of article L. 225-235 of the Code of Commerce, we hereby present our Report on the Report of the Chairman of the Supervisory Board of your Company, pursuant to the provisions of article L. 225-68 of the Code of Commerce, in respect of the financial year ended 31 December 2005.

Its Chairman is responsible for presenting certain information in his report, including the condition under which the Supervisory Board's work was prepared and organised and the internal control procedures that the company has implemented.

We are responsible for presenting to you any observations that we have on the basis of the information provided in the Chairman's report on internal control procedures relating to the preparation and processing of accounting and financial information.

We performed our assignment in accordance with professional standards applicable in France. These standards require that we carry out work designed to assess the truth and fairness of the information provided in the Chairman's report on the internal control procedures relating to the preparation and processing of accounting and financial information.

The work that we performed included:

- obtaining an understanding of the objectives and the overall organisation of the internal control system, together with the internal controls relating to the preparation and processing of accounting and financial information, presented in the Chairman's Report;
- obtaining an understanding of the work as performed to obtain the information provided in the Report.

On the basis of the work that we performed, we have no comment to make on the information provided on the company's internal control procedures relating to the preparation and processing of accounting and financial information, contained in the report of the Chairman of the Supervisory Board, prepared in compliance with the provisions of the last paragraph of article L. 225-68 of the Code of Commerce.

Paris, 26 April 2006

The Statutory Auditors

**Auditeurs & Conseils Associés**  
Philippe RONIN

**Mazars & Guérard**  
Pierre SARDET

# 4

## Reports of the Management Board and the Supervisory Board to the Combined General Meeting of 30 May 2006

<b>Report of the Management Board</b>	p. 40
1   Sopra Group's business and key events in 2005	p. 40
2   Consolidated financial statements	p. 41
3   Sopra Group SA individual company financial statements	p. 42
4   Strategy and objectives - Recent events - 2006 outlook	p. 43
5   Subsidiaries and associated entities	p. 45
6   Proposed appropriation of earnings	p. 47
7   Appointment and reappointment of the Statutory Auditors	p. 47
8   Change in the Company's management structure	p. 47
9   Delegations of authority to the Board of Directors to issue securities	p. 48
10   Transactions by Sopra Group in its own shares	p. 49
11   Information concerning company officers	p. 49
12   Employee share ownership	p. 49
13   Five-year financial summary	p. 49
14   Information required by Law 2006-387 of 31 March 2006 relating to public acquisition offers	p. 50
15   Risk factors	p. 50
16   Sustainable development	p. 50
17   Other information	p. 50
<b>Report of the Management Board on the use of delegations of authority granted by the Combined General Meeting of 26 May 2005</b>	p. 51
<b>Report of the Management Board on securities' transactions by directors</b>	p. 51
<b>Report of the Management Board relating to share subscription options</b>	p. 51
<b>Report of the Management Board on the award of bonus shares</b>	p. 52
<b>Report of the Supervisory Board</b>	p. 53

# Report of the Management Board

## 1. Sopra Group's business and key events in 2005

### 1.1. Business in 2005 - General environment

The tentative recovery witnessed by our sector in 2004 gained momentum in 2005. The impact of this growth on total expenditure on IT services and solutions was an increase of about 7% in Western Europe (Source: Syntec Conference, 6 April 2006).

Relative to its sector, Sopra Group's results in 2005 were excellent, with consolidated revenue for the year amounting to €757.0 million, an increase of 20.2% reflecting:

- strong organic growth of 9.7%, exceeding the market average: all business lines performed well, particularly Consulting (up 19.7%) and Axway (up 14.2%);
- a greater than expected contribution of recent acquisitions: Newell & Budge in the United Kingdom and PROFit in Spain.

Sopra Group was able to exceed its 2005 targets thanks to solid performance by all business lines and important strategic breakthroughs.

Several external growth operations were completed in 2005. Sopra Group strengthened its positions in its strategic international markets: the United Kingdom, Spain, and also the United States for Axway. These acquisitions were achieved while improving our operating margin, which increased by 1.2 points to 7.4% or €56.1 million. In addition, the presence of the Group's solutions in each of its specialised sectors and its positions in most vertical markets were reinforced.

Backed by this performance, the Group's net profit improved by 44.1% to reach €35.3 million or 4.7% of revenue.

### 1.2. Key events of the year

#### 1.2.1. Acquisition of Newell & Budge in the United Kingdom

In July 2005, Sopra Group acquired 100% of UK-based Newell & Budge as well as its Irish and Indian subsidiaries. The market leader in Scotland, supported by a staff of over 600 at the time of the acquisition (including more than 100 employees of the India-based subsidiary Momentum Technologies), Newell & Budge provides a complete range of consultancy, delivery and support services. The company's full-year revenue in 2005 was €56.5 million.

This acquisition is in keeping with the European development strategy of Sopra Group. The positioning of Newell & Budge complements that of Sopra Group in the United Kingdom where the combined entity benefits from complete geographic coverage, a highly skilled and experienced workforce and a strengthened client base, particularly in the financial services, telecoms and public

sector verticals. With this operation, Sopra Group has reinforced its position as a leading systems integrator in the UK. The new entity will continue to drive growth in its current vertical markets, particularly in the public sector, financial services and telecoms, developing synergies with Sopra Group especially in the fields of applications outsourcing, testing, security and ERP integration.

From 2006, the workforce is expected to reach 800 employees.

#### 1.2.2. Acquisition of PROFit Gestión Informática SA in Spain

In November 2005, Sopra Group acquired 100% of the independent IT consulting and systems integration company PROFit Gestión Informática SA, based in Spain and Portugal and employing a workforce of 700 at the time of the acquisition. PROFit offers its blue chip clients a full range of IT services. From technological consulting to solutions integration by way of applications outsourcing services, PROFit has developed its value-added offerings in the banking, energy, telecoms and public sector verticals. The company's full-year revenue in 2005 was €36.4 million.

As for the preceding acquisition, this operation is in keeping with the European development strategy of Sopra Group. As the positioning of PROFit complements that of Sopra Group in Spain, the combined entity benefits from complete geographic coverage of this market (Barcelona, Madrid, Seville, Valencia, Vitoria) and Portugal with a presence in Lisbon, a highly skilled and experienced workforce and a strengthened client base, particularly in the financial services, telecoms, public sector and retailing verticals.

From 2006, clients will benefit from broader offerings and the workforce of the new entity, Sopra PROFit, should reach 1,200 employees.

#### 1.2.3. Acquisitions of Crinsoft SRL and Beler Srl in Romania by Axway

In June 2005, Axway, a wholly owned subsidiary of Sopra Group, acquired the entire share capital of the Romania-based companies Crinsoft Srl and Beler Srl.

Located in Bucharest and specialising in research and development on behalf of software houses, these two companies employed a total staff of 50 at the time of the acquisition.

This operation provides Axway with offshore development resources complementing those of its existing sites in France. The decision to establish a foothold in Eastern Europe is intended to accelerate the evolution of current offerings and further extend the indirect distribution network so as to serve Axway's strategic objectives.

## 2. Consolidated financial statements

Sopra Group's consolidated financial statements are now prepared in accordance with IAS/IFRS as adopted by the European Union.

### 2.1. Consolidated income statement

#### 2.1.1. Group results

Revenue surged 20.2% in 2005 to €757.0 million from €629.8 million in 2004, with organic growth of 9.7%. This increase significantly outstrips the average for our sector of 7% in 2005 (Source: Syntec Conference, 6 April 2006).

Profit from recurring operations came to €56.1 million (7.4% of total revenue) compared with €41.0 million in 2004 (6.5% of total revenue).

Operating profit amounted to €56.1 million (7.4% of total revenue) compared with €38.9 million in 2004 (6.2% of total revenue), an increase of 44.2%.

Net financial expenses remained stable at 0.5% of revenue, despite the acquisitions completed during the year. This is due to firm control of working capital requirements and favourable interest rates. In numerical terms, net financial expenses increased slightly, from €3.0 million in 2004 to €3.9 million in 2005.

The corporate income tax change amounted to €16.9 million, with an effective tax rate of 32.5%.

Net profit (Group share) climbed 44.1% to €35.3 million in 2005, corresponding to 4.7% of total revenue, compared with €24.5 million, or 3.9% of total revenue, in 2004.

Net earnings per share (on the basis of the number of shares in issue at 31 December 2005) increased 34.5% from €2.29 in 2004 to €3.08 in 2005. Slightly lower than the rise in net profit, this growth rate is explained by the increase in the number of shares due both to the capital increase performed upon the acquisition of PROFit and to share subscription options exercised by Sopra Group employees.

Basic earnings per share (determined on the basis of the weighted average number of shares outstanding) increased to €3.25 from €2.32 in 2004.

#### 2.1.2. Results by division

Operating highlights at division level were as follows:

##### **a. Solid performance of the core business line: Systems & Solutions Integration France**

Systems & Solutions Integration France posted organic growth of 9.1% (total growth of 14.2% following the acquisition of Valoris, which was first consolidated on 1 July 2004), an indication of the strong positioning of the Group's solutions. Furthermore, the second half of the year saw a considerable improvement in profitability: the operating margin increased to 8.2%, thus gaining 1.6 percentage points over its level during the same period in 2004.

These results confirm the relevance of a strategy focusing on solutions providing high added value and the availability of expertise on the local level. Demand is strongest for application management services and in the insurance, telecoms and public sector verticals.

(in millions of euros)	2005		2004	
Revenue	504.7	100.0%	442.1	100.0%
Operating profit	37.5	7.4%	28.7	6.5%

##### **b. Continued improvements in earnings for Consulting**

This business line, corresponding to the management and strategy consulting services provided by Orga Consultants, had an excellent year, in line with targets. Revenue growth was 19.7% (both organic and total), in keeping with Group forecasts, with demand remaining robust.

The profit margin was 12.1%.

(in millions of euros)	2005		2004	
Revenue	41.3	100.0%	34.5	100.0%
Operating profit	5.0	12.1%	3.7	10.7%

##### **c. Overall improvements for Systems & Solutions Integration Europe**

The performance of Systems & Solutions Integration Europe reflects the reinforcement of the Group's presence in the United Kingdom and Spain where the contribution of recent acquisitions to 2005 revenue was €37.3 million, of which €30.0 million was generated by Newell & Budge (consolidated for 6 months) and €7.3 million by PROFit (consolidated for 2 months). These acquisitions were in large part responsible for the 6.6% organic growth rate and the improvement in operating margin recorded by this business line.

Other business lines in Europe also grew (up 3.3%) in line with forecasts.

(in millions of euros)	2005		2004	
Revenue	125.5	100.0%	78.7	100.0%
Operating profit	4.8	3.8%	1.6	2.0%

##### **d. Excellent year for Axway**

In June 2005, Axway acquired Crinsoft and Beler in Romania in order to house a portion of its research and development teams in a country with lower costs and thus reduce its expenses.

Axway's performance was excellent in 2005, as indicated by organic growth of 14.2% (total growth of 14.8%) and a clear improvement in its operating margin.

At the same time, Axway moved forward with its acquisition of the US-based integration software company Cyclone Commerce, a deal finalised in early January 2006. The synergies resulting from this merger are expected to generate promising gains from 2006 onwards.

(in millions of euros)	2005		2004	
Revenue	85.5	100.0%	74.5	100.0%
Operating profit	8.8	10.3%	4.9	6.6%

## 2.2. Balance sheet and financial structure

Non-current assets were €285.4 million at 31 December 2005, up from €161.9 million the previous year. This increase is mainly attributable to:

- growth in goodwill (€242.2 million compared to €110.7 million in 2004), mainly due to the acquisitions of Newell & Budge and PROFit.
- shrinkage of deferred tax assets (€7.8 million compared to €17.9 million in 2004) resulting from the use of the tax losses of Valoris France carried forward on its merger with Sopra Group completed in 2005.

Trade accounts receivable, stated net of all client-related credit and debit balances and including VAT, amounted to €290.9 million, compared to €243.0 million in 2004.

Cash and equivalents amounted to €53.3 million compared to €30.6 million in 2004.

At 31 December 2005, consolidated shareholders' equity totalled €185.3 million compared to €131.2 million in 2004. The statement of changes in consolidated shareholders' equity provides a detailed presentation of the principal movements in 2005.

Financial debts amounted to €182.0 million versus €89.5 million in 2004, and essentially comprised drawdowns on a syndicated credit facility for €160.2 million, borrowings which correspond to the restatement recognised in the consolidated financial statements in respect of IT equipment finance lease agreements for €7.9 million, additions to the special employee profit sharing reserve for €12.0 million and bank overdrafts for €1.9 million.

The Group's free cash flow surged 43% in 2005 to €38.7 million. Taking into account the outflows related to the acquisitions of Newell & Budge and PROFit, the Group's net debt came to €128.7 million at 31 December 2005, compared to €58.9 million the previous year. At 31 December 2005, Sopra Group's financial situation remains healthy: net debt is less than twice EBITDA and the gearing ratio is 69%. This net debt represents the balance of the items "Financial debts" and "Cash and equivalents". A breakdown of the change in net indebtedness is provided in Note 13.2 of the notes to the consolidated financial statements.

In October 2005, the Group concluded a €200 million 7-year syndicated credit facility with its pool of banks. This operation, which extends the maturity of the Group's debt, significantly improves the Group's financial capacities.

Other liabilities, accruals and deferred income, which totalled €230.1 million, compared to €181.8 million at year-end 2004, mainly comprised:

- contributions due to social security agencies (personnel and social organisations) for €107.7 million;
- tax liabilities for €59.9 million, essentially corresponding to value added tax included in client receivables;
- accrued income for €37.2 million, comprising the portion of billing revenue already issued but yet to be booked as revenue;
- liabilities on fixed assets of €23.4 million.

## 3. 2005 Sopra Group SA company financial statements

Sopra Group SA comprises the Systems & Solutions Integration business in France as well as all the Group's functional services. The Group's subsidiaries consist of Systems & Solutions Integration Europe, Consulting and EAI (Axway's business).

### 3.1. Income statement

Revenue increased by 10.6% to €488.6 million versus €441.9 million in 2004.

Operating profit rose to €37.6 million, up from €32.2 million a year earlier.

Net financial charges amounted to €4.5 million, compared to €3.7 million in 2004.

Pre-tax profit on ordinary activities was €33.1 million, up from €28.6 million one year earlier.

In 2005, the net exceptional charge was €0.1 million, while it was €0.9 million a year earlier.

The employee profit sharing expense rose from €3.2 million to €4.0 million and corporate income tax increased from €8.9 million to €10.5 million.

There was a net profit of €18.5 million, versus €15.6 million in 2004.

### 3.2. Balance sheet

Shareholders' equity rose from €154.7 million at end-2004, to €191.6 million at 31 December 2005.

This change was due primarily to the following factors:

- the net profit for the year of €18.5 million;
- exercise of share subscription options amounting to €4.1 million;
- payment of dividends for 2004 amounting to (-)€8.6 million;
- the adjustment for retirement commitments due to a change in the valuation method amounting to (-) 1.1 million;
- the capital increase carried out in connection with the acquisition of PROFit in the amount of 24.0 million.

Fixed assets increased to €290.3 million, from €216.4 million in 2004. These consisted mainly of €226.4 million in non-current financial assets, €49.5 million in intangible assets and property and equipment of €14.5 million. The main transactions in 2005 concerned the acquisitions of Newell & Budge and PROFit.

## 4. Strategy and objectives, recent developments and 2006 outlook

### 4.1. Group strategy and objectives

Sopra Group is pursuing an ambitious growth strategy of becoming **one of the top ten IT services companies in Europe**. The Group's objective is build critical mass in selected markets through a mix of aggressive internal and external growth while maintaining sound balance sheet ratios and bolstering profitability. The Group also aims to make Axway a world-class player in the EAI sector. These objectives are in keeping with the goals outlined in Sopra Group's Project 2007, which in turn lay the foundations for Project 2010.

#### 4.1.1. Consulting

The Group will develop all types of consulting services, using a combined vertical and geographic approach:

- Strategy and management (Orga Consultants);
- Architecture (Sopra Group);
- Technologies (Sopra Group).

#### 4.1.2. Systems Integration and Application Outsourcing

Sopra Group will target its revenue growth by focusing on:

- driving strong growth in application outsourcing;
- delegating expertise at local level;
- margin improvements thanks to industrial-scale processes involving:
  - Service centres fostering the sharing of resources,
  - Nearshore, outside the Paris region and at our Madrid centre,
  - Offshore with our subsidiary in India;
- industry application solutions meeting client needs.

In addition, Sopra Group has decided to focus its development on specific vertical markets. The priority industry segments for the Group are banking and telecoms in Europe (including France) and the public sector in France.

In terms of geographical coverage, the areas targeted continue to be France, the United Kingdom and Spain, where further acquisitions may be pursued.

#### 4.1.3. Axway

The Group's objective is to be a world leader in EAI (Enterprise Application Integration). Axway has all the necessary advantages to achieve this goal:

- an offer recognised as one of the best in its sector;
- a worldwide presence thanks to the acquisition of US-based Cyclone Commerce in early 2006, providing a harmonious complement to its operations in Europe and Asia;
- a client base of 7,000 major companies and industry-leading corporations throughout the world;
- recurring profitability due in part to the high degree of maintenance operations;
- sustained growth driven by the completeness of the offer.

This excellent situation, combined with the superior quality of Axway's research and development teams, brings to bear significant drivers of growth and profitability for the years to come.

### 4.2. Recent developments

#### 4.2.1. Revenue for the first quarter of 2006

(in millions of euros)	← 1 <sup>st</sup> Quarter →		Total growth	Organic growth
	2006	2005		
Consulting	11.0	10.9	+0.9%	+0.9%
Systems and Solutions Integration France	136.4	123.3	+10.6%	+10.6%
Systems and Solutions Integration Europe	50.1	21.1	+137.4%	+19.0%
Axway	25.9	18.6	+39.2%	+16.1%
<b>Total Group</b>	<b>223.4</b>	<b>173.9</b>	<b>+28.5%</b>	<b>+12.5%</b>

In a market characterised by robust demand, Sopra Group recorded very strong revenue growth in the first quarter of 2006, driven especially by its Systems & Solutions Integration divisions and by Axway.

Consolidated revenue for first quarter 2006 increased by 28.5% to €223.4 million, an improvement attributable in particular to strong organic growth (up 12.5%) and to the acquisitions completed in 2005. This performance, a continuation of the general trend observed over the last two years, also benefited from a calendar in first quarter 2006 conducive to the business of Systems & Solutions Integration. The calendar of the second quarter, less favourable in terms of the number of productive working days, will not allow for the same level of performance.

For the second half of the year, organic growth is expected to exceed 8%.

For financial year 2006 as a whole, revenue is expected to reach €900 million, with an operating margin of about 8%.

Our different business lines performed as follows during the first quarter:

- **Consulting:** the Group's strategy and management consulting business (Orga Consultants) performed in line with expectations in a market that continues to show rapid growth.

The relatively low revenue growth rate (up 0.9%) is mainly the result of difficulties in recruitment experienced during the first quarter and whose effects are no longer expected to be felt in the second half of the year.

- **Systems & Solutions Integration France:** business was brisk (up 10.6%), especially in the telecoms, banking/insurance and services sectors.

- **Systems & Solutions Integration Europe:** strong organic growth (up 19.0%) was achieved, mainly as a result of the acquisitions completed in 2005 in the United Kingdom and in Spain, where respectively the subsidiaries Sopra Newell & Budge and Sopra PROFit each recorded robust growth. The other European subsidiaries also performed well.

- **Axway:** strong organic growth (up 16.1%) reflects the judicious positioning of its offering in a market undergoing substantial transformation. The integration of Cyclone Commerce's teams and product line with those of Axway is well on track. Impressive commercial wins and the signing of contracts with new major clients point to a promising future for this new combined entity.

#### 4.2.2. Acquisition of Cyclone Commerce by Axway

In January 2006, Axway acquired US-based Cyclone Commerce, a provider of solutions that help companies manage business-to-business processes using a single, integrated platform. Cyclone makes it easy to extend existing enterprise applications and business intelligence investments outside the four walls of an enterprise. Cyclone Commerce was founded by Dave Bennett in 1996 and is headquartered in Scottsdale (near Phoenix), Arizona.

The complementary geographic positioning of the two companies will create a global leader in B2B, SOA (Service Oriented Architecture) and collaborative services, capable of serving the needs of the largest multinational corporations.

Cyclone's products and solutions will be maintained and integrated in an updated version of Axway's XIP integration platform. The 7,000+ clients will thus benefit from expanded offerings in line with the full portfolio of services and expertise currently offered by Axway and Cyclone.

The new entity will capitalise on the fast-growing financial services, healthcare, CPG retail and logistics industries, its key market strengths post merger. After an initial integration phase, the combined operations should grow above 10%, generating revenue estimated between 130 million and 140 million dollars in 2006. The merger also offers enhanced career opportunities for the 800 employees.

In acquiring Cyclone Commerce, Axway is extending its reach to serve the unique needs of the global marketplace, where trading communities span industries, technologies and varying government regulations in different countries. The merger with Cyclone enables Axway to enhance its worldwide market position with a stronger presence in the North American market.

#### 4.3. Outlook for 2006

At its conference held on 6 April 2006, Syntec Informatique estimated IT services market growth in the region of 6 to 8% for 2006 in an environment characterised by high demand among clients. Sopra Group's objective is to outperform its sector while improving its margins.

## 5. Subsidiaries and associated entities

### 5.1. Acquisitions of equity interests in subsidiaries and associated entities

#### 5.1.1. First consolidation

- **Acanthis** - In January 2005, Sopra Group acquired the entire share capital of Acanthis, a provider of consulting, integration and expertise services based in Sophia-Antipolis, France. Supported by a staff of about 30 employees, Acanthis has developed a Business Intelligence and Decision Support solution specifically for Hewlett-Packard's industry-leading OpenView TeMIP family of software products for the management of communication networks and services. Acanthis was absorbed by Sopra Group with effect from 1 January 2005.
- **Axway Romania** - At the end of the first half of 2005, Axway acquired the Romania-based companies Crinsoft Srl and Beler Srl, specialising in research and development on behalf of software houses. Located in Bucharest, Crinsoft and Beler employed 50 individuals at the time of the acquisition. This operation provides Axway with development resources complementing those of its existing sites in France. The decision to establish a foothold in Eastern Europe is intended to accelerate the evolution of current offerings and further extend the indirect distribution network so as to serve Axway's strategic objectives.

- **Newell & Budge** - In July 2005, Sopra Group acquired the independent UK and Ireland-based IT consultancy and services company Newell & Budge Holdings Ltd  
This company, with a workforce of 600 professionals at the time of the acquisition (including a staff of 100 employed in India by its subsidiary Momentum Technologies), delivers end-to-end business solutions covering IT consulting, applications development and management, testing and information security. Newell & Budge was first consolidated on 1 July 2005.
- **PROFit** - In November 2005, Sopra Group acquired the independent IT consulting and systems integration company PROFit Gestión Informática SA, based in Spain and Portugal and employing a workforce of 700 at the time of the acquisition. PROFit offers a full range of IT services, from consulting to the implementation of the latest information technology solutions. PROFit was first consolidated on 1 November 2005.

#### 5.1.2. Buyout of minority interests

- **Axway Sweden** - In February 2005, Axway acquired the minority interests (33%) in the Swedish company Axway Nordic.
- **Axway Asia Pacific** - In March 2005, Axway acquired the minority interests (31%) in the Singapore-based company Axway Asia Pacific Pte Ltd.

### 5.2. List of direct subsidiaries

Company	Share capital	Other equity	% of capital held	Book value (in euros)		Loans and advances granted by the company and not yet repaid	Amount of guarantees granted by the company	Latest financial year revenue ex. VAT	Latest financial year profit or loss	Observations
				Gross	Net					
				Axway Software	19,900,000 €					
Orga Consultants	51,086,700 €	11,090,667 €	100.0%	85,061,843 €	50,000,000 €	-	-	43,672,566 €	3,350,354 €	
Sopra Group Ltd (United Kingdom)	26,900,000 £	-9,255,502 £	100.0%	53,914,408 €	37,519,019 €	28,542,874 £	-	15,484,581 £	-1,015,237 £	
Sopra Benelux (Belgium)	2,138,082 €	1,491,398 €	100.0%	3,052,485 €	3,052,485 €	-	-	9,403,882 €	70,143 €	
Valoris Luxembourg	894,000 €	-2,363,485 €	100.0%	1,154,068 €	0 €	-	-	0 €	-9,945 €	
Sopra Luxembourg	100,000 €	59,486 €	100.0%	99,900 €	99,900 €	-	-	904,998 €	116,187 €	
Sopra Informatique (Switzerland)	100,000 CHF	13,816,575 CHF	100.0%	58,380 €	58,380 €	-	-	12,213,448 CHF	1,340,746 CHF	
Sopra Group SpA (Italy)	660,000 €	660,872 €	100.0%	9,502,516 €	5,501,000 €	-	-	15,841,612 €	512,513 €	
Sopra Informatica (Spain)	24,000,000 €	-6,019,156 €	100.0%	24,047,072 €	23,372,000 €	743,727 €	-	27,128,385 €	-1,077,159 €	
Profit Gestion (Spain)	1,097,576 €	19,875,929 €	100.0%	67,975,417 €	67,975,417 €	-	-	6,798,933 €	988,399 €	Consolidated portion
								36,969,165 €	3,476,051 €	Full-year
Valoris Iberia (Spain)	70,000 €	705,590 €	100.0%	18,759,981 €	4,000,000 €	440,000 €	-	5,535,032 €	-124,310 €	

## 5.3. List of indirect subsidiaries

Parent company - Subsidiaries	Share capital	Other equity	% of capital held	Book value (in euros)		Loans and advances granted by the company and not yet repaid	Latest financial year revenue ex. VAT	Latest financial year profit or loss	Observations
				Gross	Net				
<b>Axway Software</b>									
- Axway UK Ltd (United Kingdom)	100,000 GBP	-97,419 GBP	100.0%	148,270 €	0 €	802,568 €	4,373,459 GBP	575,925 GBP	
- Axway GmbH (Germany)	400,000 €	-2,256,424 €	100.0%	400,192 €	0 €	2,536,869 €	3,647,352 €	116,608 €	
- Axway Srl (Italy)	98,040 €	-83,400 €	100.0%	98,127 €	0 €	342,614 €	4,287,490 €	-1,234,425 €	
- Axway Software Iberia (Spain)	1,000,000 €	-986,972 €	100.0%	1,000,000 €	13,040 €	100,000 €	1,402,637 €	-523,000 €	
- Axway Integra AB (Sweden)	100,000 SEK	26,537,950 SEK	100.0%	19,554,299 €	19,554,299 €	-	0 SEK	223,444 SEK	
- Axway Nordic (Sweden)	100,000 SEK	-48,268 SEK	100.0%	1,147,879 €	1,147,879 €	-	44,461,744 SEK	-424,936 SEK	
- Axway Intelligra AB (Sweden)	100,000 SEK	1,654,538 SEK	100.0%	3,902 €	3,902 €	-	13,928,954 SEK	266,200 SEK	
- Axway Inc. (United States)	500 USD	-354,570 USD	100.0%	513 €	0 €	712,045 €	2,284,717 USD	-320,275 USD	
- Axway B.V. (Netherlands)	18,200 €	214,297 €	100.0%	200,000 €	200,000 €	-	3,068,993 €	298,701 €	
- Axway Belgium (Belgium)	1,000,000 €	-4,359 €	99.9%	999,000 €	999,000 €	-	3,722,943 €	12,701 €	
- Axway Asia Pacific Pte Ltd (Singapore)	100 SGD	-58,166 SGD	100.0%	908,431 €	908,431 €	448,820 €	0 SGD	-33,177 SGD	
- Axway Romania (Romania)	48,850 RON	701,842 RON	100.0%	1,100,000 €	1,100,000 €	535,000 €	3,082,130 RON	482,646 RON	Consolidated portion
							4,030,434 RON	552,314 RON	Full-year
- Beler (Romania)	1,200 RON	440,534 RON	100.0%	855,000 €	855,000 €	130,000 €	884,657 RON	271,207 RON	Consolidated portion
							1,554,056 RON	304,767 RON	Full-year
<b>Axway integra AB (Sweden)</b>									
- Axway AB	200,000 SEK	26,091,809 SEK	100.0%	117,588,089 SEK	0 SEK	-	33,644,657 SEK	321,577 SEK	
<b>Axway Asia Pacific Pte Ltd (Singapore)</b>									
- Axway Software China (China)	8,266,976 CNY	-14,339,075 CNY	100.0%	847,385 SGD	847,385 SGD	18,586 €	5,257,873 CNY	-3,359,101 CNY	
- Axway Pte Ltd (Singapore)	200,000 SGD	-196,059 SGD	100.0%	1 SGD	1 SGD	1,031,098 €	3,778,546 SGD	451,539 SGD	
- Axway Sdn Bhd (Malaysia)	2 MYR	8,783 MYR	100.0%	1 SGD	1 SGD	222,374 €	1,270,381 MYR	637,346 MYR	
- Axway Pty Ltd (Australia)	100,000 AUD	-2,224,843 AUD	100.0%	1 SGD	1 SGD	554,882 €	957,549 AUD	-387,588 AUD	
- Axway Ltd (Hong Kong)	100,000 HKD	-151,275 HKD	100.0%	2 SGD	2 SGD	349,826 €	8,399,565 HKD	2,592,861 HKD	
<b>Valoris Luxembourg</b>									
- Valoris Belgium	500,000 €	-5,072,247 €	100.0%	11,489,755 €	0 €	4,527,664 €	6,746,655 €	250,094 €	
<b>Sopra Group Ltd (United Kingdom)</b>									
- Newell & Budge Holdings Ltd	2,508,150 £	285,720 £	100.0%	38,743,180 £	38,743,180 £	10,098,799 £	0 £	-398,280 £	Consolidated portion
							0 £	-781,118 £	Full-year
- CS Rand	1,200,000 £	0 £	100.0%	1,200,000 £	1,200,000 £	-	0 £	0 £	
<b>Newell &amp; Budge Holdings Ltd</b>									
- Newell & Budge Ltd	100 £	8,131,808 £	100.0%	12,684,972 £	12,684,972 £	-	19,624,557 £	1,656,803 £	Consolidated portion
							41,380,289 £	3,212,650 £	Full-year
- Newell & Budge Security Ltd	40,000 £	-500,419 £	100.0%	240,000 £	240,000 £	-	627,762 £	-127,123 £	Consolidated portion
							1,715,207 £	-188,471 £	Full-year
- Momentum India Private Ltd	16,233,220 INR	3,395,805 INR	100.0%	2,550,000 €	2,550,000 €	250,000 €	51,093,503 INR	9,649,679 INR	Consolidated portion
							86,572,859 INR	-32,870,592 INR	Full-year
<b>- Momentum India Private Ltd</b>									
- Momentum Technologies Inc.	100 CAD	124,400 CAD	100.0%	3,160 INR	3,160 INR	-	1,131,432 CAD	-62,139 CAD	Consolidated portion
							1,848,674 CAD	45,818 CAD	Full-year
<b>Profit Gestion Informatica SA</b>									
- Profit Euskadi SA	60,101 €	76,513 €	100.0%	12,020 €	12,020 €	340,938 €	260,284 €	-29,803 €	Consolidated portion
							1,361,287 €	33,632 €	Full-year
- Coninfal SL	6,010 €	69,301 €	100.0%	3,242,464 €	75,311 €	-	80,664 €	2,662 €	Consolidated portion
							487,133 €	69,092 €	Full-year
- Profit Gestao Informatica Lda	17,500 €	1,569,439 €	100.0%	1,400,000 €	1,400,000 €	-	132,830 €	-183,279 €	Consolidated portion
							945,102 €	300,299 €	Full-year

## 6. Proposed appropriation of earnings

Sopra Group's profit available for distribution, determined as follows, is €17,414,198.77:

■ Net profit for the year	€18,524,197.77
■ Carried forward from 2004:	
• Dividends not paid on treasury shares	€240.00
• Modification of calculation method for retirement commitments as of 1 January 2004	- €1,110,239.00
	<b>€17,414,198.77</b>

In consideration of the consolidated net profit amounting to €35,259,027, the Management Board proposes that shareholders appropriate the profit available for distribution in the following manner:

■ Legal reserve	€284,858.00
■ Dividend	€12,588,504.50
■ Discretionary reserves	€4,540,836.27
	<b>€17,414,198.77</b>

Thus increasing the legal reserve to €4,577,638.00, 10% of the company's share capital.

As the number of shares comprising the share capital at 31 December 2005 was 11,444,095, the dividend allocated per share would be €1.10. The dividend would be paid as of 9 June 2006. With regard to tax, in accordance with provisions in force as of 1 January 2005, this dividend would not have an associated avoird fiscal tax credit, but it would give natural person shareholders the right to a 40% tax deduction on the entire amount.

The following amounts were distributed as dividends in respect of the previous three financial years:

	2002	2003	2004
Total dividend	€6,128,316	€4,219,410	€8,585,560
Number of dividend-bearing shares	10,213,860	10,548,525	10,731,950
Dividend paid	€0.60	€0.40	€0.80

## 7. Appointment and reappointment of auditors

Pursuant to Article L. 225-228 of the Commercial Code, Statutory Auditors are nominated in a draft resolution submitted by the Supervisory Board for the approval of the General Meeting.

As the appointments:

- of Cabinet Mazars & Guérard, Statutory Auditor,
- and of Mr Gérard Vincent-Genod, Alternate Auditor,

expired during the year, the Supervisory Board proposes:

- to renew the appointment of Cabinet Mazars & Guérard (Le Vinci, 4 allée de l'Arche, F-92075 Paris-La Défense), as Statutory Auditor,
- to appoint Mr Jean-Louis Simon (Le Vinci, 4 allée de l'Arche, F-92075 Paris-La Défense), as Alternate Auditor,

for a new term of six years, which shall thus expire at the conclusion of the Annual General Meeting convened in 2012 to approve the financial statements for the year ending 31 December 2011.

## 8. Change in the Company's management structure

We propose that you approve a change in the management structure of the Company by adopting a Board of Directors as its single governing authority.

This new structure will encourage a stronger and more collegial involvement of the body responsible for supervision and administration in the determination of the company's strategic priorities and the monitoring of its performance.

We wish to remind you that in this type of management structure for French Sociétés Anonymes, the Company is administered by a Board of Directors composed of at least three and no more than eighteen members. The Board of Directors operating on a collegial basis, is vested with the most extensive powers to act on the Company's behalf in all circumstances.

In accordance with this proposal, we recommend that you appoint as directors for a period of six years:

- Mr Alain Brodelle;
- Mr Philippe Citerne;
- Mr Gérard Jean;
- Mr Pierre-André Martel;
- Mr Bernard Michel;
- Mr François Odin;
- Mr Pierre Pasquier;
- Mr Hervé Saint-Sauveur;

- Mr José Sancho Garcia;
- Mr Gérard Vincent.

We inform you that, pursuant to the law, at its first meeting to be held at the conclusion of this General Meeting, the Board of Directors shall elect its Chairman, and shall determine whether to combine or separate the functions of Chairman and Chief Executive Officer.

This proposed change in the management structure received the consent of the Supervisory Board at its meeting of 25 April 2006.

We will read to you the proposed Articles of Associations that would govern the Company as a Société Anonyme with a Board of Directors, with the understanding that the amendments made to these articles exclusively concern the changes required by this new management structure.

Should you decide to approve this change in management structure, the functions of the current members of the Supervisory Board and the Management Board would be terminated. However, the Statutory Auditors would continue to carry out their duties.

Furthermore, we propose that you set the amounts granted for directors' fees, with respect to the current financial year, to the Supervisory Board and the Board of Directors as follows:

- Supervisory Board (for the period from 1 January to 30 May 2006): €30,000;
- Board of Directors (for the period from 30 May to 31 December 2006): €60,000.

## 9. Delegations of authority granted to the Board of Directors to issue securities

The authorisations granted to the Management Board in May 2005 to increase the company's share capital, with or without pre-emptive subscription rights, by any means at its discretion and to issue securities, with or without pre-emptive subscription rights, conferring or able to confer entitlement to shares in the company have been partially used and are still valid.

On the occasion of the acquisition of PROFit, Sopra Group's Management Board decided to issue 449,550 new shares at an issue price of €53.33 for a total amount of €23.9 million as consideration for the contribution of a portion of the securities purchased, in accordance with the authorisation granted by the General Meeting of 26 May 2005 in its tenth resolution.

In order to ensure that the Management Board or the Board of Directors (should the General Meeting adopt the proposed new management structure) will remain able to proceed, as necessary and when it deems appropriate, with the type of securities issue best suited to our Company's needs and to market conditions, we propose that the authorisations granted in 2005 be renewed for identical amounts but with updated validity periods.

Shareholders are therefore requested to authorise the Management Board or the Board of Directors to increase the share capital by a total maximum par value amount of €10 million and to issue securities for a maximum par value amount per issue of:

- €10 million, if the issue concerns Sopra Group shares or equivalent securities;
- €150 million, if the issue concerns securities conferring entitlement upon maturity to shares in Sopra Group (with a par value of €10 million);
- a combination of the above as long as the Sopra Group shares granted upon maturity remain within the €10 million par value limit indicated above.

This authorisation would include a gross-up clause, to be invoked in the event that the Management Board or the Board of Directors is informed of an oversubscription for an issue of securities, pursuant to the provisions of Article L. 225-135-1 of the Commercial Code and of the Decree of 23 March 1967 amended by the Decree of 10 February 2005, and not to exceed the announced maximum total par value.

Furthermore, these authorisations might be accompanied, subject to the approval of the General Meeting, by an authorisation allowing the Management Board or the Board of Directors to reserve a specific tranche for Group employees, within the framework of a company or Group employee savings scheme. This tranche would be limited to 10% of the issued shares, which may incorporate a reduction in the issue price not to exceed 5%. Should the General Meeting approve a capital increase, the Management Board or the Board of Directors would be able to choose to exercise, or not to exercise, these powers.

In addition, so as to permit the Management Board or the Board of Directors to take full advantage of new opportunities in the market, shareholders are requested to grant either body the authority to:

- use its authorisation to increase share capital without pre-emptive subscription rights through an issue of shares or securities with an equity component, in an annual amount not to exceed 10% of the company's share capital, and whose issue price it will determine;
- use its authorisation to increase share capital without pre-emptive subscription rights in order to provide consideration for the transfer of shares in the event of a public exchange offer or for the contribution in kind of shares in the company in an annual amount not to exceed 10% of the company's share capital.

## 10. Transactions by Sopra Group in its own shares

The Combined General Meeting of 26 May 2005, acting in accordance with the provisions of article L. 225-209 of the Commercial Code, authorised the Management Board to trade the Company's shares on the stock exchange under a liquidity contract.

- At 31 December 2004, Sopra Group held a total of 329 treasury shares acquired at an average price of €43.81 managed under an AFEI liquidity contract by Oddo Pinatton.
- During 2005, Sopra Group bought 83,909 of its own shares at an average price of €51.47 and sold 84,188 shares at an average price of €51.56 (this sale generated a capital gain of €10,930).
- At 31 December 2005, Sopra Group owned 50 treasury shares purchased at an average price of €44.39.

The Meeting is invited to authorise the Management Board or the Board of Directors to entrust an investment company with the remit of trading the shares of the Company in accordance with the conditions defined under article L. 225-209 of the Commercial Code, on the one hand, and Title IV of Book II of the general regulations of the Autorité des Marchés Financiers, together with its application

instructions, on the other hand, with a view to purchasing and selling shares by means of a liquidity contract with an investment service provider, in accordance with applicable regulations.

The acquisition and sale of shares would be performed under the following conditions:

- the transactions would be performed by a service provider with a view to favouring the liquidity and regular listing of the Sopra Group share on the Paris stock exchange;
- the maximum purchase price would be set at €120 per share;
- the maximum number of shares able to be acquired would be 1,144,409, representing 10% of the share capital of Sopra Group; however, the maximum number of treasury shares may not exceed 50,000, representing a maximum potential commitment of €6 million;

The shares held under the liquidity contract would not be cancelled.

This authorisation would be valid until 29 November 2007 inclusive.

## 11. Information concerning company officers

The information required pursuant to Article L. 225-102 of the Commercial Code concerning the list of company officers and their

compensation is included in the Reference Document in §2 of Chapter III (Corporate governance).

## 12. Employee share ownership

Pursuant to the provisions of Article L. 225-102 of the Commercial Code, at 31 December 2005 no shares in the company were held by:

- employees of the company or its affiliates through an employee savings plan;

- employees or former employees through company mutual funds;
- employees during periods of inalienability affecting share subscription plans.

## 13. Five-year financial summary

This document is presented at the end of Chapter VI of the reference document entitled "Sopra Group SA individual financial statements".

## 14. Information required by law 2006-387 of 31 March 2006 relating to public acquisition offers

1. The Company's ownership structure is presented in §2 of Chapter II of the Reference Document.
2. There are no restrictions in the Articles of Association:
  - on voting rights, but a double voting right is granted to shares held in registered form for at least four years (Article 28 of the Articles of Association);
  - on share transfers: shares are freely negotiable, other than as specified by applicable laws or regulations (Article 11 of the Articles of Association).

The Company has not been informed of any clauses of agreements pursuant to Article L. 233-11 of the Commercial Code.
3. Any direct or indirect participating interests in the capital of the Company of which the latter has been informed pursuant to Articles L. 233-7 and L. 233-12 are presented in §2 of Chapter II of the Reference Document.
4. There are no special controlling rights other than the double voting rights granted to certain registered shares, subject to the conditions described in the second paragraph above.
5. There is no control mechanism provided under an employee share ownership scheme.
6. Agreements between shareholders of which the Company is aware and which may give rise to restrictions on share transfers and voting rights are presented in §2 of Chapter II of the Reference Document.
7. The regulations applicable to the appointment and replacement of the members of the Board of Directors are set forth in Article 14 of the Articles of Association.

The regulations relating to the amendment of the company's Articles of Association are contained within Article 32 of the Articles of Association, which states that "the Extraordinary General Meeting alone shall be authorised to amend any and all provisions of the Memorandum and Articles of Association."

8. The powers of the Board of Directors are those described in Article 17 of the Articles of Association: "The Board of Directors determines the overall business strategy of the Company and supervises its implementation. It examines any and all matters related to the efficiency and effectiveness of business operations and reaches decisions about any and all issues concerning the Company, within the limits of the corporate purpose and except for those matters which, by law, can only be decided on by the shareholders in a general meeting."
- In addition, the Board of Directors is granted the authorisations specified in the proposed resolutions described in §9 of this management report.
9. Agreements concluded by the Company that might be amended or cease to apply in the event of a change in the ownership of the Company mainly concern the 200 million syndicated credit facility concluded at the end of October 2005.
  10. There are no agreements providing for the payment of compensation to the members of the Board of Directors or to employees upon their resignation or their dismissal without just cause or should their employment contract be terminated due to a public offer.

## 15. Risk factors

This chapter is developed in Chapter I §11 of the Reference Document.

## 16. Sustainable development

This chapter is developed in Chapter I §9 of the Reference Document.

## 17. Other information

In accordance with Article 223 quater of the Tax Code, we bring to your attention that the accounts for the year just ended include €115,167 in respect of non-deductible expenses (Article 39-4 of the Tax Code).

Paris, 25 April 2006

The Management Board

## Report of the Management Board on the use of delegations of authority granted by the Combined General Meeting of 26 May 2005

- The delegation of powers to the Management Board by the **seventh resolution**, to increase the Company's share capital, subject to the limit of €10 million in par value, through the issue of ordinary shares or any other securities conferring entitlement to shares in the Company, with shareholders' pre-emptive subscription rights being maintained, **was not used**.
- The delegation of powers to the Management Board by the **eighth resolution**, to increase the Company's share capital, subject to the limit of €10 million in par value, through the issue of ordinary shares or any other securities conferring entitlement to shares in the Company, without shareholders' pre-emptive subscription rights being maintained, **was not used**.
- The authorisation provided to the Management Board by the **ninth resolution**, as part of the delegation for the purposes of increasing the Company's capital, without shareholders' pre-emptive subscription rights being maintained, to determine the issue price of shares or securities conferring access to the Company's shares, subject to an annual limit of 10% of the share capital, **was not used**.
- The authorisation provided to the Management Board by the **tenth resolution**, as part of the delegation for the purposes of increasing the Company's capital, without shareholders' pre-emptive subscription rights being maintained, to remunerate securities contributed to the Company as part of a public exchange offer or contribution in kind relating to the Company, **was used on the occasion of the acquisition of PROFit Informatica SA**. In connection with the acquisition of PROFit, the Management Board of Sopra Group decided to issue 449,550 new shares at €53.33 (issue price) with a total value of €23,974,501.50 to remunerate the contribution in kind of a portion of the securities of the company acquired.

Paris, 25 April 2006  
The Management Board

## Report of the Management Board on securities' transactions by directors

The following movements in securities were declared by company officers (members of the Management Board and the Supervisory Board) with respect to 2005:

Company Officer	Month of transaction	Purchase		Sales	
		Number	Weighted average price	Number	Weighted average price
Georges Koessler	March			11,200	€43.89
G�rard Vincent	August			260	€48.10
Jose Sancho Garcia (for IBI)	December	10,500	€60.98		

Paris, 25 April 2006  
The Management Board

## Report of the Managing Board relating to share subscription options

The Management Board did not use the authorisation provided by the Combined General Meeting of 26 May 2005 in its twelfth resolution to grant share subscription options in favour of members of personnel.

Paris, 25 April 2006  
The Management Board

## Report of the Management Board on the award of bonus shares

The Management Board did not make use of the authorisation granted by the Combined General Meeting of 26 May 2005 in its thirteenth resolution to award existing or newly issued bonus shares to employees or officers of the Company or its Group.

Paris, 25 April 2006  
The Management Board

## Report of the Supervisory Board

Ladies and gentlemen,

We draw your attention to the fact that pursuant to article L. 225-68 of the Code of Commerce, the Supervisory Board must present its observations to the General Meeting on the Management Board report and the parent company and consolidated financial statements for the year under review.

The parent company and consolidated financial statements for the year ended 31 December 2005 and the management report validated by the Management Board were presented to the Supervisory Board at its meetings on 21 February and 25 April 2005. The Audit Committee reviewed the financial statements on 17 January and 21 February 2006.

We have no comment on the report of the Management Board and the parent company and consolidated financial statements for the year ended 31 December 2005.

Moreover, the mandates of:

- Cabinet Mazars et Guérard, Statutory Auditor;
- and Mr Gérard Vincent-Genod, Alternate Auditor,

having expired, we propose that you:

- renew the mandate of Cabinet Mazars et Guérard - Le Vinci - 4, allée de l'Arche - 92075 Paris-La Défense - Statutory Auditor;
- appoint Mr Jean-Louis Simon - Le Vinci - 4, allée de l'Arche - 92075 Paris-La Défense - Alternate Auditor,

for a period of six financial years, i.e. until the conclusion of the General Meeting convened to approve the financial statements for financial year 2011.

We bring to your attention the fact that Mr Jean-Louis Simon has not participated in any contribution or merger operation relating to the Company or entities controlled by the Company over the last two years.

Paris, 25 April 2006  
The Management Board



# 5

## Sopra Group 2005 consolidated financial statements

<b>Consolidated balance sheet</b>	p. <b>57</b>
<b>Consolidated income statement</b>	p. <b>58</b>
<b>Consolidated statement of changes in consolidated equity</b>	p. <b>59</b>
<b>Consolidated cash flow statement</b>	p. <b>60</b>
<b>Notes to the consolidated financial statements</b>	p. <b>61</b>
<b>Statutory Auditors' Report on the consolidated financial statements</b>	p. <b>95</b>

## Notes to the consolidated financial statements

1   Basis of preparation, accounting principles and policies	p. 61
2   Scope of consolidation	p. 67
3   Comparability of the financial statements	p. 68
4   Goodwill	p. 69
5   Intangible assets	p. 70
6   Property and equipment	p. 71
7   Available for sale financial assets	p. 72
8   Other non-current financial assets	p. 72
9   Trade accounts receivable	p. 72
10   Other current receivables	p. 73
11   Cash and cash equivalents	p. 73
12   Consolidated equity	p. 73
13   Financial debt	p. 75
14   Financial risk	p. 76
15   Provisions	p. 78
16   Other non-current liabilities	p. 79
17   Trade accounts payable	p. 79
18   Other current liabilities	p. 79
19   Revenue	p. 79
20   Staff costs	p. 80
21   Depreciation, amortisation, provisions and impairment	p. 81
22   Other operating income and expenses	p. 81
23   Financial income and expense	p. 81
24   Corporate income tax	p. 81
25   Earnings per share	p. 83
26   Segment information	p. 83
27   Related-party transactions	p. 84
28   Off-balance sheet commitments and contingent liabilities	p. 85
29   Contractual obligations and other commercial commitments	p. 86
30   Exceptional events and litigation	p. 86
31   Post balance sheet events	p. 86
32   Transition to IAS/IFRS	p. 86
33   Consolidated financial statements for 2004 and 2003 under French GAAP	p. 93

## Consolidated balance sheet

<b>ASSETS</b> <i>(in thousands of euros)</i>	Notes	2005	2004
<b>NON-CURRENT ASSETS</b>			
Goodwill	4	242,182	110,692
Intangible assets	5	2,040	3,061
Property and equipment	6	28,929	27,194
Non-current available for sale financial assets	7	1,374	1,143
Other non-current financial assets	8	2,999	1,914
Investments in associates		-	-
Deferred tax assets	24	7,837	17,867
Other non-current assets		-	-
<b>Total non-current assets</b>		<b>285,361</b>	<b>161,871</b>
<b>CURRENT ASSETS</b>			
Inventories		21	54
Trade accounts receivable	9	290,949	243,041
Other current receivables	10	23,894	14,240
Cash and cash equivalents	11	53,254	30,615
<b>Total current assets</b>		<b>368,118</b>	<b>287,950</b>
<b>TOTAL ASSETS</b>		<b>653,479</b>	<b>449,821</b>
<b>LIABILITIES AND EQUITY</b> <i>(in thousands of euros)</i>			
	Notes	2005	2004
<b>EQUITY</b>			
	12		
Share capital		45,776	42,928
Capital reserves		45,541	19,522
Other reserves and retained earnings		95,012	69,203
Losses taken directly to equity		-986	-497
<b>Equity - Group share</b>		<b>185,343</b>	<b>131,156</b>
<b>Minority interests</b>		<b>1</b>	<b>18</b>
<b>Total equity</b>		<b>185,344</b>	<b>131,174</b>
<b>NON-CURRENT LIABILITIES</b>			
Financial debt	13	174,747	61,445
Deferred tax liabilities	24	265	256
Non-current provisions	15	14,167	13,279
Other non-current provisions	16	5,093	3,186
<b>Total non-current liabilities</b>		<b>194,272</b>	<b>78,166</b>
<b>CURRENT LIABILITIES</b>			
Financial debt - short-term portion	13	7,236	28,103
Trade accounts payable	17	36,360	30,546
Other current liabilities	18	230,267	181,832
<b>Total current liabilities</b>		<b>273,863</b>	<b>240,481</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>653,479</b>	<b>449,821</b>

## Consolidated income statement

<i>(in thousands of euros)</i>	Notes	2005	%	2004	%
Revenue	19	756,975	100.0%	629,764	100.0%
Other operating income		-	0.0%	-	0.0%
Purchases consumed		-83,504	-11.0%	-61,654	-9.8%
Staff costs	20	-501,968	-66.3%	-423,931	-67.3%
External expenses		-87,507	-11.6%	-81,719	-13.0%
Tax other than corporate income tax		-16,106	-2.1%	-13,808	-2.2%
Depreciation and amortisation	21	-9,471	-1.3%	-7,890	-1.3%
Provisions and impairment	21	-2,570	-0.3%	-1,972	-0.3%
Other operating income and expenses from recurring operations		263	0.0%	2,236	0.4%
<b>Profit from recurring operations</b>		<b>56,112</b>	<b>7.4%</b>	<b>41,026</b>	<b>6.5%</b>
Other operating income and expenses	22	-	0.0%	-2,095	-0.3%
<b>Operating profit</b>		<b>56,112</b>	<b>7.4%</b>	<b>38,931</b>	<b>6.2%</b>
Income from cash and cash equivalents		400	0.1%	355	0.1%
Cost of gross financial debt		-4,298	-0.6%	-2,939	-0.5%
<b>Cost of net financial debt</b>	23	<b>-3,898</b>	<b>-0.5%</b>	<b>-2,584</b>	<b>-0.4%</b>
Other financial income and expense	23	-8	0.0%	-405	-0.1%
Income tax expense	24	-16,947	-2.2%	-11,424	-1.8%
Share of profit of associates		-	0.0%	-	0.0%
<b>Net profit for the year from continuing operations</b>		<b>35,259</b>	<b>4.7%</b>	<b>24,518</b>	<b>3.9%</b>
Net profit for the year from discontinued operations		-	0.0%	-	0.0%
<b>NET PROFIT</b>		<b>35,259</b>	<b>4.7%</b>	<b>24,518</b>	<b>3.9%</b>
Attributable to: Group		35,259	4.7%	24,531	3.9%
Attributable to: Minority interests		-	0.0%	-13	0.0%

<b>EARNINGS PER SHARE</b> <i>(in euros)</i>	Notes	31/12/2005	31/12/2004
Basic earnings per share	25	3.25	2.32
Fully diluted earnings per share	25	3.18	2.25

## Consolidated statement of changes in equity

	Share capital	Capital reserves	Treasury shares	Other reserves and retained earnings	Losses taken directly to equity	Total Group share	Minority interests	Total
<i>(in thousands of euros)</i>								
<b>Equity at 1 January 2004</b> <b>(cf. Note 32)</b>	<b>42,194</b>	<b>16,617</b>	<b>-1,411</b>	<b>48,527</b>	<b>-651</b>	<b>105,276</b>	<b>527</b>	<b>105,803</b>
Capital transactions	734	2,088	-	-	-	2,822	-	2,822
Share-based payments	-	817	-	-	-	817	-	817
Treasury share transactions	-	-	1,397	361	-	1,758	-	1,758
Dividends	-	-	-	-4,202	-	-4,202	-	-4,202
Net profit for the year	-	-	-	24,531	-	24,531	-13	24,518
Cumulative translation adjustment	-	-	-	-	154	154	-	154
Changes in consolidation scope	-	-	-	-	-	-	-496	-496
<b>Equity at 1 January 2005</b>	<b>42,928</b>	<b>19,522</b>	<b>-14</b>	<b>69,217</b>	<b>-497</b>	<b>131,156</b>	<b>18</b>	<b>131,174</b>
Capital transactions	2,848	25,224	-	-	-	28,072	-	28,072
Share-based payments	-	573	-	-	-	573	-	573
Treasury share transactions	-	-	11	7	-	18	-	18
Appropriation of profit to the legal reserve	-	222	-	-222	-	-	-	-
Dividends	-	-	-	-8,585	-	-8,585	-	-8,585
Application of IAS 32/39	-	-	-	-658	-	-658	-	-658
Net profit for the year	-	-	-	35,259	-	35,259	-	35,259
Cumulative translation adjustment	-	-	-	-,3	-489	-492	-	-492
Changes in consolidation scope	-	-	-	-	-	-	-17	-17
<b>Equity at 31 December 2005</b>	<b>45,776</b>	<b>45,541</b>	<b>-3</b>	<b>95,015</b>	<b>-986</b>	<b>185,343</b>	<b>1</b>	<b>185,344</b>

## Consolidated cash flow statement

<i>(in thousands of euros)</i>	2005	2004
<b>Consolidated net profit (including minority interests)</b>	<b>35,259</b>	<b>24,518</b>
Net increase in depreciation, amortisation and provisions	9,815	8,700
Share-based payment expense	573	817
Other calculated income and expense	-	-
Gains and losses on disposal	84	-355
<b>Cash from operations before changes in working capital</b>	<b>45,731</b>	<b>33,680</b>
Cost of net financial debt	3,898	2,584
Income taxes paid (including deferred tax)	16,947	11,424
<b>Net cash from operating activities before changes in working capital (A)</b>	<b>66,576</b>	<b>47,688</b>
Tax paid (B)	-14,206	-9,995
Changes in operating working capital requirements (included liabilities related to employee benefits) (C)	-1,244	3,948
<b>Net cash from operating activities (D) = (A + B + C)</b>	<b>51,126</b>	<b>41,641</b>
Purchase of tangible and intangible fixed assets	-4,846	-8,229
Proceeds from sale of tangible and intangible fixed assets	70	217
Purchase of financial assets (non-consolidated shares)	-1,976	-599
Proceeds from sale of financial assets (non-consolidated shares)	2,234	208
Impact of changes in consolidation scope	-91,504	-39,359
<b>Net cash from (used in) investing activities (E)</b>	<b>-96,022</b>	<b>-47,762</b>
Proceeds on issue of shares	-	-
Proceeds on the exercise of stock options	4,098	2,822
Purchase and proceeds from disposal of treasury shares	18	1,758
Dividends paid during the year		
■ Dividends paid to shareholders of Sopra Group SA	-8,585	-4,202
■ Dividends paid to minority interests of consolidated companies	-	-
Proceeds from borrowings	238,481	59,657
Repayment of borrowings (including finance leases)	-161,316	-40,781
Net interest paid (including finance leases)	-3,898	-2,584
<b>Net cash from (used in) financing activities (F)</b>	<b>68,798</b>	<b>16,670</b>
Effect of foreign exchange rate changes (G)	230	-24
<b>Net change in cash and cash equivalents (D + E + F + G)</b>	<b>24,132</b>	<b>10,525</b>

## Notes to the consolidated financial statements

The consolidated financial statements were prepared under the authority of the Management Board, were validated during its meeting of 21 February 2006 and were submitted on that same date to the Supervisory Board.

### 1 | Basis of preparation, accounting principles and policies

#### 1.1. Statement of compliance

##### ■ 2005 Consolidated financial statements

The consolidated financial statements for the year ended 31 December 2005 were prepared in accordance with IAS/IFRS (International Accounting Standards / International Financial Reporting Standards) as adopted in the European Union as at 31 December 2005. Standards and interpretations adopted by the IASB or the IFRIC but not yet adopted by the European Union as at 31 December 2005 were not applied.

Furthermore, the Group did not apply the amendments to IFRS effective for periods beginning on or after 1 January 2006, but for which early adoption is authorised for the preparation of consolidated financial statements according to IFRS for the year ended 31 December 2005.

##### ■ 2004 Consolidated financial statements

The consolidated financial statements for the year ended 31 December 2004 were prepared in accordance with French accounting principles and standards and with Regulation 99-02 issued by the French Accounting Regulations Committee. Comparative information presented for 2004 results from the restatement of the Group's consolidated financial statements for 2004 in accordance with IFRS, as applicable in 2004 within the European Union.

A report was issued by the Statutory Auditors concerning the reconciliation of summary statements prepared in accordance with French generally accepted accounting principles with summary statements restated in accordance with IFRS as at 1 January 2004, 30 June 2004 and 31 December 2004, as well as the notes explaining the entire restatement approach. An IFRS transition document was published separately on 19 April 2005 and was also included within the 2004 Reference Document as its Chapter VII.

The main information related to the transition is presented in Note 32.

#### 1.2. IFRS options selected by the Group

##### 1.2.1. Options selected by the Group under IFRS 1

In accordance with the options offered by IFRS 1, *First-time adoption of International Financial Reporting Standards*, for its balance sheet as at 1 January 2004, the Group chose:

- to retain its property and equipment at historical cost (and has not therefore undertaken any revaluations);

- to apply IAS 32 and 39 relating to financial instruments with effect from 2005 and on a prospective basis;
- to make no retroactive adjustment in respect of business combinations entered into prior to 1 January 2004.

##### 1.2.2. Options offered by other standards applicable beginning in 2006

The Group decided against early adoption of amendments to IFRS and interpretations applicable for financial years beginning on or after 1 January 2006, and in particular:

- the amendment to *IAS 19 on the recognition of actuarial gains and losses, group plans and disclosures*;
- the amendment to *IAS 39 on the cash flow hedge accounting of forecast intragroup transactions*;
- the amendment to *IAS 39 concerning the fair value option*;
- the amendment to *IAS 39 on financial guarantee contracts*.

#### 1.3. Presentation of financial statements

Sopra Group has decided to apply Recommendation 2004-R.02, dated 27 October 2004, of the Conseil National de la Comptabilité dealing with the format of the income statement, the cash flow statement and the statement of changes in shareholders' equity.

#### 1.4. Consolidation methods

##### 1.4.1. Consolidation methods applied

- Sopra Group is the consolidating company.
- The companies over which Sopra Group has full control have been consolidated using the full consolidation method. Control is presumed to exist when the parent owns, directly or indirectly through subsidiaries, more than one half of the voting power of an enterprise unless, in exceptional circumstances, it can be clearly demonstrated that such ownership does not constitute control. Control also exists even when the parent owns one-half or less of the voting power of an enterprise when there is:
  - power over more than one-half of the voting rights by virtue of an agreement with other investors;
  - power to govern the financial and operating policies of the enterprise under a statute or an agreement;
  - power to appoint or remove the majority of the members of the board of directors or equivalent governing body, if control over the enterprise is exercised by this board or governing body; or
  - power to cast the majority of votes at meetings of the board of directors or equivalent governing body, if control over the enterprise is exercised by this board or governing body.
- Sopra Group does not exert significant influence or joint control over any entity.
- Sopra Group does not, directly or indirectly, control any ad hoc company.

- The accounts of consolidated companies have, where applicable, been restated to ensure the consistency of accounting and valuation rules.

#### 1.4.2. Translation of financial statements of foreign subsidiaries

The Group's consolidated financial statements are stated in euros.

All balance sheet items in foreign companies' accounts have been translated at the rate of exchange prevailing at the balance sheet date, while profit and loss items have been converted at the average exchange rate for the year. The resulting translation difference is taken to shareholders' equity under "Translation differential".

#### 1.4.3. Balance sheet date of consolidated companies

The accounts of all consolidated companies are prepared as at 31 December.

#### 1.4.4. Intragroup accounts and transactions

All intragroup accounts and transactions are eliminated.

### 1.5. Valuation methods and rules

#### 1.5.1. Basis of valuation

The Group's consolidated financial statements are prepared under the historical cost convention, with the exception of the employee profit sharing liability and share subscription options granted to employees measured at fair value. Financial liabilities are measured using the amortised cost method.

#### 1.5.2. Use of estimates and assumptions

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the measurement of certain assets and liabilities reported in the consolidated balance sheet, as well as certain profit and loss items. Due to the uncertainty related to whether or not these assumptions will hold, the actual value of assets and liabilities might require adjustments during subsequent financial periods.

These assumptions mainly relate to:

- the measurement of goodwill (see Note 1.5.3);
- the measurement of retirement commitments (see Note 1.5.13);
- the recognition of income (see Note 1.5.14).

#### 1.5.3. Business combinations

Business combinations are recognised by applying the purchase method, in accordance with *IFRS 3*. However, the acquisitions of SG2 Ingénierie in 1996 and of Orga Consultants in 2000, for which the Group had applied the pooling of interests method, did not give rise to any restatement in application of the option offered by *IFRS 1*.

Under the purchase method, the acquirer purchases net assets and recognises at their fair value the assets acquired, the liabilities incurred and any liabilities assumed.

The acquirer is the combining entity that obtains control of the other combining entities or businesses (the acquirees). Control is the power to govern the financial and operating policies of an entity or business so as to obtain benefits from its activities.

The acquirer measures the cost of the business combination as the aggregate of:

- the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the acquirer, in exchange for control of the acquiree; plus
- any costs directly attributable to the business combination.

The acquisition date is the date that the acquirer effectively obtains control of the acquiree.

Any adjustment to the cost of the combination that is contingent on future events is included in the cost of the combination at the acquisition date if the adjustment is probable and can be measured reliably.

Goodwill, being the excess of the cost over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities, is recognised as an asset.

If the initial accounting for a business combination can only be determined provisionally for the reporting period in which the combination was effected, the acquirer recognises the combination using provisional values. The acquirer must then recognise adjustments to these provisional values related to the completion of initial accounting within 12 months of the acquisition date.

Goodwill is subject to impairment testing under the conditions specified in Note 1.5.6. These tests are applied whenever there is an indication of an impairment loss or at least once per year.

#### 1.5.4. Intangible assets

##### a. Assets acquired externally

Software packages acquired are recorded at cost and depreciated using the straight-line method over three, five or ten years, depending on their useful lives.

##### b. Assets generated internally

In application of *IAS 38, Intangible assets*:

- all research and development costs are charged to the income statement in the year they are incurred;
- project development costs are capitalised if, and only if, all of the following can be demonstrated:
  - the technical feasibility of completing the intangible asset so that it will be available for use or sale;
  - the intention to complete the intangible asset and use or sell it;
  - the ability to use or sell the intangible asset;
  - the manner in which the intangible asset will generate probable future economic benefits;
  - the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and

- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

All costs of development of software and solutions (Axway, Banking, Human Resources and Real Estate) were recognised as expenses as incurred, in accordance with generally accepted accounting principles in France.

No adjustment has been made to expenditure incurred prior to 1 January 2004. No development costs incurred in 2004 and 2005 have been capitalised as not all the applicable criteria were met.

### 1.5.5. Tangible fixed assets

Property and equipment are stated in the balance sheet at acquisition cost and have not been subject to any revaluation.

In addition, *IAS 17, Leases* has no impact because the Group already restates finance leases in its consolidated financial statements, treated as if Sopra Group had acquired them on credit:

- property lease arrangements related to the premises in Annecy, which are now completed. Accordingly, the buildings are capitalised and depreciated over twenty-five years on a straight-line basis;
- lease-financed IT equipment, which is capitalised and depreciated over four years on a straight-line basis, depending on the lease terms.

Depreciation is based on the straight-line method according to the estimated useful life of each fixed asset category as follows:

Buildings	25 years
Fixtures and fittings	10 years
Equipment and tooling	3-5 years
Vehicles	5 years
Office furniture and equipment	5-10 years

### 1.5.6. Impairment of assets

In accordance with *IAS 36, Impairment of assets*, an entity must assess, at each reporting date, whether there is any indication that an asset may be impaired. In practice, impairment tests relate to goodwill which, with Trade accounts receivable, comprise the bulk of Sopra Group's consolidated balance sheet assets.

With respect to goodwill, an impairment test is performed at least once per year and whenever there is any indication of an impairment loss.

An asset's value in use is the present value of the future cash flows expected to be derived from the asset:

- cash flows for a plan period of five years, with cash flows for the first year of the plan based on the budget;
- cash flows beyond the five-year plan period used in value-in-use calculations are increased in line with historic long-term growth rates adjusted for inflation.

The cash flow projection was determined by taking into account:

- the general growth rate of the economy (2-3%);
- the impact of technological advances in the sector;
- transfers of IT functions engendered by the rise of outsourcing benefiting the IT services sector.

The discount rate is equal to:

- the 10-year risk-free money rate;
- supplemented by the market's risk premium multiplied by a sensitivity coefficient ( $\beta$ ) specific to the entity.

With respect to 2005, the perpetual growth rate was 3% and the discount rate was 10%.

The value in use thus obtained was subjected to sensitivity testing, which indicated a range for the perpetual growth rate between 1.5% and 3.5% and for the discount rate between 8% and 12%.

The impairment tests are performed at the level of the cash-generating units (CGUs) to which the assets are allocated.

A CGU is the smallest identifiable group of assets that generate cash inflows that are largely independent of the cash inflows generated by other assets or groups of assets.

The Group has adopted a segmentation into 8 CGUs, consistent with the operational organisation of its business lines, the management control and reporting system and published segment reporting.

Business	Geographic sector	Scope
Consulting	France	Orga Consultants
	Spain	Valoris Iberia
Systems and Solutions Integration	France	Sopra Group
	United Kingdom	Sopra Group UK and Newell & Budge
	Spain	Sopra Informática and PROFit
Axway	Italy	Sopra Group Italy
	Belgium	Sopra Benelux and Valoris Belgium
Axway	Axway Group	Axway France (development and distribution France) and Subsidiaries distribution Europe/Asia/USA

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. If there is an indication that an asset (or if appropriate, the CGU) may be impaired, the recoverable amount of the asset is determined as the greater of its fair value less costs to sell and the value in use. Fair value less costs to sell is the amount obtainable from the sale of the asset or the CGU in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal, excluding finance costs and corporate income tax expenses.

### 1.5.7. Available for sale financial assets

Available for sale financial assets refer to investments in unlisted and non-consolidated companies.

These securities are held at their cost less any impairment and their recoverable amount is determined on the basis of various criteria (the Group's share in their net worth, the entity's development prospects, etc.).

### 1.5.8. Cash and cash equivalents

Under *IAS 7* cash equivalents are defined as short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

The Group applies the classification of UCITS proposed by the Association Française de Gestion (AFG) and Association Française des Trésoriers d'Entreprise (AFTE) and adopted as the reasonable basis for recognition by the Autorité des Marchés Financiers (AMF):

- UCITS classified by the AMF as euro-denominated money-market instruments are presumed to satisfy the four criteria to be defined as cash equivalents under IAS 7;
- the eligibility of other UCITS to be considered as "cash equivalents" is not automatic but must be established with reference to the four criteria.

All cash equivalents recorded on the Sopra Group balance sheet meet the four criteria.

### 1.5.9. Share-based payments: Share subscription options granted to employees

#### a. IFRS 2

Share-based payments are recognised under *IFRS 2, Share-based payments*.

Its application to Sopra Group relates purely to options for share subscription granted to employees. As allowed under the standard, the Group will only adjust its financial statements for options granted on or after 7 November 2002 and exercisable after 1 January 2005.

The beneficiaries of the options concerned may exercise their rights five years after options are granted and during a period of three years, i.e. at any time during the sixth to eighth years following attribution.

The fair value of these options at their date of attribution has been performed by a third party specialist using a Black & Scholes based method. This value is constant over a plan's duration.

The value attributed to the options is analysed as a cost of services rendered by employees in return for the options and is recognised on a linear basis over the vesting period, i.e. on the basis of one fifth per year.

Recognition takes place via a charge to Staff costs balanced by a credit to an Issue premium account within shareholders' equity. There is thus no net impact on shareholders' equity.

The calculation performed reflects the total number of options held at each balance sheet date by eligible employees.

#### b. Additional discount expenses

A provision is booked for tax and social security contributions relating to additional discount expenses. This provision is estimated based on the likelihood of the option being exercised within the time limit set and share price performance.

#### c. Sale or conversion to bearer shares during blocked periods

Under the regulations governing the various stock option plans, shares resulting from the exercise of options may not be sold or converted into bearer shares during the statutory blocked period. Accordingly no provision is required.

### 1.5.10. Treasury shares

For several years, all transactions in treasury shares have been recognised directly within shareholders' equity.

Gains or losses on the sale of treasury shares are added or deducted net of tax from consolidated reserves.

### 1.5.11. Provisions

A provision is recognised when an obligation exists with respect to a third party originating subsequent to the balance sheet date and when the loss or liability is probable and may be reliably estimated.

To the extent that this loss or liability is not probable or may not be reliably estimated, a contingent liability is disclosed by the Group among its commitments given.

Provisions maintained for a period of more than one year are discounted and recognised under non-current liabilities.

### 1.5.12. Financial debt

In October 2005, Sopra Group entered into a 200 million euro syndicated credit facility, combined with an interest rate derivative applicable to two-thirds of the liability.

This liability was stated as at the balance sheet date at amortised cost using the effective interest method. Amortised cost is calculated by taking into account the present value of estimated future cash flows.

### 1.5.13. Employee benefits - Retirement commitments

#### a. Short-term employee benefits and defined contribution post-employment benefits

The Group recognises the amount of short-term employee benefits, as well as the contributions due in respect of mandatory state-sponsored plans, in Staff costs. As the Group has no commitments beyond these contributions, no provision was recognised for these plans.

#### b. Defined benefit plans and other long-term employee benefits

Only the Group's French entities have defined benefit plans.

The Group provides for its commitments to employees in accordance with the provisions of the Syntec collective bargaining agreement with respect to the retirement scheme modified in 2004 pursuant to the retirement reform measures introduced by the Loi Fillon of 21 August 2003. These commitments are not financed via a pension fund or insurance company by means of invested assets known as "plan assets".

The Group uses the projected credit method to determine the value of its defined benefit obligation. This method takes into account, on the basis of actuarial assumptions, the probability of future period of service of the employees, the level of future remuneration, life expectancy and staff turnover.

The amount of the provision recognised for retirement commitments corresponds to the present value of the obligation in respect of defined benefits, less unrecognised actuarial differences.

The main actuarial assumptions retained by the Group are as follows:

- a salary inflation rate of 2.5%;
- a discount rate corresponding to the yield on low-risk investments over the same period as the period of the commitments at the valuation date. The discount rate of 5% applied for 2004 was reduced to 4% for 2005;
- 10% voluntary leavers as a proportion of total leavers, thus giving rise to an increase in the provision of 4.5% in respect of social charges and tax;
- the staff turnover tables were updated based on historical data of leavers over the last four years.

Actuarial differences resulting from changes in the value of the discounted obligation in respect of defined benefits include on the one hand, the effects of differences between previous actuarial assumptions and actual data, and on the other hand, the effect of changes in actuarial assumptions.

Actuarial differences are amortised in the income statement as of the financial period following their recognition, to the extent of the portion exceeding a corridor fixed at 10% of the amount of the obligation.

There are no pension commitments, medical cover, or long-service awards. No new benefits or changes in regime resulting from legal, collective-bargaining or contractual provisions occurred during the financial year.

#### 1.5.14. Revenue recognition

The applicable IAS is IAS 18 Revenue.

##### **a. Systems Integration and Consulting services**

###### **■ Technical assistance, consulting, training and projects provided on an ongoing contract basis**

These services are recognised when performed, i.e. in general at the time of invoicing.

Operations are reviewed at each balance sheet date:

- services already performed but not yet, or only partially, invoiced are measured on the basis of billable time and the contractual billing rates. They are recognised as revenue and are included in the balance sheet under the Accrued income caption of Trade accounts receivable;
- services already billed but not yet entirely performed are deducted from invoiced revenue and included in the balance sheet under the Deferred revenue caption of Other current liabilities.

###### **■ Services covered by lump sum contracts**

Under such contracts the group commits itself to a price, a result and a deadline. Services performed under such contracts are recognised as follows using the percentage of completion method:

- revenue and profit generated by a contract are recognised on the basis of a technical assessment, in line with the group's quality procedures, of the contract's degree of completion. During performance of a project, this assessment is based on 90% of the contract amount with the remaining 10% deferred until completion.

- the amount of revenue recognised at each balance sheet date is based on the difference between 90% of the contract value and the amount required to cover the total number of man-days remaining to be performed. This amount is included in the balance sheet under the Accrued income caption of Trade accounts receivable. Payments on account received are deducted from the amount of Trade accounts receivable which are therefore disclosed for their net amount.

##### **b. Software and Solutions**

Services provided within the scope of the group's Software (Axway) and Solutions (Banking, Real Estate, Human Resources) operations include:

- the right of use under licence of the software and solutions provided;
- maintenance;
- ancillary services such as installation, settings, adaptation, training etc.

###### **■ In general, separate contracts are concluded with customers for licences and maintenance on the one hand and ancillary services on the other hand**

In this situation, the various elements comprising contracts are accounted for as follows:

- the licence fee is recognised when delivery takes place, which is reputed to be the case when all contractual obligations have been fulfilled, i.e. when any remaining services to be provided are insignificant and not liable to endanger the customer's acceptance of goods supplied or services rendered;
- maintenance is generally billed in advance and is recognised on a time basis;
- ancillary services are generally provided on the basis of time spent and are recognised when performed, i.e. in general when invoiced. They are sometimes performed within the scope of lump sum contracts in which case they are recognised using the percentage of completion method described in paragraph 1.5.14.a.
- Sometimes, contracts comprising multiple elements (licence, maintenance, ancillary services, etc.) may be negotiated on a lump sum basis

In this situation, the amount of revenue attributable to the licence is obtained by the difference between the total contract amount and the fair value of its other components, i.e. maintenance and ancillary services. The fair value of the other components is determined when possible on the basis of the list prices applying in the case of a separate sale or alternatively, on the basis of management's best estimate. The residual amount attributed to the licence is recognised at the time of delivery.

###### **■ In fairly rare instances, ancillary services may be considered indispensable to a software package's functioning**

This may be the case for very complex projects, the completion of which may be subject to particular risks. In this situation projects, assessed as a whole and specifically monitored by the group's quality department, are accounted for using the percentage of completion method described in paragraph 1.5.14.a.

### 1.5.15. Segment information

The Group organisational structure reflects both its businesses (principal segmentation) and the geographic distribution of its activities (secondary segmentation).

The divisions comprise:

- strategic and management consulting services provided by its Orga Consultants subsidiary in France;
- systems and solutions integration and applications outsourcing carried out in France by Sopra Group and in Europe by a combination of subsidiaries;
- Axway's activities in the area of application integration.

### 1.5.16. Individual training rights

In light of the opinion issued on 13 October 2004 by the Urgent Issues Task Force of the CNC and the company's position in this area, no provision has been recognised for this new right created by the law of 4 May 2004.

### 1.5.17. Deferred tax

The consolidated financial statements take into account deferred tax, based on the variable deferral method, for the following:

- timing differences between accounting income and taxable profit;
- differences arising from consolidation adjustments.

No deferred tax is generated as a result of dividend distributions.

Deferred tax assets relating to tax losses carried forward are only recognised where there is a reasonable probability of future offset.

Deferred tax assets and liabilities are offset by tax entity or by tax consolidation group.

Deferred tax is presented at nominal value, without any discounting to present value.

### 1.5.18. Calculation of earnings per share

Earnings per share as stated in the income statement are calculated on the basis of the Group's share in the net profit as follows:

- weighted average earnings per share are based on the weighted average number of shares in issue during the financial year, calculated according to the dates when the funds arising from cash share issues were received and, in respect of shares issued for contributions in kind via equity, the date on which the corresponding new group companies were consolidated for the first time;
- diluted earnings per share take into account share options already granted or to be granted subject to the ceiling and time limits set by the General Meeting that authorised the plans. The share buyback method has been applied at the market price, based on the average share price throughout the year.

## 2 | Scope of consolidation

### 2.1. List of consolidated companies in 2005

Company	Country	% Control	% Held	Consolidation method
Sopra Group	France	-	-	Parent company
Orga Consultants	France	100.0%	100.0%	FC
Sopra Group Ltd	United Kingdom	100.0%	100.0%	FC
CS Rand	United Kingdom	100.0%	100.0%	FC
Newell & Budge Holdings Ltd	United Kingdom	100.0%	100.0%	FC
Newell & Budge Ltd	United Kingdom	100.0%	100.0%	FC
Newell & Budge Security Ltd	Ireland	100.0%	100.0%	FC
Momentum India Private Ltd	India	100.0%	100.0%	FC
Momentum Technologies Inc.	Canada	100.0%	100.0%	FC
Sopra Benelux	Belgium	100.0%	100.0%	FC
Sopra Luxembourg	Luxembourg	100.0%	100.0%	FC
Sopra Informatique	Switzerland	100.0%	100.0%	FC
Sopra Group SpA	Italy	100.0%	100.0%	FC
Sopra Group Informatica	Spain	100.0%	100.0%	FC
Profit Gestion Informatica SA	Spain	100.0%	100.0%	FC
Profit Euskadi SA	Spain	100.0%	100.0%	FC
Coninfal SL	Spain	100.0%	100.0%	FC
Profit Gestao Informatica Lda	Portugal	100.0%	100.0%	FC
Valoris Belgium	Belgium	100.0%	100.0%	FC
Valoris Luxembourg	Luxembourg	100.0%	100.0%	FC
Valoris Iberia	Spain	100.0%	100.0%	FC
Axway Software	France	100.0%	100.0%	FC
Axway UK Ltd	United Kingdom	100.0%	100.0%	FC
Viewlocity Ltd *	United Kingdom	100.0%	100.0%	FC
Axway Integra AB	Sweden	100.0%	100.0%	FC
Axway AB	Sweden	100.0%	100.0%	FC
Axway Intelligra AB	Sweden	100.0%	100.0%	FC
Axway Nordic AB	Sweden	100.0%	100.0%	FC
Axway GmbH	Germany	100.0%	100.0%	FC
Viewlocity GmbH *	Germany	100.0%	100.0%	FC
Axway BV	Netherlands	100.0%	100.0%	FC
Axway Belgium	Belgium	99.9%	99.9%	FC
Axway Srl	Italy	100.0%	100.0%	FC
Axway Software Iberia	Spain	100.0%	100.0%	FC
Axway Asia Pacific Pte Ltd	Singapore	100.0%	100.0%	FC
Axway Pte Ltd	Singapore	100.0%	100.0%	FC
Axway Software China	China	100.0%	100.0%	FC
Axway Ltd	Hong Kong	100.0%	100.0%	FC
Axway Software Sdn Bhd	Malaysia	100.0%	100.0%	FC
Axway Pty Ltd	Australia	100.0%	100.0%	FC
Axway Inc.	United States	100.0%	100.0%	FC
Axway Romania Srl	Romania	100.0%	100.0%	FC
Beler Srl	Romania	100.0%	100.0%	FC

FC: Full consolidation.

\* In the process of being dissolved - business transferred to existing Axway subsidiary at 1 January 2003.

## 2.2. Changes in the consolidation scope

### 2.2.1. First consolidation

- **Acanthis** - In January 2005 Sopra Group acquired the entire share capital of Acanthis, which provides consulting, integration, and advisory services, and markets solutions based on "OpenView TeMIP", a Hewlett Packard (HP) product dedicated to Telecom operators and is a leader in its market. Based in Sophia Antipolis, a technology park in the south of France, Acanthis has some thirty employees.
- **Axway Romania** - At the end of the first half of 2005, Axway acquired the entire share capital of the Romanian companies Crinsoft Srl and Beler Srl, which specialise in software development for software houses. Headquartered in Bucharest, Crinsoft and Beler have some 50 employees. Axway thus has acquired development resources in addition to those the company already had in France. The choice of a facility in Eastern Europe will both accelerate growth in its offerings and extend its indirect distribution network to serve the company's strategic objectives. The Romanian companies Crinsoft and Beler were included in the scope of consolidation as of 30 June 2005. Crinsoft Srl is now called Axway Romania.
- **Newell & Budge** - In early July 2005 Sopra Group acquired the entire share capital of Newell & Budge Holdings Ltd and its subsidiaries. Newell & Budge is an independent systems integration company based in the United Kingdom and Ireland. This company, comprising 600 professional staff (including over 100 in India at its Momentum Technologies subsidiary) offers global solutions including information systems consulting, solutions development and integration, testing, and security. Newell & Budge was included in the scope of consolidation as of 1 July 2005.
- **PROFit** - In November 2005 Sopra Group acquired the entire share capital of PROFit Gestión Informática SA and its subsidiaries. PROFit is an independent systems consulting and integration company based in Spain and Portugal, employing 700 people and offering a complete line of information technology services ranging from consulting to solutions implementation. PROFit was included in the scope of consolidation as of 1 November 2005.

### 2.2.2. Purchase of minority interests

- **Axway Sweden** - In February 2005 Axway purchased all minority interests (33%) in the Swedish company Axway Nordic.
- **Axway Asia-Pacific** - In March 2005 Axway purchased all minority interests (31%) in the Singapore company Axway Asia Pacific Pte Ltd.

### 2.2.3. Acquisition after 31 December 2005

- **Cyclone Commerce** - The entire share capital of Cyclone Commerce was purchased in early January 2006, and will be consolidated as of 1 January 2006. The purchase conditions are described in Note 31.

### 2.2.4. Removals from the scope of consolidation

There were no removals from the scope of consolidation in financial year 2005.

### 2.2.5. Internal reorganisation

- **Acanthis** - In 2005 the Group dissolved Acanthis without liquidation by combining all the shares held by its sole shareholder, Sopra Group SA. This dissolution had no impact on the consolidated financial statements.
- **Valoris SA** - In late 2005 the Group dissolved Valoris without liquidation by combining all the shares held by its sole shareholder, Sopra Group SA. This dissolution had no impact on the consolidated financial statements.

## 3 | Comparability of the financial statements

### 3.1. Transition to IAS/IFRS

The tables for converting the 2004 financial statements under French standards to financial statements prepared in accordance with IAS/IFRS standards are shown in Note 32.

### 3.2. Changes in the scope of consolidation

The impact of the year's acquisitions on the Group's income statement and key performance indicators was below the materiality threshold (25%) required by French Prospectus Regulations for the preparation of pro forma information.

The principal impacts of these acquisitions on the 2005 financial statements are the following:

- Impact of acquisitions during the year

	2005 Published	2005 With full-year impact of acquisitions
<i>(in millions of euros)</i>		
Revenue	757.0	813.0
Operating profit	56.1	62.0

■ Contributions of companies acquired in 2005

	2005			2004
	Excluding 2005 acquisitions	Contribution from 2005 acquisitions	Published	Published
<i>(in millions of euros)</i>				
Revenue	719.2	37.8	757.0	629.8
Operating profit	52.2	3.9	56.1	38.9

■ Impact of acquisitions on the main balance sheet headings at 31 December 2005

	2005 Published	o/w contributions from 2005 acquisitions
<i>(in millions of euros)</i>		
Goodwill	242.2	129.5
Trade accounts receivable	290.9	27.1

■ Impact of changes in consolidation scope on net debt

	2005
<i>(in millions of euros)</i>	
Cost of 2005 acquisitions (excluding earnouts)	123.4
Portion remunerated in Sopra Group shares	-24.0
Net debt/net cash of companies acquired	-0.5
Deferred payments	-1.5
Earnouts paid in respect of prior year acquisitions	5.8
<b>TOTAL</b>	<b>103.2</b>

## 4 | Goodwill

### 4.1. Changes in goodwill

Movements in financial year 2005 are described in Note 2.2 Changes in the consolidation scope.

<i>(in thousands of euros)</i>	Gross	Amortisation	Net
<b>31 December 2004</b>	<b>148,381</b>	<b>37,689</b>	<b>110,692</b>
<b>Acquisitions</b>			
Acanthis	920	-	920
Crinsoft Srl & Beler Srl	1,880	-	1,880
Newell & Budge	66,184	-	66,184
Profit	60,475	-	60,475
<b>Purchase of minority interests</b>			
Axway Asia Pacific - 31%	908	-	908
Axway Nordic AB - 33%	1,123	-	1,123
<b>31 December 2005</b>	<b>279,871</b>	<b>37,689</b>	<b>242,182</b>

## 4.2. Breakdown of main movements during the year

The main items of goodwill recognised in 2005 relate to Newell & Budge, PROFit and Crinsoft/Beler.

<i>(in thousands of euros)</i>	Newell & Budge	Profit	Crinsoft Srl & Beler Srl	Total
Acquisition price	48,450	67,975	2,000	118,425
Present value of earnouts	8,084	12,747	-	20,831
Expenses related to the acquisition	1,013	280	-	1,293
<b>Cost of acquisition</b>	<b>57,547</b>	<b>81,002</b>	<b>2,000</b>	<b>140,549</b>
Fair value of assets acquired by the Group (excluding intangible assets)	-8,637	20,527	120	12,010
<b>Goodwill</b>	<b>66,184</b>	<b>60,475</b>	<b>1,880</b>	<b>128,539</b>

## 4.3. Breakdown of goodwill by segment

<i>(in thousands of euros)</i>		2005	2004
Consulting	France - Orga Consultants	3,876	3,876
	Spain - Valoris Iberia	3,000	3,000
Systems and Solutions Integration	France	46,184	45,263
	United Kingdom	77,348	11,165
	Spain	74,413	13,937
	Italy	5,930	5,930
	Belgium	3,000	3,000
Axway	Axway	28,431	24,521
<b>TOTAL</b>		<b>242,182</b>	<b>110,692</b>

## 4.4. Impairment tests

Impairment tests conducted under the conditions described in Note 1.5.6 did not lead to the recognition of any impairment expense.

## 5 | Intangible assets

<i>(in thousands of euros)</i>	Gross	Amortisation	Net
<b>1 January 2005</b>	<b>21,253</b>	<b>18,192</b>	<b>3,061</b>
Changes in scope	1,955	1,919	36
Acquisitions	93	-	93
Disposals	-168	-168	-
Translation	2	1	1
Amortisation	-	1,151	-1,151
<b>31 December 2005</b>	<b>23,135</b>	<b>21,095</b>	<b>2,040</b>

Intangible assets essentially include non-proprietary software in the Group's ordinary course of business, and software acquired as part of external growth transactions.

No expense incurred in developing the Group's solutions and software was capitalised, either in 2005 or in previous years.

## 6 | Property and equipment

<i>(in thousands of euros)</i>	Land and buildings	Fixtures	IT equipment	Other tangible assets	TOTAL
<b>GROSS VALUE</b>					
At January 2005	10,494	18,615	24,519	15,934	69,562
Translation differential	-	4	132	69	205
Acquisitions	84	2,840	4,517	1,990	9,431
Disposals	-	- 701	- 4 611	- 184	- 5 496
Inter-account transfer	-	- 5	- 159	164	-
Changes in scope	-	540	6,813	2,179	9,532
<b>31 December 2005</b>	<b>10,578</b>	<b>21,293</b>	<b>31,211</b>	<b>20,152</b>	<b>83,234</b>
<b>DEPRECIATION</b>					
1 January 2005	6,871	10,433	15,845	9,219	42,368
Translation differential	-	4	109	55	168
Charge for the year	401	1,596	4,253	2,070	8,320
Reversals	-	- 87	- 4 513	- 160	- 4 760
Inter-account transfer	-	- 2	- 153	155	-
Changes in scope	-	325	6,039	1,845	8,209
<b>31 December 2005</b>	<b>7,272</b>	<b>12,269</b>	<b>21,580</b>	<b>13,184</b>	<b>54,305</b>
<b>NET VALUE</b>					
1 January 2005	3,623	8,182	8,674	6,715	27,194
<b>31 December 2005</b>	<b>3,306</b>	<b>9,024</b>	<b>9,631</b>	<b>6,968</b>	<b>28,929</b>

- Investments made by the Group in fixed assets primarily include acquisitions of information technology equipment (central systems, work stations, and networks) in the amount of €4.5 million, and office equipment in France and abroad, in the amount of €4.8 million.
- Amounts included under disposals during the year correspond primarily to the scrapping of computer equipment each year after taking inventory, and premises for which leases were not renewed that the Group no longer occupies.
- Land and buildings include Sopra Group's registered office at Annecy-le-Vieux. A portion of these premises was acquired as part of a property finance lease arrangement completed in 2003. These contracts have, since their inception, been restated in the consolidated financial statements and are included in the balance sheets for the following amounts:

<i>(in thousands of euros)</i>	2005	2004
Land	255	255
Buildings	3,861	3,861
Depreciation	- 3,184	- 3,030
<b>Net value</b>	<b>932</b>	<b>1,086</b>

- Finance lease contracts relating to IT investments (cf. Note 1.5.5) are presented in the balance sheet in the following amounts:

<i>(in thousands of euros)</i>	2005	2004
Gross value	19,220	19,084
Depreciation	-11,231	-11,410
<b>Net value</b>	<b>7,989</b>	<b>7,674</b>

## 7 | Available for sale financial assets

<i>(in thousands of euros)</i>	<b>Gross</b>	<b>Impairment</b>	<b>Net</b>
<b>31 December 2004</b>	<b>31,308</b>	<b>30,165</b>	<b>1,143</b>
Increase	-	-	-
Decrease	-	-341	341
Changes in scope	739	847	-108
Translation differential	2	4	-2
<b>31 December 2005</b>	<b>32,049</b>	<b>30,675</b>	<b>1,374</b>

Available for sale financial assets essentially comprise the following:

- shares in Valoris' subsidiaries that were in the process of being wound up or divested at the date that Valoris was acquired, in the amount of €24.845 million, in respect of which a provision has been set aside of €24.654 million;
- shares in the German company Sopra Group GmbH, which is in the process of liquidation, in the amount of €5.485 million, which has been provided for in full since 2004;
- and shares in Cosmosbay-Vectis in which the Group holds a 6.87% equity stake, in the amount of €0.946 million.

## 8 | Other non-current financial assets

<i>(in thousands of euros)</i>	<b>2005</b>	<b>2004</b>
Receivables from unconsolidated equity interests - gross value	7,871	7,424
Provisions for receivables from unconsolidated equity interests	-7,756	-7,424
<b>Receivables from unconsolidated equity interests - net value</b>	<b>115</b>	<b>-</b>
Loans	47	46
Deposits and other non-current financial assets	2,854	1,952
Provisions for loans, deposits and other non-current financial assets	-17	-84
<b>TOTAL</b>	<b>2,999</b>	<b>1,914</b>

Receivables from equity interests are attributable to the unconsolidated Valoris subsidiaries.

Deposits and other non-current financial assets consist mainly of guarantees given for the leased offices.

## 9 | Trade accounts receivable

<i>(in thousands of euros)</i>	<b>2005</b>	<b>2004</b>
Trade accounts receivable	224,549	158,998
Unbilled revenue	79,284	86,544
Doubtful debtors	3,552	3,728
Accrued credit notes	-13,364	-2,990
Provision for doubtful debtors	-3,072	-3,239
<b>TOTAL</b>	<b>290,949</b>	<b>243,041</b>

Unbilled revenue is comprised essentially of work performed in respect of fixed-price projects recognised using the percentage-of-completion method (see Note 1.5.14.a). Invoices are generally prepared for these contracts upon completion of the services rendered and the latter are paid over the lifespan of the projects through payments on account.

Working capital requirements (WCR)-Trade accounts receivable at 31 December 2005 represents 2.9 months, unchanged from previous years. This ratio is calculated by comparing the WCR with the revenue generated in the fourth quarter. The WCR is obtained by stripping out VAT from the trade accounts receivable balance and subtracting the deferred income balance appearing under liabilities. The average settlement period of invoices issued is approximately 60 days.

## 10 | Other current receivables

<i>(in thousands of euros)</i>	2005	2004
Staff and social security	1,550	1,016
Tax receivables (other than corporate income tax)	9,360	3,964
Corporate income tax	8,341	4,643
Leased equipment	1,247	22
Other receivables	403	2,039
Prepayments	2,993	2,556
<b>TOTAL</b>	<b>23,894</b>	<b>14,240</b>

## 11 | Cash and cash equivalents

The cash flow statement is presented on page 60.

### 11.1. Statement of net cash and cash equivalents

<i>(in thousands of euros)</i>	2005	2004
Investment securities	12,465	14,629
Cash	40,789	15,986
<b>Cash and cash equivalents</b>	<b>53,254</b>	<b>30,615</b>
Overdrafts	-1,901	-3,394
<b>TOTAL</b>	<b>51,353</b>	<b>27,221</b>

Net cash and cash equivalents include available liquid funds (cash and positive bank balances), liquid marketable securities that meet the definition of cash equivalents as indicated in Note 1.58, bills of exchange presented for collection and falling due before 1 January and temporary bank overdrafts.

It is closely related to the mobilisation of the medium term loans at the end of the financial year. Net debt, presented in Note 13.2, is more representative of the Group's financial position.

### 11.2. Investment securities

Type of security	Quantity	Gross value	Provision	Net value	Market value
<i>(in thousands of euros)</i>					
"Monétaire Euro" OPCVM money-market fund units	6,230	12,462	-	12,462	12,470
Other		9	6	3	3
<b>TOTAL</b>		<b>12,471</b>	<b>6</b>	<b>12,465</b>	<b>12,473</b>

## 12 | Consolidated equity

The consolidated statement of changes in equity is presented on page 59.

### 12.1. Changes in the share capital

At 31 December 2005 Sopra Group had share capital of €45,776,380 comprising 11,444,095 fully-paid shares with a nominal value of €4 each.

Movements occurring in 2005 included:

- the exercise of stock options: 262,595 shares were created, corresponding to a capital increase of €1,050,380 and a share premium of €3,047,365, for a total of €4,097,745;
- the capital increase that was carried out in connection with the contribution of a portion of the shares of the Spanish company PROFit; 449,550 shares were issued in favour of the majority shareholder of PROFit, corresponding to a capital increase of €1,798,200 and a contribution premium of €22,176,417, representing a total of €23,974,617.

## 12.2. Share subscription option plans

Date of Management Board or Board of Directors' Meeting	Number of beneficiaries	Number of options allocated initially	Start date of exercise period	End of exercise period	Exercise price	Number of options cancelled at 31/12/2005	o/w cancelled in 2005	Number of options exercised at 31/12/2005	o/w options exercised in 2005	Number of options remaining to be exercised at 31/12/2005
<b>PLAN No. 3 - 1998 stock option plan (General Meeting of 07/01/1998): maximum of 721,250 shares</b>										
13/01/1998	283	614,000	01/10/2002	12/01/2006	€15.37	60,175	-	526,435	260,595	27,390
04/12/1998	1	25,000	25/02/2003	24/08/2006	€46.86	25,000	-	-	-	-
03/03/1999	2	20,000	04/03/2004	02/03/2007	€48.05	10,000	-	-	-	10,000
12/10/1999	13	51,750	13/10/2004	12/10/2007	€46.20	46,000	-	2,000	2,000	3,750
16/12/2002	12	129,250	17/12/2007	15/12/2010	€22.50	39,250	39,250	-	-	90,000
<b>TOTAL</b>	<b>311</b>	<b>840,000</b>				<b>180,425</b>	<b>39,250</b>	<b>528,435</b>	<b>262,595</b>	<b>131,140</b>
<b>PLAN N° 4 - 2000 (stock option plan (General Meeting of 29/06/00): maximum of 714,774 shares</b>										
29/06/2000	107	33,900	30/06/2005	29/06/2008	€73.00	33,800	200	-	-	100
22/03/2001	147	301,500	23/03/2006	22/03/2009	€61.40	283,500	-	-	-	18,000
19/12/2001	25	34,600	20/12/2006	19/12/2009	€61.40	34,600	-	-	-	-
24/04/2002	2	6,000	25/04/2007	23/04/2010	€61.40	-	-	-	-	6,000
16/12/2002	214	303,200	17/12/2007	15/12/2010	€22.50	25,100	1,200	12,000	-	266,100
03/09/2003	69	88,000	04/09/2008	02/09/2011	€32.50	3,100	1,900	-	-	84,900
13/01/2004	5	23,000	14/01/2009	12/01/2012	€35.90	3,000	-	-	-	20,000
<b>TOTAL</b>	<b>569</b>	<b>790,200</b>				<b>383,100</b>	<b>3,300</b>	<b>12,000</b>	<b>-</b>	<b>395,100</b>
<b>Total for both plans</b>										<b>526,240</b>

As noted above, 262,595 shares were exercised in 2005 under Plan No. 3.

A total of 42,550 shares were retired, their beneficiaries having left the company before completing their vesting period.

No options were allocated during the year.

At 31 December 2005, the total number of outstanding options was 526,240.

## 12.3. Capital reserves

(in thousands of euros)	2005	2004
Share issue, merger and contribution premium	41,248	15,451
Legal reserve	4,293	4,071
<b>TOTAL</b>	<b>45,541</b>	<b>19,522</b>

## 12.4. Share-based payments

The amount recognised in financial year 2005, under the method described in Note 1.5.9., was €0.573 million.

## 12.5. Dividends

Sopra Group's Combined General Meeting of 26 May 2005, resolved to distribute a dividend of €8,585,560, i.e. €0.80 per share. The dividend paid the previous financial year totalled €4,219,410, i.e. €0.40 per share.

Upon approval of the financial statements for financial year 2005, the 2006 General Meeting was invited to distribute a dividend of €1.10 per share, representing a total of €12,588,504.50.

## 12.6. Liability in respect of employee profit sharing

As of 1 January 2005, the application of IAS 32 and IAS 39 resulted in an adjustment in the liability corresponding to the special employee profit sharing reserve booked to current accounts frozen for five years, in view of the existing variance between the contractual interest rate and the applicable regulatory ceiling. The liability as of 1 January 2005 was thus increased by €1.004 million, offset by the posting of a deferred asset tax of €0.346 million and an allocation to consolidated reserves, of €0.658 million.

## 12.7. Retirement commitments

A correction relating to the use of mortality tables for the period prior to 1 January 2004 led to an adjustment in opening reserves. The net tax impact of this correction on shareholders' equity (booked to *Consolidated reserves and retained earnings*) as of 1 January 2004 was (-) €0.899 million.

## 13 | Financial debt

### 13.1. Analysis

<i>(in thousands of euros)</i>	Current	Non-current	2005	2004
Bank loans	735	159,481	160,216	68,227
Borrowings related to the restatement of equipment leases	3,113	4,787	7,900	6,273
Employee profit sharing	1,487	10,479	11,966	11,654
Bank overdrafts	1,901	-	1,901	3,394
<b>TOTAL</b>	<b>7,236</b>	<b>174,747</b>	<b>181,983</b>	<b>89,548</b>
Investment securities	-12,465	-	-12,465	-14,629
Cash	-40,789	-	-40,789	-15,986
<b>NET DEBT</b>	<b>-46,018</b>	<b>174,747</b>	<b>128,729</b>	<b>58,933</b>

#### ■ Bank loans

In late October 2005, the Group implemented a 7-year €200 million, reducible, multi-currency revolving credit facility with its six partner banks, payable semi-annually.

The credit facility was set up to pay down existing debt, ensure the financing of acquisitions and internal growth, lengthen debt maturity, and optimise repayment conditions.

#### ■ Finance lease liabilities (see Notes 1.5.5. and 6)

#### ■ Employee profit sharing

As from 2002, profit sharing reserves for Sopra Group and Axway Software, which were formerly managed in the form of fixed-interest

current accounts frozen over a period of five years, may now be invested in multi-business company mutual funds (FCP). Orga Consultants' profit sharing reserves are fully invested in such company mutual funds.

Pursuant to IAS 32 and IAS 39, profit sharing liabilities are subject to adjustment to take into account the existing variance between the contractual interest rate applied, and the applicable regulatory rate ceiling.

For a given year, this variance applies to liabilities requiring the recognition of an additional charge under staff costs. This adjustment reduces finance expenses over the subsequent five years.

### 13.2. Statement of changes in net debt

<i>(in thousands of euros)</i>	2005	2004
<b>Net debt at 1 January (A)</b>	<b>58,933</b>	<b>47,334</b>
<b>Net cash from operating activities before changes in working capital</b>	<b>45,731</b>	<b>33,680</b>
Cost of net financial debt	3,898	2,584
Income taxes (including deferred tax)	16,947	11,424
<b>Cash from operations before changes in working capital</b>	<b>66,576</b>	<b>47,688</b>
Tax paid	-14,206	-9,995
Changes in working capital requirements	-1,244	3,948
<b>Net cash from operating activities</b>	<b>51,126</b>	<b>41,641</b>
Change related to investing activity	-8,572	-12,025
Net interest paid	-3,898	-2,584
<b>Available net cash flow</b>	<b>38,656</b>	<b>27,032</b>
Impact of changes in scope	-103,212	-39,036
Dividends	-8,585	-4,202
Capital increase in cash	4,098	2,822
Application of IAS 32/39	-1,004	-
Other changes	21	1,809
<b>Total net change during the year (B)</b>	<b>-70,026</b>	<b>-11,575</b>
Impact of changes in foreign exchange rates	230	-24
<b>Net debt at 31 December (A - B)</b>	<b>128,729</b>	<b>58,933</b>

## 14 | Financial risk factors

### 14.1. Liquidity risk

According to the definition given by the French stock exchange authority (Autorité des Marchés Financiers), liquidity risk arises when assets are longer-term than liabilities. This can result in an inability to repay short-term debt if the company is unable to sell the asset in question or obtain additional bank credit lines.

The Group considers that it is not exposed to this type of risk in view of its overall financial structure, the level and structure of its current assets and debt, and its capacity to mobilise additional financing if necessary.

#### 14.1.1. Analysis of net debt at 31 December 2005 by currency and by interest rate

<i>(in thousands of euros)</i>	Total credit lines	Drawn down at 31/12/2005	Euro	Pound sterling	Swiss franc	Swedish krona	Other currencies	Rate	Interest / exchange rate hedges
Bank loans	200,000	160,216	160,216	-	-	-	-	Variable	Hedged
Finance lease liabilities: restatement of equipment leases		7,900	7,900	-	-	-	-	Fixed	None
Employee profit sharing		11,966	11,966		-	-	-	Fixed	None
Bank overdrafts	9,787	1,901	1,898	3	-	-	-	Variable	None
<b>Total financial debt</b>		<b>181,983</b>	<b>181,980</b>	<b>3</b>	<b>-</b>	<b>-</b>	<b>-</b>		
Investment securities		-12,465	-12,465					Variable	None
Cash and equivalents		-40,789	-35,719	-1,620	-678	-828	-1,944	Variable	None
<b>Consolidated net debt</b>		<b>128,729</b>	<b>133,796</b>	<b>-1,617</b>	<b>-678</b>	<b>-828</b>	<b>-1,944</b>		

#### 14.1.2. Analysis of net debt by maturity

<i>(in thousands of euros)</i>	Less than 1 yr	1 to 2 yrs	2 to 3 yrs	3 to 4 yrs	4 to 5 yrs	More than 5 yrs	TOTAL
Bank loans	735	15,481	29,000	29,000	28,000	58,000	160,216
Finance lease liabilities: restatement of equipment leases	3,113	2,499	1,767	521	-	-	7,900
Employee profit sharing	1,487	2,771	2,647	2,327	2,734	-	11,966
Bank overdrafts	1,901	-	-	-	-	-	1,901
<b>Total financial debt</b>	<b>7,236</b>	<b>20,751</b>	<b>33,414</b>	<b>31,848</b>	<b>30,734</b>	<b>58,000</b>	<b>181,983</b>
Investment securities	-12,465	-	-	-	-	-	-12,465
Cash and equivalents	-40,789	-	-	-	-	-	-40,789
<b>Consolidated net debt</b>	<b>-46,018</b>	<b>20,751</b>	<b>33,414</b>	<b>31,848</b>	<b>30,734</b>	<b>58,000</b>	<b>128,729</b>

### 14.2. Market risk

#### 14.2.1. Interest rate risk

Interest rate risk is managed by the Group's Finance Department in collaboration with the Group's main partner banking establishments.

The analysis of financial assets and liabilities by type of interest rate (fixed or variable) is provided in the table in paragraph 14.1.1 above.

At 31 December 2005, net debt amounted to €128.7 million and was composed 84.5% (€108.8 million) of variable-rate debt, generally based on the Euribor rate, and 15.5% (€19.9 million) of fixed-rate debt. A +/-1 point change in interest rates applied to all variable-rate debt over a full year would have an impact of +/-€1.1 million.

When the Group set up the syndicated credit facility of €200 million, it contracted an interest rate hedge in the form of a swap at a reduced rate of interest applying to two-thirds of the loan, for a period of seven years. The impact on 2005 financial items is insignificant.

### 14.2.2. Foreign exchange risk

The exposure to foreign exchange risk is insignificant given the Group's geographic profile (mainly located in the euro zone) and the low volumes concerned. It mainly concerns non euro-zone European countries (subsidiaries located in the United Kingdom,

Switzerland and Sweden) and, to a lesser extent, in the Asia-Pacific region (Axway distribution subsidiaries).

Conversion rates used:

1 €/Currency	← Average rates →		← Rate at 31 December →	
	2005	2004	2005	2004
Swiss franc	1.5478	1.5434	1.5551	1.5429
Pound sterling	0.6830	0.6791	0.6853	0.7051
Swedish krona	9.2971	9.1227	9.3885	9.0206
Romanian leu	3.5956	-	3.6802	-
US dollar	1.2360	1.2443	1.1797	1.3621
Canadian dollar	1.4171	-	1.3725	-
Australian dollar	1.6261	1.6914	1.6109	1.7459
Hong Kong dollar	9.6099	9.6927	9.1474	10.5881
Singapore dollar	2.0596	2.1006	1.9628	2.2262
Yuan (Ren-Min-Bi) (China)	10.1060	10.2924	9.5204	11.2925
Roupie (India)	53.5240	-	53.2995	-
Ringitt (Malaysia)	4.7039	4.7257	4.4584	5.1847

### 14.2.3. Equity market risk

At 31 December 2005, Sopra Group held 50 of its own shares, acquired under the terms of the share repurchase programmes

authorised by the General Meeting, for a total amount of €2,971, representing an average purchase price of €59.42.

## 15 | Provisions

### 15.1. Statement of changes

	01/01/2005	Changes in scope	Charge for the year	Reversal for the year (provision used)	Reversal for the year (provision not used)	Other	31/12/2005
<i>(in thousands of euros)</i>							
Pay disputes	1,865	-	1,331	-957	-110	-	2,129
Commercial disputes	187	-	481	-4	-12	-	652
Provision for risks in respect of Valoris subsidiaries	423	-	-	-	-188	-	235
Other provisions for risks	6	123	-	-	-	-	129
<b>Subtotal - provisions for risks</b>	<b>2,481</b>	<b>123</b>	<b>1,812</b>	<b>-961</b>	<b>-310</b>	<b>-</b>	<b>3,145</b>
Retirement commitments	9,263	-	1,318	-28	-	-	10,553
Provisions for charges on surplus stock options	350	-	-	-350	-	-	-
Provision for losses - Cessation of German business	509	-	-	-406	-	-	103
Provision for losses in respect of Valoris subsidiaries	545	-	-	-358	-	-	187
Other provisions for risks and charges	131	349	110	-365	-40	-6	179
<b>Subtotal - provisions for losses</b>	<b>10,798</b>	<b>349</b>	<b>1,428</b>	<b>-1,507</b>	<b>-40</b>	<b>-6</b>	<b>11,022</b>
<b>TOTAL</b>	<b>13,279</b>	<b>472</b>	<b>3,240</b>	<b>-2,468</b>	<b>-350</b>	<b>-6</b>	<b>14,167</b>
<b>Impact (net of accrued expenses)</b>							
Profit from recurring operations			2,733		-162	-	
Operating profit			-		-	-	
Financial items			488		-188	-	
Corporate income tax			19		-	-	
<b>TOTAL</b>			<b>3,240</b>		<b>-350</b>	<b>-</b>	

- Provisions for pay disputes cover labour litigation and severance pay.
- Provisions for charges on stock options: see Note 1.5.9.b.
- The provision for cessation of Sopra Group GmbH in Germany covers the negative net worth of this subsidiary at 31 December 2005.
- Provisions for charges in respect of Valoris subsidiaries relate essentially to the restructuring of the Belgian subsidiary (for premises and staff leaving the company).

### 15.2. Provisions for retirement benefits

Provisions for retirement benefits are recognised in accordance with the conditions in Note 1.5.13. At 31 December 2005, the present value of defined benefit obligations for which no hedging asset or repayment right has been established was €10.553 million.

Cumulative actuarial variances that have not been recognised in the balance sheet totalled €1.285 million. The Group's total commitment was therefore €11.838 million.

The net provision for the year, in the amount of €1.290 million, may be broken down as follows:

- an operating expense of €0.832 million corresponding to the cost of services rendered by staff during the year;
- a financial expense corresponding to the adjustment of the provision, in the amount of €0.457 million;
- the annual amortisation of actuarial variances resulted in the recognition of a financial provision in the amount of €29 thousand for Sopra Group, Axway and Valoris, and the reversal of a provision of €28 thousand for Orga Consultants.

A +/-0.5 point change in the discount rate would have an impact of +/-€0.9 million on the total commitment.

## 16 | Other non-current liabilities

<i>(in thousands of euros)</i>	2005	2004
Employee profit sharing during the year	4,712	3,186
Conditional advances	381	-
<b>TOTAL</b>	<b>5,093</b>	<b>3,186</b>

Employee profit sharing represents amounts booked to staff costs for the year by Sopra Group and Axway. These amounts increase financial debt for the following year.

Conditional advances consist of subsidies received from ANVAR by Acanthis, which was acquired by Sopra Group in January 2005.

## 17 | Trade accounts payable

<i>(in thousands of euros)</i>	2005	2004
Trade accounts payable	36,592	30,828
Trade accounts payable - advances and payments on account, accrued credit notes	-232	-282
<b>TOTAL</b>	<b>36,360</b>	<b>30,546</b>

## 18 | Other current liabilities

<i>(in thousands of euros)</i>	2005	2004
Fixed asset liabilities	23,442	4,808
Staff cost liabilities	107,890	96,023
Tax liabilities (excluding corporate income tax)	59,920	49,760
Corporate income tax	1,331	550
Prepaid income	37,171	30,436
Other liabilities	513	255
<b>TOTAL</b>	<b>230,267</b>	<b>181,832</b>

Fixed asset liabilities primarily include the estimated amounts due under the earnout clauses in the acquisition agreement for Newell & Budge and PROFit. These earnouts, which will normally become payable in 2007, 2008, and 2009, are subject to a 4% discount rate.

Staff cost liabilities include only amounts owed to social security bodies and employees for December and the last quarter of the year, and profit sharing for employees of Orga Consultants, which was transferred to a management body the following year.

Tax liabilities correspond essentially to value added tax collected from clients: the amount due for December, and the amount included under trade accounts receivable.

Prepaid income corresponds essentially to services invoiced but not yet performed, based on their stage of completion (see Note 1.5.14).

## 19 | Revenue

### 19.1. Revenue by division

<i>(in millions of euros)</i>	2005		2004	
SSI France	504.7	66.6%	442.1	70.2%
Consulting	41.3	5.5%	34.5	5.5%
SSI Europe	125.5	16.6%	78.7	12.5%
Axway	85.5	11.3%	74.5	11.8%
<b>TOTAL</b>	<b>757.0</b>	<b>100.0%</b>	<b>629.8</b>	<b>100.0%</b>

SSI: *Systems and Solutions Integration*.

## 19.2. Revenue by business sector

	2005	2004
Banking	23.2%	26.1%
Manufacturing	18.6%	20.2%
Services (including real estate)	20.2%	20.5%
Telecom	12.8%	11.0%
Public sector	10.8%	10.3%
Insurance	8.7%	7.7%
Retail	5.7%	4.2%
<b>TOTAL</b>	<b>100.0%</b>	<b>100.0%</b>

## 19.3. International revenue

(in millions of euros)	2005		2004	
Systems & Solutions Integration	125.5		72.4	
Axway	35.5		28.7	
Other	23.2		15.3	
<b>International revenue</b>	<b>184.2</b>	<b>24.3%</b>	<b>116.4</b>	<b>18.5%</b>
<b>TOTAL REVENUE</b>	<b>757.0</b>	<b>100.0%</b>	<b>629.8</b>	<b>100.0%</b>

## 20 | Staff costs

### 20.1. Analysis

(in thousands of euros)	2005		2004	
Salaries	352,895		296,631	
Social charges	143,655		123,502	
Employee profit sharing *	5,418		3,798	
<b>TOTAL</b>	<b>501,968</b>		<b>423,931</b>	

\* including discounting to present value of employee profit sharing (cf. Note 13.1)

525

-

### 20.2. Workforce

	2005	2004
<b>Workforce</b>		
France	6,550	6,390
International	2,550	1,110
<b>TOTAL</b>	<b>9,100</b>	<b>7,500</b>

### 20.3. Employee profit sharing

Employee profit sharing totalled €4.513 million for Sopra Group SA, €0.199 million for Axway, and €0.706 million for Orga Consultants.

### 20.4. Share subscription options

The cost of services rendered by staff in exchange for options received was booked to staff costs, in the amount of €0.573 million (see Note 1.5.9).

Information on outstanding share subscription option plans is provided in Note 12.2.

## 21 | Depreciation, amortisation, provisions and impairment

<i>(in thousands of euros)</i>	2005	2004
Amortisation of intangible assets	-1,151	-1,276
Depreciation of property and equipment	-4,722	-3,561
Depreciation of assets held under finance lease	- 3,598	-3,000
Amortisation of capitalised expenses	-	-53
<b>Depreciation and amortisation</b>	<b>-9,471</b>	<b>-7,890</b>
Impairment of current assets	-	-780
Provisions for risks and charges	-2,570	-1,192
<b>Provisions and impairment</b>	<b>-2,570</b>	<b>-1,972</b>
<b>TOTAL</b>	<b>-12,041</b>	<b>-9,862</b>

## 22 | Other operating income and expenses

In 2004, this caption included the cost related to the cessation of business in Germany (€1.450 million), as well as expenses related to the termination of a lawsuit (0.645 million).

## 23 | Financial income and expense

### 23.1. Cost of net financial debt

<i>(in thousands of euros)</i>	2005	2004
Income from cash and cash equivalents	400	355
Interest and other finance costs	-3,977	-2,717
Expenses related to the restatement of finance lease	-254	-222
Restatement of syndicated loan	-67	-
<b>TOTAL</b>	<b>-3,898</b>	<b>-2,584</b>

### 23.2. Other financial income and expense

<i>(in thousands of euros)</i>	2005	2004
Charges and reversals of financial amortisation and provisions	236	14
Discounting of retirement commitments	-458	-370
Discounting of employee profit sharing	345	-
Discounting of earnouts	-247	-
Restatement of syndicated loan	509	-
Foreign exchange gains and losses	88	-369
Other financial charges and income	-481	320
<b>TOTAL</b>	<b>-8</b>	<b>-405</b>

## 24 | Corporate income tax

### 24.1. Tax charge

<i>(in thousands of euros)</i>	2005	2004
Current tax	6,553	11,542
Deferred tax	10,394	-118
<b>TOTAL</b>	<b>16,947</b>	<b>11,424</b>

At year-end 2005, Valoris France was wound up, with all assets being transferred to Sopra Group. Valoris' tax losses carried forward at 31 December 2004, in the amount of €33.6 million, received ministerial approval to be carried forward within Sopra Group's accounts.

The allocation of almost all these losses to the taxable income of the combined Sopra Group/Valoris entity yielded a tax saving of €11.7 million. This transaction was the source of the distribution of the 2005 tax charge between current taxes and deferred taxes.

## 24.2. Reconciliation between the theoretical and effective tax charge

<i>(in thousands of euros)</i>	2005	2004
Net profit (Group share)	35,259	24,518
Tax charge	- 16,947	- 11,424
Profit before tax and amortisation of goodwill	52,206	35,942
<b>Theoretical tax charge</b>	<b>34.93%</b>	<b>35.43%</b>
Theoretical tax charge	-18,236	-12,734
<b>Reconciliation</b>		
Permanent differences	-241	-400
Impact of non-capitalised losses for the year and the use of losses carried forward	934	1,001
Impact of tax credits	304	592
Tax rate differences - France/Other countries	302	188
Other	- 10	- 71
Actual tax charge	-16,947	-11,424
<b>Effective tax rate</b>	<b>-32.46%</b>	<b>-31.79%</b>

## 24.3. Deferred tax

<i>(in thousands of euros)</i>	2005	2004
<b>Temporary differences related to tax returns</b>		
Employee profit sharing	4,893	3,798
Retirement commitments	10,553	7,891
Organic and construction support tax	1,017	908
Other	207	-
<b>Differences related to consolidation adjustments</b>		
Real estate finance leases	-677	-831
Equipment finance leases	224	218
Difference in the amortisation period of software contributed under business combinations	3,455	4,318
Discounting of employee profit sharing	1,184	-
Regulated provisions	-926	-893
Capitalised tax losses (cf. Note 24.1)	1,864	33,638
<b>Deferred tax base</b>	<b>21,794</b>	<b>49,047</b>
<b>Deferred tax assets</b>	<b>7,837</b>	<b>17,867</b>
<b>Deferred tax liabilities</b>	<b>-265</b>	<b>-256</b>
<b>Net deferred tax</b>	<b>7,572</b>	<b>17,611</b>
<b>Changes in scope</b>	<b>9</b>	<b>12,286</b>
<b>Impact on equity (cf. Note 12.6)</b>	<b>346</b>	<b>1,159</b>
<b>Impact on income statement</b>	<b>-10,394</b>	<b>118</b>

## 24.4. Tax losses carried forward

Ordinary losses <i>(in thousands of euros)</i>		2005
Year of expiry	N + 1	2,842
	N + 2	4,316
	N + 3	1,721
	N + 4	2,570
	N + 5	2,157
	Future years	43,194
<b>TOTAL</b>		<b>56,800</b>
Maximum potential tax saving		17,515
<i>Of which asset recognised</i>		651

## 25 | Earnings per share

<i>(in euros)</i>	2005	2004
Net profit - Group share	35,259,027	24,531,829
Weighted average number of ordinary shares in issue	10,861,908	10,586,211
<b>Basic net earnings per share</b>	<b>3.25</b>	<b>2.32</b>

<i>(in euros)</i>	2005	2004
Net profit - Group share	35,259,027	24,531,829
Weighted average number of ordinary shares in issue	10,861,908	10,586,211
Weighted average number of securities retained in respect of dilutive items	218,002	331,658
Weighted average number of shares retained for the calculation of diluted net earnings per share	11,079,910	10,917,869
<b>Diluted net earnings per share</b>	<b>3.18</b>	<b>2.25</b>

The methods of calculating earnings per share are described in Note 1.5.18.

The only dilutive items are share subscription options, which are analysed in Note 12.2.

## 26 | Segment information

### 26.1. Results by division

#### a. Systems and Solutions Integration - France

<i>(in millions of euros)</i>	2005		2004	
Revenue	504.7	100.0%	442.1	100.0%
Profit from recurring operations	37.5	7.4%	29.4	6.7%
Operating profit	37.5	7.4%	28.7	6.5%

#### b. Consulting

<i>(in millions of euros)</i>	2005		2004	
Revenue	41.3	100.0%	34.5	100.0%
Profit from recurring operations	5.0	12.1%	3.7	10.7%
Operating profit	5.0	12.1%	3.7	10.7%

**c. Systems and Solutions Integration - Europe**

(in millions of euros)	2005		2004	
Revenue	125.5	100.0%	78.7	100.0%
Profit from recurring operations	4.8	3.8%	3.1	3.9%
Operating profit	4.8	3.8%	1.6	2.0%

**d. Axway**

(in millions of euros)	2005		2004	
Revenue	85.5	100.0%	74.5	100.0%
Profit from recurring operations	8.8	10.3%	4.9	6.6%
Operating profit	8.8	10.3%	4.9	6.6%

**e. Group**

(in millions of euros)	2005		2004	
Revenue	757.0	100.0%	629.8	100.0%
Profit from recurring operations	56.1	7.4%	41.1	6.5%
Operating profit	56.1	7.4%	38.9	6.2%

**26.2. Breakdown by division of main balance sheet items**

(in thousands of euros)	SSI France	Consulting	SSI Europe	Axway	Total
Goodwill	46,184	3,876	163,691	28,431	242,182
Property and equipment	23,295	228	4,808	597	28,928
Trade accounts receivable (net)	195,195	11,968	55,298	28,488	290,949

SSI: Systems and Solutions Integration.

**27 | Related-party transactions****27.1. Senior management****27.1.1. Remuneration of members of the Management Board**

Remuneration of members of the Management Board totalled €1.829 million for financial year 2005.

**27.1.2. Attendance fees for the Supervisory Board**

The Combined General Meeting of 24 June 2004 set the annual amount of fees to be apportioned between the members of the Supervisory Board as of 2004 and subsequent years at €70,000.

**27.1.3. Share subscription options**

At 31 December 2005, one member of the Management Board held 25,000 stock options that may be exercised between 17 December 2007 and 15 December 2010 at a unit price of €22.50.

**27.1.4. Pension commitments**

There are no pension or related commitments in respect of directors.

**27.2. Subsidiaries and associated entities**

Transactions and balances between Sopra Group and its subsidiaries were eliminated in full on consolidation, since all of the subsidiaries are fully consolidated.

Non-consolidated equity investments are included under *Available for sale financial assets*. With the exception of Cosmosbay - Vectis, these all relate to companies in the process of liquidation, for which no significant transactions were undertaken in 2005.

## 28 | Off-balance sheet commitments and contingent liabilities

### 28.1. Off-balance sheet liabilities arising from ordinary activities

<i>(in thousands of euros)</i>	2005	2004
Discounted bills not yet due	-	-
Bank guarantees / deposits on leased offices	1,459	1,646
Bank guarantees for final completion of projects	2,373	1,623
Collateral, mortgages and surety	-	-
Interest rate hedging instruments	-	-

### 28.2. Collateral, guarantees and surety

#### 28.2.1. Registered shares used as collateral

Name of registered shareholder	Beneficiary	Starting date	Expiry date	Conditions for freeing shares	Number of shares pledged	% of capital pledged
Sopra GMT	Lyonnaise de Banque	March 2001	October 2006	Repayment of loan for €9.2 million	250,000	2.18%
Sopra GMT	Natexis	March 2004	January 2008	Repayment of loan for €8.0 million	300,000	2.62%
<b>TOTAL</b>					<b>550,000</b>	<b>4.80%</b>

#### 28.2.2. Assets used as collateral (intangible, tangible or financial)

No such assets were pledged in this manner.

### 28.3 Real collateral given in guarantee

No real collateral was given to guarantee bank financing.

### 28.4 Covenants

Within the framework of the syndicated loan of 200 million euros, Sopra Group assumed the following covenants:

- total Net Financial Debt divided by EBITDA shall remain below 3.5 until 31 December 2005, and after that date and for the entire duration of the loan, below 3. At 31 December 2005, this ratio was equal to 2.8;

- total Net Financial Debt divided by Equity shall remain below 1 for the entire duration of the loan. At 31 December 2005, this ratio was equal to 0.74;

- total Operating Profit divided by the Cost of Net Financial Debt shall remain above 5 for the entire duration of the loan. At 31 December 2005, this ratio was equal to 14.4.

Net financial debt applied in these calculations includes the earnouts relating to the acquisitions recognised under fixed asset liabilities (see Note 18), and does not include employee profit sharing.

### 28.5. Contingent liabilities

No contingent liabilities need to be taken into account.

## 29 | Contractual obligations and other commercial commitments

Contractual obligations <i>(in thousands of euros)</i>	Notes	Payments due by period			2005	2004
		Less than one year	One to five years	More than Five years		
Long term debts	13.1	735	101,481	58,000	160,216	68,227
Finance lease obligations	13.1	3,113	4,787	-	7,900	6,273
Operating lease contracts		-	-	-	-	-
Irrevocable purchase obligations		-	-	-	-	-
Employee profit sharing	13.1	1,487	10,479	-	11,966	11,654
Bank overdrafts	13.1	1,901	-	-	1,901	3,394
<b>TOTAL</b>		<b>7,236</b>	<b>116,747</b>	<b>58,000</b>	<b>181,983</b>	<b>89,548</b>

Other commercial commitments <i>(in thousands of euros)</i>	Notes	Amount of commitments by period			2005	2004
		Less than one year	One to five years	More than Five years		
Credit lines		-	-	-	-	-
Letters of credit		-	-	-	-	-
Guarantees	28.1	-	1,459	-	1,459	1,646
Repurchase obligations		-	-	-	-	2,048
Other commercial commitments	28.1	2,373	-	-	2,373	1,623
<b>TOTAL</b>		<b>2,373</b>	<b>1,459</b>	<b>-</b>	<b>3,832</b>	<b>5,317</b>

## 30 | Exceptional events and legal disputes

To the Company's knowledge, there are no exceptional events or legal disputes that may have a material effect on its financial position, revenue, business assets, or net profit, or those of the Group as a whole.

## 31 | Post balance sheet events

In early 2006, Axway Software, a wholly-owned subsidiary of Sopra Group, acquired the entire share capital and voting rights of the US company Cyclone Commerce. Cyclone implements solutions that allow businesses to easily manage their B2B transactions on a single, integrated platform. Cyclone Commerce was founded in 1996 and its registered office is in Scottsdale, Arizona.

The deal was executed in cash, for a purchase price consisting of a fixed portion of \$29.665 million and a conditional earnout of \$3.5 million payable March 2007. It was integrated into the Group's consolidation scope with effect from 1 January 2006.

## 32 | Transition to IAS/IFRS

Information for 2004 prepared under French accounting principles was subject to the necessary adjustments to render it consistent with IFRS standards, with the exception of transactions subject to IAS 32 and IAS 39. It is recognised and presented in accordance with French accounting principles for the comparative period 2004, under IFRS r1 "First-time application of IFRS", which allows for application of IAS 32 and IAS 39 as of 1 January 2005.

Adjustments and reclassifications were made to the 2004 financial statements, as published in the 2004 Reference Document.

- A change was made to the opening balance sheet of 1 January 2004. It concerns inclusion of an adjustment to the provision for retirement benefits (see Note 12.7). The items in question were allocated as follows:

*Provisions:* increase of €1.372 million;

*Shareholders' equity:* reduction of €0.899 million;

*Deferred asset taxes:* increase of €0.473 million.

- At 31 December 2004 the legal reserve was subject to reclassification from Consolidated reserves and retained earnings to Capital reserves, in the amount of €4.071 million.
- At 31 December 2004 accrued expenses were subject to reclassification from *Provisions and impairment to Depreciation and amortisation* in the amount of €54 thousand.

## 32.1. Transition to IAS/IFRS at 1 January 2004

### 32.1.1. Balance sheet at 1 January 2004 under IAS/IFRS

<b>ASSETS</b> (in thousands of euros)	Note	French GAAP	Reclassifications	Restatements	IAS/IFRS
Goodwill	1	31,060	51,658	-	82,718
Other intangible assets	2	55,900	- 51,658	-	4,242
Property and equipment		22,131	-	-	22,131
Non-current financial assets		2,391	-	-	2,391
Deferred tax assets	3	1,632	3,650	-	5,282
Other non-current assets		-	-	-	-
<b>NON-CURRENT ASSETS</b>		<b>113,114</b>	<b>3,650</b>	<b>-</b>	<b>116,764</b>
Inventories		236	-	-	236
Trade accounts receivable	4	213,498	-	-4,260	209,238
Other current receivables	5	15,258	- 3,650	-390	11,218
Cash and cash equivalents		18,532	-	-	18,532
<b>CURRENT ASSETS</b>		<b>247,524</b>	<b>- 3,650</b>	<b>-4,650</b>	<b>239,224</b>
<b>TOTAL ASSETS</b>		<b>360,638</b>	<b>-</b>	<b>-4,650</b>	<b>355,988</b>

<b>LIABILITIES AND EQUITY</b> (in thousands of euros)	Note	French GAAP	Reclassifications	Restatements	IAS/IFRS
Share capital		42,194	-	-	42,194
Capital reserves	6	15,983	-	634	16,617
Other reserves and retained earnings	7	50,002	-	-2,886	47,116
Losses taken directly to equity		-651	-	-	-651
<b>Equity - Group share</b>		<b>107,528</b>	<b>-</b>	<b>-2,252</b>	<b>105,276</b>
<b>Minority interests</b>		<b>527</b>	<b>-</b>	<b>-</b>	<b>527</b>
<b>TOTAL EQUITY</b>		<b>108,055</b>	<b>-</b>	<b>-2,252</b>	<b>105,803</b>
Financial debt: long-term portion	8	65,866	-26,549	-	39,317
Deferred tax liabilities	9	-	101	-	101
Provisions	10	11,337	-101	-390	10,846
Other non-current liabilities	11	-	2,532	-	2,532
<b>NON-CURRENT LIABILITIES</b>		<b>77,203</b>	<b>-24,017</b>	<b>-390</b>	<b>52,796</b>
Financial debt: short-term portion	12	-	26,549	-	26,549
Trade accounts payable		22,871	-	-	22,871
Other current liabilities	13	152,509	-2,532	-2,008	147,969
<b>CURRENT LIABILITIES</b>		<b>175,380</b>	<b>24,017</b>	<b>-2,008</b>	<b>197,389</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>360,638</b>	<b>-</b>	<b>-4,650</b>	<b>355,988</b>

Note	Reclassifications	Restatements
1	Aggregation of "fonds de commerce" (business goodwill) with goodwill on acquisition	
2	cf. note 1	
3	Treated as a non-current asset	
4		Restatement of revenue related to Software & Solutions activities
5	cf. note 3	Receivables and payables in local currency - translation difference recognised in the income statement
6		IFRS 2 impact: share subscription options
7		Revenue (-€2.300 million) - Options (-€0.634 million) - Translation difference (€48 thousand)
8	Breakdown of financial debt +/- one year	
9	Reclassification of deferred tax liabilities	
10	cf. note 9	Reversal of provision for foreign exchange losses
11	Breakdown of other debt +/- one year	
12	cf. note 8	
13	cf. note 11	VAT and corporate income tax impact of the revenue statement (-€1.960 million) Translation gain recognised in the income statement (-€48 thousand)

### 32.1.2. Reconciliation of shareholders' equity at 1 January 2004

*(in thousands of euros)*

<b>Shareholders' equity - Group share Accounts at 31 December 2003 under French GAAP</b>	<b>110,538</b>
Impact of the change of method in respect of retirement commitments (first application of CNC Recommendation 2003-R.01)	-3,010
<b>Shareholders' equity - Group share at 1 January 2004 under French GAAP</b>	<b>107,528</b>
Restatement (net of tax) relating to the recognition of revenue	-2,300
Restatement (net of tax) relating to foreign currency transactions	48
<b>Shareholders' equity - Group share at 1 January 2004 under IAS/IFRS</b>	<b>105,276</b>

## 32.2. Transition to IAS/IFRS at 31 December 2004

### 32.2.1. Balance sheet at 31 December 2004 under IAS/IFRS

<b>ASSETS</b> (in thousands of euros)	Note	French GAAP	Reclassifications	Restatements	IAS/IFRS
Goodwill	1	47,114	61,209	2,369	110,692
Other intangible assets	2	64,270	-61,209	-	3,061
Property and equipment		27,194	-	-	27,194
Non-current financial assets		3,057	-	-	3,057
Deferred tax assets	3	-	17,867	-	17,867
Other non-current assets		-	-	-	-
<b>NON-CURRENT ASSETS</b>		<b>141,635</b>	<b>17,867</b>	<b>2,369</b>	<b>161,871</b>
Inventories		54	-	-	54
Trade accounts receivable	4	246,624	-	-3,583	243,041
Other current receivables	5	32,533	-17,867	-426	14,240
Cash and cash equivalents		30,615	-	-	30,615
<b>CURRENT ASSETS</b>		<b>309,826</b>	<b>-17,867</b>	<b>-4,009</b>	<b>287,950</b>
<b>TOTAL ASSETS</b>		<b>451,461</b>	<b>-</b>	<b>-1,640</b>	<b>449,821</b>

<b>LIABILITIES AND EQUITY</b> (in thousands of euros)	Note	French GAAP	Reclassifications	Restatements	IAS/IFRS
Share capital		42,928	-	-	42,928
Capital reserves	6	18,071	-	1,451	19,522
Other reserves and retained earnings	7	70,163	-	-960	69,203
Losses taken directly to equity		-497	-	-	- 497
<b>Equity - Group share</b>		<b>130,665</b>	<b>-</b>	<b>491</b>	<b>131,156</b>
<b>Minority interests</b>		<b>18</b>	<b>-</b>	<b>-</b>	<b>18</b>
<b>TOTAL EQUITY</b>		<b>130,683</b>	<b>-</b>	<b>491</b>	<b>131,174</b>
Financial debt: long-term portion	8	89,548	-28,103	-	61,445
Deferred tax liabilities	9	-	256	-	256
Provisions	10	13,961	-256	-426	13,279
Other non-current liabilities	11	-	3,186	-	3,186
<b>NON-CURRENT LIABILITIES</b>		<b>103,509</b>	<b>-24,917</b>	<b>-426</b>	<b>78,166</b>
Financial debt: short-term portion	12	-	28,103	-	28,103
Trade accounts payable		30,546	-	-	30,546
Other current liabilities	13	186,723	-3,186	-1,705	181,832
<b>CURRENT LIABILITIES</b>		<b>217,269</b>	<b>24,917</b>	<b>-1,705</b>	<b>240,481</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>451,461</b>	<b>-</b>	<b>-1,640</b>	<b>449,821</b>

Note	Reclassifications	Restatements
1	Aggregation of "fonds de commerce" (business goodwill) with goodwill on acquisition	Reversal of amortisation of goodwill
2	cf. note 1	
3	Treated as a non-current asset	
4		Restatement of revenue related to Software & Solutions activities
5	cf. note 3	Receivables and payables in local currency - translation difference recognised in the income statement
6		IFRS 2 impact: share subscription options
7		Revenue (-€1.934 million) - Options (-€1.451 million) - Amortisation of goodwill on acquisition (€2.369 million) - Translation difference (€56 thousand)
8	Breakdown of financial debt +/- one year	
9	Reclassification of deferred tax liabilities	
10	cf. note 9	Reversal of provision for foreign exchange losses
11	Breakdown of other debt +/- one year	
12	cf. note 8	
13	cf. note 11	VAT and corporate income tax impact of the revenue statement (-€1.649 million) Translation gain recognised in the income statement (-€56 thousand)

## 32.2.2. Income statement for the year ended 31 December 2004 under IAS/IFRS

<i>(in thousands of euros)</i>	Note	French GAAP	Reclassifications	Restatements	IAS/IFRS
Revenue	1	629,198	-	566	629,764
Other operating income		-	-	-	-
Purchases consumed		-61,654	-	-	-61,654
Staff costs	2	-424,466	1,352	-817	-423,931
External expenses	3	-83,335	1,616	-	-81,719
Taxes and duties		-13,808	-	-	-13,808
Depreciation and amortisation charge	4	-10,205	-	2,369	-7,836
Provisions	5	-2,128	102	-	-2,026
Change in work in progress and finished goods		-	-	-	-
Other operating income and expenses on ordinary activities	6	4,094	-1,866	8	2,236
<b>Operating profit on ordinary activities</b>		<b>37,696</b>	<b>1,204</b>	<b>2,126</b>	<b>41,026</b>
Other operating income and expenses		-2,095	-	-	-2,095
<b>Profit from operations</b>		<b>35,601</b>	<b>1,204</b>	<b>2,126</b>	<b>38,931</b>
Investment income		-	355	-	355
Finance costs		-	-2,939	-	-2,939
<b>Net cost of borrowings</b>	7	<b>-</b>	<b>-2,584</b>	<b>-</b>	<b>-2,584</b>
Other financial income and expenses	8	-3,367	2,962	-	-405
Tax	9	-9,641	-1,582	-201	-11,424
Share of net income accounted for under the equity method		-	-	-	-
<b>Profit for the period from continuing operations</b>		<b>22,593</b>	<b>-</b>	<b>1,925</b>	<b>24,518</b>
Profit (net of tax) for the period from discontinued or discontinuing operations		-	-	-	-
<b>Profit for the period</b>		<b>22,593</b>	<b>-</b>	<b>1,925</b>	<b>24,518</b>
Attributable to equity holders of the parent company		22,606	-	1,925	24,531
Attributable to minority interests		-13	-	-	-13

Note	Reclassifications	Restatements
1		Restatement of revenue related to Software & Solutions activities
2	Expense transfers (€0.462 million) - Provision reversals (€0.890 million)	IFRS 2 impact: share subscription options
3	Other operating expenses (€1.063 million) Expense transfers (€0.229 million) - Provision reversals (€0.324 million)	
4		Reversal of amortisation of goodwill
5	Reversal of unused provisions	
6	Other operating expenses (-€1.063 million) Expense transfers (-€0.691 million) - Provision reversals (-€1.461 million) Research tax credit (€1.727 million) Translation difference (-€0.378 million)	Impact of restatement of translation difference
7	Financial items relating to the cost of borrowings	
8	Cost of borrowings (€2.584 million) - Translation difference (€0.378 million)	
9	Provision reversals (€0.145 million) - Research tax credit (-€1.727 million)	Impact on corporate income tax of restatement of revenue

## 32.2.3. Cash flow statement for the year ended 31 December 2004 under IAS/IFRS

<i>(in thousands of euros)</i>	Note	French GAAP	Reclassifications	Restatements	IAS/IFRS
<b>Consolidated net income (including minority interest)</b>		<b>22,593</b>	-	<b>1,925</b>	<b>24,518</b>
Net depreciation, amortisation and provisions	1	11,069	-	-2,369	8,700
Calculated income and expenses related to stock options and equivalent	2	-	-	817	817
Other calculated income and expenses	3	-88	88	-	-
Net capital gain (loss) on divestments		-355	-	-	-355
<b>Self-financing capacity after cost of borrowings and tax</b>		<b>33,219</b>	<b>88</b>	<b>373</b>	<b>33,680</b>
Net cost of borrowings	4	-	2,584	-	2,584
Tax (including deferred tax)	5	-	11,424	-	11,424
<b>Self-financing capacity before cost of borrowings and tax (A)</b>		<b>33,219</b>	<b>14,096</b>	<b>373</b>	<b>47,688</b>
Tax paid (B)	6	-	-9,995	-	-9,995
Change in WCR relating to operations (including liabilities in respect of employee benefits) (C)	7	5,814	-1,493	-373	3,948
<b>Net cash flow from operations (D) = (A+B+C)</b>		<b>39,033</b>	<b>2,608</b>	<b>-</b>	<b>41,641</b>
Purchases of property and equipment and intangible assets		-8,229	-	-	-8,229
Proceeds on disposal of property and equipment and intangible assets		217	-	-	217
Purchases of non-current financial assets (non-consolidated investments)		-599	-	-	-599
Proceeds on disposal of non-current financial assets (non-consolidated investments)		208	-	-	208
Impact of change in the scope of consolidation		-39,359	-	-	-39,359
<b>Net cash used in investing activities (E)</b>		<b>-47,762</b>	<b>-</b>	<b>-</b>	<b>-47,762</b>
Amounts received on the exercise of stock options		2,822	-	-	2,822
Purchase and sale of treasury shares		1,758	-	-	1,758
Dividends paid during the period:					
- Dividends paid to shareholders of the parent company		-4,202	-	-	-4,202
- Dividends paid to minority interests in consolidated entities		-	-	-	-
Proceeds on issue of new borrowings		59,657	-	-	59,657
Repayments of borrowings (including obligations under finance leases)		-40,781	-	-	-40,781
Net interest paid (including obligations under finance leases)	8	-	-2,584	-	-2,584
<b>Net cash (used in)/from financing activities (F)</b>		<b>19,254</b>	<b>-2,584</b>	<b>-</b>	<b>16,670</b>
Effect of foreign exchange rate changes (G)	9	-	-24	-	-24
<b>Change in net cash and cash equivalents (D+E+F+G)</b>		<b>10,525</b>	<b>-</b>	<b>-</b>	<b>10,525</b>

Note	Reclassifications	Restatements
1		Reversal of amortisation of goodwill
2		IFRS 2 impact: share subscription options
3	Reclassification of deferred tax	
4	Cost of borrowings	
5	Tax charge	
6	Tax paid	
7	Change in corporate income tax (- 1.517 million) Change in exchange rates (€24 thousand)	Restatement of revenue (€0.366 million) - Translation difference (€8 thousand)
8	cf. note 4	
9	cf. note 7	

## 32.2.4. Statement of changes in equity at 31 December 2004 under IAS/IFRS

<i>(in thousands of euros)</i>	Share capital	Reserves related to capital	Treasury stock	Consolidated reserves and earnings	Translation differential	Total group share	Minority interest	Total
<b>Equity at 1 January 2004 under IAS/IFRS</b>	<b>42,194</b>	<b>16,617</b>	<b>-1,411</b>	<b>48,527</b>	<b>-651</b>	<b>105,276</b>	<b>527</b>	<b>105,803</b>
Capital transactions	734	2,088	-	-	-	2,822	-	2,822
Share-based payments	-	817	-	-	-	817	-	817
Transactions in treasury shares	-	-	1,397	361	-	1,758	-	1,758
Dividends	-	-	-	-4,202	-	-4,202	-	-4,202
Net profit for the year	-	-	-	24,531	-	24,531	-13	24,518
Translation differential	-	-	-	-	154	154	-	154
Change in consolidation scope	-	-	-	-	-	-	-496	-496
<b>Equity at 31 December 2004 under IAS/IFRS</b>	<b>42,928</b>	<b>19,522</b>	<b>-14</b>	<b>69,217</b>	<b>-497</b>	<b>131,156</b>	<b>18</b>	<b>131,174</b>

### 33 | Consolidated financial statements for 2004 and 2003 under French GAAP

#### 33.1. Balance sheet

<b>ASSETS</b> <i>(in thousands of euros)</i>	<b>2004</b>	<b>2003</b>
<b>FIXED ASSETS</b>		
Goodwill	47,114	31,060
Other intangible assets	64,270	55,900
Property and equipment	27,194	22,131
Non-current financial assets	3,057	2,391
Investments in associates	-	-
<b>Total fixed assets</b>	<b>141,635</b>	<b>111,482</b>
<b>CURRENT ASSETS</b>		
Inventories	54	236
Trade accounts receivable	246,624	213,498
Other current receivables	32,060	15,258
Investment securities	14,629	620
Cash and cash equivalents	15,986	17,912
<b>Total current assets</b>	<b>309,353</b>	<b>247,524</b>
<b>TOTAL ASSETS</b>	<b>450,988</b>	<b>359,006</b>
<b>LIABILITIES AND EQUITY</b> <i>(in thousands of euros)</i>	<b>2004</b>	<b>2003</b>
<b>EQUITY (Group share)</b>		
Share capital	42,928	42,194
Share premium	14,000	11,912
Reserves	52,527	44,362
Net profit for the year	22,606	12,721
Translation differential	-497	-651
<b>Total equity</b>	<b>131,564</b>	<b>110,538</b>
<b>Minority interests</b>	<b>18</b>	<b>527</b>
<b>Provisions for risks and charges</b>	<b>12,589</b>	<b>6,695</b>
<b>LIABILITIES</b>		
Financial debt	89,548	65,866
Trade accounts payable	30,546	22,871
Other liabilities and regularisation accounts	186,723	152,509
<b>Total liabilities</b>	<b>306,817</b>	<b>241,246</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>450,988</b>	<b>359,006</b>

### 33.2. Income statement

(in thousands of euros)	2004		2003	
	Amount	%	Amount	%
Revenue	629,198	100.0%	525,302	100.0%
Other operating income	4,094		3,926	
<b>Total operating income</b>	<b>633,292</b>		<b>529,228</b>	
Purchases consumed	61,654	9.8%	43,120	8.2%
Staff costs	424,466	67.5%	360,601	68.6%
Other operating expenses	83,335	13.2%	72,156	13.7%
Taxes and duties	13,808	2.2%	10,273	2.0%
Depreciation, amortisation and provisions	9,964	1.6%	11,162	2.1%
<b>Total operating expenses</b>	<b>593,227</b>	<b>94.3%</b>	<b>497,312</b>	<b>94.7%</b>
<b>Operating profit</b>	<b>40,065</b>	<b>6.4%</b>	<b>31,916</b>	<b>6.1%</b>
Financial income and expense	- 3,367	-0.5%	-3,157	-0.6%
<b>Profit from recurring operations of consolidated companies</b>	<b>36,698</b>	<b>5.8%</b>	<b>28,759</b>	<b>5.5%</b>
Exceptional items	- 2,095	-0.3%	-924	-0.2%
Corporate income tax	-9,641	-1.5%	-11,756	-2.2%
<b>Net profit of consolidated companies</b>	<b>24,962</b>	<b>4.0%</b>	<b>16,079</b>	<b>3.1%</b>
Share of income in equity-accounted associates	-	0.0%	-	0.0%
Amortisation of goodwill	-2,369	-0.4%	-2,983	-0.6%
<b>Net profit before minority interests</b>	<b>22,593</b>	<b>3.6%</b>	<b>13,096</b>	<b>2.5%</b>
Minority interests	13	0.0%	-375	-0.1%
<b>NET PROFIT (Group share)</b>	<b>22,606</b>	<b>3.6%</b>	<b>12,721</b>	<b>2.4%</b>

### 33.3. Cash flow statement

(in thousands of euros)	2004	2003
Net profit	22,606	12,721
Share of income in equity-accounted associates	-13	375
Elimination of income and expenses with no cash impact or which are not related to operations:		
- Depreciation, amortisation and provisions	11,069	11,302
- Change in deferred tax	-88	-62
- Income from associates	-	-
- Capital gains on disposal, net of tax	-355	478
Gross self-financing margin on consolidated companies	33,219	24,814
Dividends received from equity-accounted associates	-	-
Changes in operating working capital requirements	5,814	-9,903
<b>Net cash flow from operating activities (A)</b>	<b>39,033</b>	<b>14,911</b>
Purchase of fixed assets	-8,828	-2,654
Proceeds from sale of fixed assets, net of tax	425	424
Impact of changes in consolidation scope	-39,359	5,764
<b>Net cash from (used in) investing activities (B)</b>	<b>-47,762</b>	<b>3,534</b>
Dividends paid to shareholders of the parent company	-4,202	-6,099
Dividends paid to minority interests of consolidated companies	-	-161
Capital increases in cash	2,822	1,466
Change in other equity	1,758	229
Net change in borrowings	18,876	-10,326
<b>Net cash from (used in) financing activities (C)</b>	<b>19,254</b>	<b>-14,891</b>
<b>Net change in cash and cash equivalents (D = A + B + C)</b>	<b>10,525</b>	<b>3,554</b>
<b>Opening balance of cash and cash equivalents</b>	<b>16,696</b>	<b>13,142</b>
<b>Closing balance of cash and cash equivalents</b>	<b>27,221</b>	<b>16,696</b>

## Statutory Auditors' Report on the consolidated financial statements

Ladies and gentlemen,

As mandated by your General Meetings we have audited the consolidated financial statements of Sopra Group SA for the financial year ended 31 December 2005, which precede this report.

The accounts were prepared by the Management Board and it is our responsibility to express an opinion on these accounts based on our audit. These accounts were prepared for the first time in accordance with IFRS as adopted in the European Union. For the purposes of comparison, they include data relating to financial year 2004 restated under the same standards.

### I - Opinion on the consolidated financial statements

We performed our audit in accordance with generally accepted French auditing standards. These standards require that we perform our audit in such a way as to obtain reasonable assurance that the parent company accounts are free from material misstatement. An audit involves examining, on a test basis, the evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting policies used and significant estimates made in the preparation of the accounts, and evaluating the overall presentation. We believe that our audit provides a reasonable basis for the audit opinion expressed below.

We certify that the consolidated financial statements are, with respect to IFRS as adopted in the European Union, true and fair and provide a true and fair view of the net worth, financial situation and earnings of the consolidated entity at the end of the financial year under review.

### II - Justification of our assessments

Pursuant to the provisions of article L. 823-9 of the Code of Commerce relating to the justification of our assessments, we bring the following matters to your attention:

- At each balance sheet date, the company systematically performs an impairment test of goodwill and assets with indefinite useful lives, based on the methods described in Notes 1.5.6 and 4 of the consolidated financial statements. In the course of our assessment, we examined the appropriateness of the approach adopted in addition to the implementation methods of this impairment test and the overall consistency of the assumptions used and the resulting assessments.

- The Company allocates a provision for its retirement benefit commitments towards its employees based on the projected credit unit method, as indicated in Note 1.5.13 to the consolidated financial statements. In the course of our assessments, we examined the data used, we assessed the actuarial assumptions retained, verified the overall consistency of these assumptions and the resulting measurements, as well as the appropriateness of the information provided in the note.

In the course of our assessments, we verified the consistency of all of the data and assumptions that underpin the measurement of deferred tax assets.

These assessments form part of our overall audit approach and thus contributed to the formulation of our unqualified opinion expressed in the first section of this report.

### III - Specific variations

We also verified, in accordance with professional standards applicable in France, the information provided in the Group's management report. We have no comments on the sincerity and consistency with the consolidated financial statements.

Paris, 26 April 2006

The Statutory Auditors

**Auditeurs & Conseils Associés**  
Philippe RONIN

**Mazars & Guérard**  
Pierre SARDET



# 6

## Sopra Group SA simplified individual financial statements

Balance sheet	p. 99
Income statement	p. 100
Change in shareholders' equity	p. 100
List of subsidiaries and associated entities	p. 101
Five year financial summary	p. 101
Statutory Auditors' Special Report on regulated agreements	p. 102
Statutory Auditors' Special Reports on transactions falling within the scope of resolutions 19 to 23 of the Combined General Meeting of 30 May 2006	p. 104

The complete individual financial statements, including the notes thereto, were certified without qualification by the statutory auditors in their report dated 26 April 2006.

These documents are available from the Company upon request.

Sopra Group SA handles all Systems and Solutions Integration activities in France, as well as all the Group's functional departments.

#### Significant events for financial year 2005:

##### ■ Valoris

Valoris France, acquired in January 2004, was wound up without liquidation, by means of the universal transfer of its assets (TUP) to Sopra Group SA at the end of 2005.

The winding-up procedure, which was carried out at book value, resulted in a net technical loss from the merger of €11.488 million, which was booked to goodwill. It resulted in transfer to Sopra Group's year-end 2005 balance sheet of all Valoris's payables and receivables as of year-end. It had no impact on the income statement.

Valoris' tax losses carried forward at 31 December 2004 in the amount of €33.6 million received ministerial approval to be carried forward by Sopra Group. The allocation of almost all of these losses to the taxable income of the combined Sopra Group/Valoris entity yielded tax savings of €11.7 million. The technical loss from the merger was reduced by this amount, which was booked to tax charge.

##### ■ Acanthis

In June 2005 Sopra Group dissolved Acanthis, which was acquired at the beginning of the year, without liquidation. This resulted in the recognition of an intangible asset of €0.920 million.

##### ■ PROFit

In November 2005 Sopra Group acquired all of the share capital of the Spanish company PROFit for the amount of €67.975 million. This acquisition was carried out in the amount of €23.975 million via the issue of 449,550 Sopra Group shares.

##### ■ Newell & Budge

Sopra Group financed the acquisition of Newell & Budge in July 2005 through its subsidiary Sopra Group Ltd., for a total of £33.203 million through a capital increase and a contribution to the current account.

## Balance sheet

<b>ASSETS</b> (in thousands of euros)	<b>2005</b>	<b>2004</b>
<b>FIXED ASSETS</b>		
Intangible assets	49,488	28,533
Property and equipment	14,451	14,819
Non-current financial assets	226,390	173,066
<b>Total fixed assets</b>	<b>290,329</b>	<b>216,418</b>
<b>CURRENT ASSETS</b>		
Stocks and work in progress	21	54
Trade accounts receivable	222,411	187,153
Other receivables, prepayments and accrued income	63,319	9,922
Investment securities	12,462	14,621
Cash and equivalents	24,463	5,940
<b>Total current assets</b>	<b>322,676</b>	<b>217,690</b>
<b>TOTAL ASSETS</b>	<b>613,005</b>	<b>434,108</b>
<b>LIABILITIES AND EQUITY</b> (in thousands of euros)	<b>2005</b>	<b>2004</b>
<b>SHAREHOLDERS' EQUITY</b>		
Capital	45,776	42,928
Premiums	88,332	63,108
Reserves	39,002	33,111
Profit/Loss	18,524	15,587
<b>Total shareholders' equity</b>	<b>191,634</b>	<b>154,734</b>
<b>Provisions for risks and charges</b>	<b>12,255</b>	<b>8,754</b>
<b>LIABILITIES</b>		
Financial debt	171,895	80,770
Trade accounts payable	24,229	22,511
Tax and social security liabilities	130,844	111,700
Other liabilities, accruals and deferred income	82,148	55,639
<b>Total debt</b>	<b>409,116</b>	<b>270,620</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>613,005</b>	<b>434,108</b>

Beginning with the 2003 financial statements, Sopra Group introduced a new valuation method for fixed assets taking into account the value-in-use of these assets as the basis for comparison with the carrying value. The value-in-use is determined on the basis of expected net cash flows and is compared with available market prices (early application of CRC Recommendation 2002-10 related to the amortisation and depreciation of fixed assets).

New impairment tests were performed in 2004 and 2005. The valuation of equity interests was determined using the discounted cash flow method on the basis of 5-year forecasts. A growth rate to infinity of 3% was assumed beginning with the sixth year, a rate that seems acceptable for the segment in question (IT services). The cash flows resulting from these forecasts were then discounted using a discount rate of 10%. No additional depreciation was recorded in 2004 or 2005.

## Income statement

<i>(in thousands of euros)</i>	2005	2004
Net revenue	488,561	441,875
Other operating income	1,937	1,910
<b>Total operating income</b>	<b>490,498</b>	<b>443,785</b>
Purchases consumed	5,655	7,432
Staff costs	320,536	292,438
Other operating expenses	107,020	95,448
Taxes and duties	13,465	11,817
Depreciation and provisions	6,206	4,416
<b>Total operating expenses</b>	<b>452,882</b>	<b>411,551</b>
<b>Operating profit</b>	<b>37,616</b>	<b>32,234</b>
Financial income and charges	- 4,495	-3,656
<b>Pre-tax profit on ordinary activities</b>	<b>33,121</b>	<b>28,578</b>
Exceptional income and expenses	-122	-946
Employee profit sharing	-4,011	-3,187
Corporate income tax	-10,464	-8,858
<b>NET PROFIT/LOSS</b>	<b>18,524</b>	<b>15,587</b>

## Change in shareholders' equity

<i>(in thousands of euros)</i>	Share capital	Issue, merger and contribution premiums	Legal reserve	Optional reserve	Regulated reserve	Retained earnings	Net profit for the year	Total
Position at 1 January 2005	42,928	63,108	4,071	31,392	444	-2,796	15,587	154,734
Appropriation of 2004 earnings and dividends	-	-	222	3,983	-	2,796	-15,587	-8,586
Transfer to special long term capital gains reserve	-	-	-	444	-444	-	-	-
Exercise of share subscription options	1,050	3,047	-	-	-	-	-	4,097
Contribution on acquisition of PROFit	1,798	22,177	-	-	-	-	-	23,975
Provision for retirement commitments	-	-	-	-	-	-1,110	-	-1,110
Net profit for the year	-	-	-	-	-	-	18,524	18,524
<b>Position at 31 December 2005</b>	<b>45,776</b>	<b>88,332</b>	<b>4,293</b>	<b>35,819</b>	<b>-</b>	<b>-1,110</b>	<b>18,524</b>	<b>191,634</b>

At 31 December 2005, Sopra Group had share capital of €45,776,380, comprising 11,444,095 shares with a par value of €4.

The capital increases correspond to the following:

- the issuance of 262,595 shares at par value of €4 each, created by the exercise of share subscription options (capital increase of €1.050 million and share premium of €3.047 million);
- the acquisition of a portion of the securities of PROFit, presented above.

The provision for retirement benefits was subject to an adjustment to correct an error relating to the use of mortality tables for the period prior to 1 January 2004.

This correction, in the amount of (-) €1.110 million, was taken directly to equity as of 1 January 2005.

## List of subsidiaries and associated entities

Company	Share capital	Other shareholders' equity	% of capital held	Book value		Loans and advances granted by the company and not yet repaid	Surety and guarantees given by the company	Latest fiscal year revenue ex. VAT	Latest fiscal year profit or loss
				Gross	Net				
Axway Software	19,900,000 €	6,800,282 €	100.0%	19,899,940 €	19,899,940 €	9,583,013 €	-	67,736,301 €	2,293,888 €
Orga Consultants	51,086,700 €	11,090,667 €	100.0%	85,061,843 €	50,000,000 €	-	-	43,672,566 €	3,350,354 €
Sopra Group Ltd (United Kingdom)	26 900 000 £	-9,255,502 £	100.0%	53,914,408 €	37,519,019 €	28,542,874 £	-	15,484,581 £	-1,015,237 £
Sopra Benelux (Belgium)	2,138,082 €	1,491,398 €	100.0%	3,052,485 €	3,052,485 €	-	-	9,403,882 €	70,143 €
Valoris Luxembourg	894,000 €	-2,363,485 €	100.0%	1,154,068 €	0 €	-	-	0 €	-9,945 €
Sopra Luxembourg	100,000 €	59,486 €	100.0%	99,900 €	99,900 €	-	-	904,998 €	116,187 €
Sopra Informatique (Switzerland)	100,000 CHF	13,816,575 CHF	100.0%	58,380 €	58,380 €	-	-	12,213,448 CHF	1,340,746 CHF
Sopra Group SpA (Italy)	660,000 €	660,872 €	100.0%	9,502,516 €	5,501,000 €	-	-	15,841,612 €	512,513 €
Sopra Informatica (Spain)	24,000,000 €	-6,019,156 €	100.0%	24,047,072 €	23,372,000 €	743,727 €	-	27,128,385 €	-1,077,159 €
Profit (Spain)	* 1,097,576 €	19,875,929 €	100.0%	67,975,417 €	67,975,417 €	-	-	6,798,933 €	988,399 €
	**							36,969,165 €	3,476,051 €
Valoris Iberia (Spain)	70,000 €	705,590 €	100.0%	18,759,981 €	4,000,000 €	440,000 €	-	5,535,032 €	-124,310 €

\* Period consolidated.

\*\* Full-year.

## Five year financial summary

(in euros)	2005	2004	2003	2002	2001
<b>Equity at 31 December</b>					
■ Share capital	45,776,380	42,927,800	42,194,100	40,855,440	40,709,540
■ Number of shares at 31 December	11,444,095	10,731,950	10,548,525	10,213,860	10,177,385
■ Maximum number of future shares to be issued by exercise of options	833,914	1,126,759	1,299,934	1,405,599	1,477,749
<b>Results for the year</b>					
■ Revenue excluding VAT	488,560,636	441,875,318	364,919,187	361,970,008	355,283,572
■ Operating profit (before tax, employee profit sharing and depreciation and provisions)	39,907,156	32,970,372	28,339,345	34,671,496	33,328,335
■ Corporate income tax	10,464,395	8,857,977	7,844,312	8,754,773	9,932,510
■ Employee profit sharing	4,010,364	3,186,532	2,521,002	3,020,273	3,498,892
■ Profit (after tax and employee profit sharing, depreciation and provisions) *	18,524,198	15,586,882	-10,986,720	-16,851,685	17,189,078
■ Dividends distributed	12,588,505	8,585,560	4,219,410	6,128,316	8,141,908
<b>Earnings per share</b>					
■ Profit (after tax and employee profit sharing but before depreciation and provisions) per share	2.22	1.95	1.70	2.24	1.96
■ Profit after tax, employee profit sharing, depreciation and provisions **	1.62	1.45	-1.04	-1.65	1.69
■ Dividend per share	1.10	0.80	0.40	0.60	0.80
<b>Workforce</b>					
■ Average number of employees during the year	5,460	5,157	4,261	4,170	3,950
■ Payroll costs for the year	220,321,024	200,428,358	169,094,559	165,112,988	155,841,576
■ Social security and employee benefits	100,215,289	92,009,448	76,068,339	73,348,782	69,906,621

\* The loss incurred in 2003 would have been a profit of €15,332,827, excluding the exceptional impairment of shares in European subsidiaries of €26,319,547. The loss incurred in 2002 would have been a profit of €18,210,158 had the exceptional impairment of Orga Consultants shares of €35,061,843 been excluded.

\*\* Excluding impairment in the value of shares in subsidiaries, earnings per share would have been €1.45 in 2003 and €1.78 in 2002.

## Statutory Auditors' Special Report on regulated agreements

Ladies and gentlemen,

As the statutory auditors of your company, we present our report on the regulated agreements which have been brought to our attention.

We are not required to determine whether any such agreements exist, but to provide, on the basis of the information given to us, the main features and conditions of those agreements about which we have been informed, without having to express an opinion on their usefulness or appropriateness. In accordance with the provisions of article 117 of the Decree of 23 March 1967, it is the responsibility of shareholders to assess the Company's interest in entering into such agreements when they are submitted for your approval.

We performed our work based on French professional standards; these standards require that we perform work designed to verify the consistency of the information we have received with the source documents from which such information has been extracted.

### Agreements authorised during the year

We hereby inform you that we were not informed of any agreement made during the year falling under article L. 225-38 of the Code of Commerce.

### Agreements approved during previous years

Pursuant to the decree of 23 March 1967, we have been informed that the execution of the following agreements approved during prior years continued in 2005:

#### I - Agreements between your company and Orga Consultants

Agreement	Impact on the 2005 financial statements
<b>Provision of premises</b> (Écully)	€58,488 revenue
<b>Assistance</b> (functional management)	€1,149,800 revenue
<b>Commercial support</b> Payment of management fees for commercial support: 0.5% of Orga Consultants' revenue	€206,340 revenue
<b>Tax consolidation</b> The tax charge is apportioned as if no tax consolidation agreement applied	No impact
<b>Provision of IT resources</b>	€200,474 revenue

#### II - Agreements between your company and Axway Software

Agreement	Impact on the 2005 financial statements
<b>Provision of premises</b>	€2,608,937 revenue
<b>Expense recharge</b> Your company charges Axway Software the proportion of the various expenses relating to the shared premises (telecoms, postage, professional tax, etc.)	€277,326 revenue
<b>Provision of IT resources</b>	€1,951,804 revenue
<b>Assistance (functional management)</b>	€3,744,300 revenue
<b>Commercial support</b> Payment of management fees for commercial support No impact: not applied in 2005	
<b>Tax consolidation</b> Tax charge is apportioned as if no tax consolidation agreement applied	No impact

**III - Cash management agreements**

<b>Company concerned</b>	<b>Balance of current account held with Sopra Group at 31 December 2005</b> <i>(CB: credit balance; DB: debit balance)</i>	<b>(Expense)/Income</b>
Axway Software	DB: €9,583,013	€216,899
Orga Consultants	CB: €12,278,389	€(166,101)

Paris, 26 April 2006

The Statutory Auditors

**Auditeurs & Conseils Associés**  
Philippe RONIN**Mazars & Guérard**  
Pierre SARDET

## Statutory Auditors' Special Reports on transactions falling within the scope of resolutions 19 to 23 of the Combined General Meeting of 30 May 2006

### Statutory Auditors' Special Report on the issue of various securities

#### AGM of 30 May 2006 (nineteenth, twentieth, twenty-first and twenty-second resolutions)

Ladies and gentlemen,

As the statutory auditors of your company, and pursuant to the execution of our mission provided in articles L. 225-135 and L. 228-92 of the Code of Commerce, we present our report on the projects to issue various securities conferring access to capital, operations which you are invited to approve in the nineteenth, twentieth, twenty-first and twenty-second resolutions, the terms of which are summarised in the appended table.

On the basis of its report, your Management Board proposes that you delegate authority to the Board of Directors for a period of 26 months for the purposes of fixing the terms of these operations and where applicable waive your pre-emptive subscription rights.

We performed our work based on French professional standards; these standards require that we perform work designed to verify the methods for determining the issue price of capital securities to be issued.

Subject to our future assessment of the conditions under which these operations are carried out, we have no comments on the methods for determining the issue price of capital securities to be issued as presented in the report of the Management Board.

Since the issue price of the capital securities has not been determined, we do not express an opinion on the final conditions under which the capital increase will be performed and, as a consequence thereof, on the proposed suppression of pre-emptive subscription rights, the principle of which is related to the rationale of the operation which you are invited to approve.

Pursuant to article 155-2 of the decree of 23 March 1967, we will issue an additional report when the issues are performed by your Board of Directors.

Paris, 15 May 2006

The Statutory Auditors

**Mazars & Guérard**  
Pierre SARDET

**Auditeurs & Conseils Associés**  
Philippe RONIN

## Terms and conditions:

Description of the operation	Resolution	Authorisation period	Maximum amount of the initial issue of securities remaining to be issued	Maximum nominal amount of the capital increase remaining to be issued	Minimum issue price of shares
<i>(in millions of euros)</i>					
<b>With pre-emptive subscription rights being maintained</b>					
Issues of ordinary shares or any other securities conferring entitlement to ordinary shares. Subject to an overall limit, for each issue, the number of securities to be issued, may be increased under the conditions of article L 225-135-1 of the Code of Commerce and the decree of 23 March 1967 as modified by the decree of 10 February 2005.	19	26 months	150	10	To be determined by the Board of Directors
<b>Without pre-emptive subscription rights being maintained</b>					
Issues of ordinary shares or any other securities conferring entitlement to ordinary shares. Subject to an overall limit, for each issue, the number of securities to be issued, may be increased under the conditions of article L 225-135-1 of the Code of Commerce and the decree of 23 March 1967 as modified by the decree of 10 February 2005.	20				
<b>Terms and conditions supplementing resolution 20</b>					
Issues of ordinary shares or any other securities	21				Subject to an annual limit of 10% of the share capital: Weighted average of the share prices of the last 3 stock market trading days before the date on which it is determined, subject to a maximum discount of 5%.
The increase remunerates securities contributed as part of a public exchange offer or contribution in kind comprising capital securities of the contributing company or securities conferring entitlement to its capital	22				Subject to an annual limit of 10% of the share capital. To be determined by the Board of Directors

## Statutory Auditors' Special Report on the capital increase reserved for employees

### AGM of 30 May 2006 (twenty-third resolution)

Ladies and gentlemen,

As the statutory auditors of your company and pursuant to the execution of our mission provided in article L. 225-135 of the Code of Commerce, we present our report on the proposed capital increase reserved for employees that are members of your company's corporate savings plan, subject to an overall maximum limit of 10% of the capital, an operation which you are invited to approve in the twenty-third resolution.

This capital increase is subject to your approval pursuant to the provisions of article L 225-129-6 of the Code of Commerce and L 443-5 of the Labour Code.

In application of the provisions of article L 225-129-6 of the Code of Commerce, your Management Board, on the basis of its report, proposes that you delegate to the Board of Directors, for a period of 26 months, the authority to approve this operation under the conditions of article L 443-5 of the Labour Code, and to fix its terms. It also specifies that this delegation entails the renunciation of your pre-emptive subscription rights.

We performed our work based on French professional standards; these standards require that we perform work designed to verify to methods for determining the issue price.

Subject to our future assessment of the conditions of the proposed capital increase, we do not issue any comments on the methods for determining the issue price provided in the report of the Management Board.

Since the issue price of the capital securities has not been determined, we do not express an opinion on the final conditions under which the capital increase will be performed and, as a consequence thereof, on the proposed suppression of preferential subscription rights, the principle of which is related to the rationale of the operation which you are invited to approve.

Pursuant to article 155-2 of the decree of 23 March 1967, we will issue an additional report when the issues are performed by your Board of Directors.

Paris, 15 May 2006

The Statutory Auditors

**Mazars & Guérard**  
Pierre SARDET

**Auditeurs & Conseils Associés**  
Philippe RONIN

# 7

## Combined General Meeting 30 May 2006

**Agenda**

p. **108**

**Proposed resolutions**

p. **108**

## Agenda

Ladies and gentlemen,

We have convened this Combined Annual and Extraordinary General Meeting to submit the following items of business for your approval:

### Approval of the financial statements and transactions for the financial year ended 31 December 2005

- approval of the Sopra Group SA individual financial statements for the financial year ended 31 December 2005 and the granting of final discharge to the directors and members of the Management Board and the Supervisory Board;
- approval of Sopra Group's consolidated financial statements for the financial year ended 31 December 2005;
- appropriation of earnings;
- approval of agreements governed by article L. 225-86 of the Code of Commerce.

### Appointment and reappointment of the Statutory Auditors

- renewal of the appointment of a Statutory Auditor and appointment of a new Alternate Auditor.

### Change in the Company's management structure

- change in the management structure of the Company: adoption of a Board of Directors for the administration and supervision of the Company;
- adoption of new Articles of Association;
- appointment of Directors;
- setting of Directors' fees.

### Authorisations provided to the Board of Directors

- delegation of powers to the Board of Directors to increase the Company's share capital, through the issue of ordinary shares or any other securities conferring entitlement to shares in the Company, with shareholders' pre-emptive subscription rights being maintained;
- delegation of powers to the Board of Directors to increase the Company's share capital, through the issue of ordinary shares or any other securities conferring entitlement to shares in the Company, without shareholders' pre-emptive subscription rights being maintained;

- delegation of powers to the Board of Directors to increase the Company's share capital, through the issue of ordinary shares or any other securities conferring entitlement to shares in the Company, without shareholders' pre-emptive subscription rights being maintained, subject to an annual limit of 10% of the share capital and authorisation provided to the Board of Directors to determine the issue price;
- delegation of powers to the Board of Directors to increase the Company's capital, without shareholders' pre-emptive subscription rights being maintained, to remunerate securities contributed to the Company as part of a public exchange offer or contribution in kind relating to shares in the Company or securities conferring entitlement to the Company's capital subject to a limit of 10% of the Company's capital;
- delegation of powers to the Board of Directors to carry out capital increases reserved for employees who are members of the company savings plan;
- authorisation granted to Sopra Group to trade in its own shares under article L. 225-209 of the Code of Commerce.

### Powers to carry out formalities

- powers granted to carry out all legal formalities.

We hereby inform you that the resolutions falling within the jurisdiction of the Extraordinary General Meeting require a quorum representing at least one-quarter of the total voting shares and a majority of two-thirds of the votes of the shareholders present or represented by proxy-holders. Those falling within the jurisdiction of the Annual General Meeting require a quorum representing at least one-fifth of the total voting shares and a simple majority of the votes of the shareholders present or represented by proxy-holders. The type of meeting required to pass resolutions - EGM (Extraordinary General Meeting) or AGM (Annual General Meeting) - is noted for each of the proposed resolutions.

## Proposed resolutions

### Approval of the financial statements and transactions for the financial year ended 31 December 2005

#### *First resolution*

#### **Approval of the individual financial statements (AGM)**

The General Meeting, having heard the reports of the Management Board, the Supervisory Board, the Chairman of the Supervisory Board (article L. 225-68 of the Code of Commerce) and the statutory auditors, approves the individual financial statements for the year ended 31 December 2005, showing a profit of €18,524,197.77. It also approves the transactions reflected in those accounts and summarised in those reports.

It consequently gives the members of the Management Board and the members of the Supervisory Board full and unconditional discharge from their duties for the aforementioned financial year.

The General Meeting also approves the non tax deductible expenses, covered by Article 39-4 of the General Tax Code, incurred during the year amounting to €115,167 and the corresponding tax charge of €40,228.

The General Meeting recognises the change in calculation of retirement commitments at 1 January 2004, as described and substantiated in the notes to the individual company financial statements.

### Second resolution

#### Approval of the consolidated financial statements (AGM)

The General Meeting, having heard the report of the statutory auditors, approves the consolidated financial statements for the year ended 31 December 2005, which show a consolidated net profit of €35,259,027 as well as the transactions reflected in these financial statements or summarised in the report of the Management Board.

### Third resolution

#### Appropriation of earnings (AGM)

The General Meeting notes that Sopra Group's profit available for distribution, determined as follows, is €17,414,198.77:

■ Profit for the year	€18,524,197.77
■ Retained earnings:	
• Dividends not paid on treasury shares	€240.00
• Change in calculation method for retirement commitments as of 1 January 2004	(-)€1,110,239.00
	<b>€17,414,198.77</b>

In consideration of the consolidated net profit amounting to €35,259,027, we propose that you appropriate the profit available for distribution in the following manner:

■ Legal reserve	€284,858.00
■ Dividend	€12,588,504.50
■ Discretionary reserves	€4,540,836.27
	<b>€17,414,198.77</b>

thus increasing the legal reserve to €4,577,638.00, 10% of the company's share capital.

As the number of shares comprising the share capital at 31 December 2005 was 11,444,095, the dividend allocated per share would be €1.10. The dividend will be paid as of 9 June 2006. With regard to tax, in accordance with provisions in force as of 1 January 2005, this dividend would not have an associated avoird fiscal tax credit, but it would give natural person shareholders the right to a 40% tax deduction on the entire amount.

The General Meeting takes due note that the following amounts were distributed as dividends in respect of the previous three financial years:

	2002	2003	2004
Total dividend	€6,128,316	€4,219,410	€8,585,560
Number of dividend bearing shares	10,213,860	10,548,525	10,731,950
Dividend paid	€0.60	€0.40	€0.80

### Fourth resolution

#### Approval of agreements governed by Article L. 225-86 of the Code of Commerce (AGM)

The General Meeting, having heard the special report of the statutory auditors on agreements pursuant to Article L. 225-86 et seq. of the Code of Commerce, hereby approves the conclusions of said report and the agreements described therein.

#### Appointment and reappointment of the Statutory Auditors

### Fifth resolution

#### Renewal of the appointment of a Statutory Auditor and appointment of a new Alternate Auditor (AGM)

Given that the appointments of:

- Cabinet Mazars & Guérard, Statutory Auditor,
- and Mr Gérard Vincent-Genod, Alternate Auditor,

expired during the year, the General Meeting decides:

- to renew the appointment of Cabinet Mazars & Guérard, as Statutory Auditor,
- and to appoint Mr Jean-Louis Simon as Alternate Auditor,

for a new term of six years, which shall thus expire at the conclusion of the Annual General Meeting convened to approve the financial statements for the year ending 31 December 2011.

The General Meeting acknowledges that it has been informed of the fact that Mr Jean-Louis Simon has not audited a contribution or merger operation involving the Company or any of the companies it controls during the preceding two financial years.

#### Change in the Company's management structure

### Sixth resolution

#### Change in management structure (EGM)

The General Meeting, having heard the report of the Management Board, decides, pursuant to Article L. 225-57 of the Code of Commerce, to modify as from this date the administration and supervision structure of the Company and to adopt a management structure with a Board of Directors as its single governing authority as provided under Articles L. 225-17 to L. 225-56 of said code. The General Meeting takes note that this change in management structure results in the transferral to the Board of Directors of all authorisations previously granted to the Management Board.

**Seventh resolution****Adoption of new Articles of Association (EGM)**

The General Meeting ratifies each article as well as the entire text of the new Articles of Association, which is now the Company's governing document, due to the change in its management structure, which now comprises a Board of Directors as sole governing authority.

**Eighth resolution****Appointment of a director (AGM)**

As from this date, the General Meeting appoints as director Mr Alain Brodelle for a term of six years, which shall thus expire at the conclusion of the Annual General Meeting convened in 2012 to approve the financial statements for the year ended 31 December 2011.

**Ninth resolution****Appointment of a director (AGM)**

As from this date, the General Meeting appoints as director Mr Philippe Citerne for a term of six years, which shall thus expire at the conclusion of the Annual General Meeting convened in 2012 to approve the financial statements for the year ended 31 December 2011.

**Tenth resolution****Appointment of a director (AGM)**

As from this date, the General Meeting appoints as director Mr Gérard Jean for a term of six years, which shall thus expire at the conclusion of the Annual General Meeting convened in 2012 to approve the financial statements for the year ended 31 December 2011.

**Eleventh resolution****Appointment of a director (AGM)**

As from this date, the General Meeting appoints as director Mr Pierre-André Martel for a term of six years, which shall thus expire at the conclusion of the Annual General Meeting convened in 2012 to approve the financial statements for the year ended 31 December 2011.

**Twelfth resolution****Appointment of a director (AGM)**

As from this date, the General Meeting appoints as director Mr Bernard Michel for a term of six years, which shall thus expire at the conclusion of the Annual General Meeting convened in 2012 to approve the financial statements for the year ended 31 December 2011.

**Thirteenth resolution****Appointment of a director (AGM)**

As from this date, the General Meeting appoints as director Mr François Odin for a term of six years, which shall thus expire at the conclusion of the Annual General Meeting convened in 2012 to approve the financial statements for the year ended 31 December 2011.

**Fourteenth resolution****Appointment of a director (AGM)**

As from this date, the General Meeting appoints as director Mr Pierre Pasquier for a term of six years, which shall thus expire at the conclusion of the Annual General Meeting convened in 2012 to approve the financial statements for the year ended 31 December 2011.

**Fifteenth resolution****Appointment of a director (AGM)**

As from this date, the General Meeting appoints as director Mr Hervé Saint-Sauver for a term of six years, which shall thus expire at the conclusion of the Annual General Meeting convened in 2012 to approve the financial statements for the year ended 31 December 2011.

**Sixteenth resolution****Appointment of a director (AGM)**

As from this date, the General Meeting appoints as director Mr José Sancho Garcia for a term of six years, which shall thus expire at the conclusion of the Annual General Meeting convened in 2012 to approve the financial statements for the year ended 31 December 2011.

**Seventeenth resolution****Appointment of a director (AGM)**

As from this date, the General Meeting appoints as director Mr Gérard Vincent for a term of six years, which shall thus expire at the conclusion of the Annual General Meeting convened in 2012 to approve the financial statements for the year ended 31 December 2011.

**Eighteenth resolution****Setting of Directors' fees (AGM)**

The General Meeting set the annual amount of fees to be apportioned between the members of the Supervisory Board and the directors for the current financial year in the following manner:

- Supervisory Board  
(for the period from 1 January to 30 May 2006): €30,000
- Board of Directors  
(for the period from 30 May to 31 December 2006): €60,000

## Authorisations provided to the Board of Directors

### **Nineteenth resolution**

#### **Delegation of powers to the Board of Directors to increase the Company's share capital, subject to the limit of €10 million at par value, through the issue of ordinary shares or any other securities conferring entitlement to shares in the Company, with shareholders' pre-emptive subscription rights being maintained (EGM)**

Having taken note of the report of the Management Board, the Statutory Auditors' special report, and pursuant to the provisions of articles L. 225-129-2 and L. 228-92 of the Code of Commerce, the General Meeting hereby:

- delegates the necessary powers to the Board of Directors to increase the share capital, in one or several stages, on the French and/or international market, through the issue in euros of ordinary shares or any other securities conferring immediate or future entitlement to shares in the Company. Such securities may also be denominated in any currency or with reference to a basket of currencies. The period of validity of this delegation is set at 26 months commencing on the date of this General Meeting;
- decides that the total amount of increases in share capital that may be carried out immediately and/or in the future, having regard to the capital increases carried out on the basis of the twentieth and twenty-second resolutions below, may not exceed €10,000,000 at par value. This ceiling excludes the total par value of any additional shares which may be issued to preserve the rights of holders of securities conferring entitlement to shares in accordance with the law;
- further decides that the par value of any debt securities conferring entitlement to shares in the Company issued under this authorisation may not exceed €150,000,000;
- decides that securities issued by virtue of this resolution shall be reserved in preference to shareholders subscribing in proportion to their existing shareholding;
- decides that where subscriptions in proportion to existing shareholdings, and where applicable, secondary priority rights, do not absorb the entire issue of shares or other securities as defined above, the Board of Directors may take, in the order it deems appropriate, any of the following courses of action:
  - limit the amount of the issue to the subscriptions received, provided that this represents at least three-quarters of the amount of the issue initially decided,
  - freely allocate all or a portion of the unsubscribed securities among the persons of its choice,
  - distribute freely all or a part of the issued securities not subscribed ;

- decides that for each of the issues carried out in compliance with this resolution, the number of securities issued may be increased, pursuant to article L. 225-135-1 of the Code of Commerce and the Decree of 23 March 1967, as modified by the Decree of 10 February 2005, subject to the overall limit imposed by this resolution, when the Board of Directors notes that demand would otherwise exceed supply;
- delegates to the Board of Directors, for the same 26 month period, the power to decide to increase the Company's share capital, in one or several stages, via the capitalisation of share premium accounts, reserves, earnings or other items which may be capitalised according to the law and statutory regulations, by awarding bonus shares or increasing the par value of existing shares; and decides that the total amount of any resulting capital increase, supplemented by the amount required to maintain the rights of holders of securities in accordance with the law, independently of the ceiling determined by the second point above, may not exceed the amount of premiums, reserves and earnings specified above at the date of the capital increase;
- takes due note that this delegation terminates any previously granted corresponding delegation.

### **Twentieth resolution**

#### **Delegation of powers to the Board of Directors to increase the Company's share capital, subject to the limit of €10 million at par value, through the issue of ordinary shares or any other securities conferring entitlement to shares in the Company, without shareholders' pre-emptive subscription rights being maintained (EGM)**

Having taken note of the report of the Management Board, the Statutory Auditors' special report, and pursuant to the provisions of articles L. 225-129-2, L. 225-135, L. 225-136, L. 228-92 and L. 228-93 of the Code of Commerce:

- delegates the necessary powers to the Board of Directors to increase the share capital, in one or several stages, on the French and/or international market, through the issue in euros of ordinary shares or any securities conferring immediate or future entitlement to ordinary shares in the Company or in any other company in which the Company owns, directly or indirectly, more than half of the share capital. Such securities may also be denominated in any currency or with reference to a basket of currencies. The period of validity of this delegation is set at 26 months, commencing on the date of this General Meeting;
- decides that the total amount of increases in share capital that may be carried out immediately and/or in the future may not exceed €10,000,000 at par value, with this amount being deducted from the ceiling imposed by the nineteenth resolution of this General Meeting;

- further decides that the par value of any debt securities conferring entitlement to shares in the Company issued under this authorisation may not exceed €150,000,000, with this amount being deducted from the ceiling imposed by the nineteenth resolution of this General Meeting;
- decides to rescind the pre-emptive subscription rights of shareholders to securities covered by this resolution to be issued in accordance with the law and delegates the power to the Board of Directors to grant shareholders a pre-emptive right to subscribe pursuant to the provisions of article L. 225-135 of the Code of Commerce;
- decides that the amount that is or will become receivable by the Company for each share issued or to be issued, after taking into consideration, in the event of the issue of freestanding share subscription or allotment warrants, of the issue price of such warrants, shall be greater than or equal to the minimum price imposed by legal and/or regulatory provisions on the date of issue, irrespective of whether the securities to be issued, immediately or in the future, may be deemed to be equivalent to shares that have already been issued;
- decides that for each of the issues carried out in compliance with this resolution, the number of securities issued may be increased, pursuant to article L. 225-135-1 of the Code of Commerce and the Decree of 23 March 1967, as modified by the Decree of 10 February 2005, subject to the overall limit imposed by this resolution, when the Board of Directors notes that demand would otherwise exceed supply;
- takes due note that this delegation terminates any previously granted corresponding delegation.

#### **Twenty-first resolution**

**Authorisation provided to the Board of Directors, as part of the delegation for the purposes of increasing the Company's capital, without shareholders' pre-emptive subscription rights being maintained, to determine the issue price of shares or securities conferring access to the Company's shares, subject to an annual limit of 10% of the share capital (EGM)**

Having taken note of the report of the Management Board, the Statutory Auditors' special report, and pursuant to the provisions of article L. 225-136-1 of the Code of Commerce, the General Meeting hereby authorises the Board of Directors, under the terms of the delegation granted as part of the twentieth resolution above and subject to the annual limit of 10% of the Company's share capital (at the date of this General Meeting), to set the issue price of shares and/or securities conferring entitlement to ordinary shares to be issued, on the understanding that this price will be greater than or equal to the weighted average of the opening price on the three trading days preceding the date on which it is set, after deducting a maximum discount of 5%, if any.

The Board of Directors shall prepare an additional report, on which the Statutory Auditors will issue an opinion, describing the definitive conditions of the operation and providing an assessment of the effective impact of the operation on the shareholder's position.

The period of validity of this delegation is set at 26 months commencing on the date of this General Meeting.

#### **Twenty-second resolution**

**Authorisation provided to the Board of Directors, as part of the delegation for the purposes of increasing the Company's capital, without shareholders' pre-emptive subscription rights being maintained, to remunerate securities contributed to the Company as part of a public exchange offer or contribution in kind relating to shares in the Company (EGM)**

Having taken note of the report of the Management Board and the Statutory Auditors' special report, the General Meeting hereby decides that the issues carried out in accordance with the twentieth resolution adopted by this General Meeting, may be used to remunerate securities contributed to the Company as part of a public exchange offer pursuant to the provisions of article L. 225-148 of the Code of Commerce.

Similarly, the General Meeting authorises the Board of Directors, for the same 26 month period, to decide, based on the report of the contribution assessors, to carry out capital increases, pursuant to the delegation provided by the twentieth resolution, in one or several stages, subject to the ceiling of 10% of the share capital, in order to remunerate contributions in kind made to the Company consisting of shares or any other securities conferring access to the Company's capital, insofar as the provisions of article L. 225-148 of the Code of Commerce do not apply.

In any event, the amount of capital increases carried out under this resolution is deducted from the ceiling imposed by the nineteenth and twentieth resolutions adopted by this General Meeting.

#### **Twenty-third resolution**

**Authorisation provided to the Board of Directors to carry out capital increases reserved for employees who are members of the company savings plan (EGM)**

Having taken note of the report of the Management Board, the Statutory Auditors' special report, and pursuant to the provisions of articles L. 443-1 et seq. of the Labour Code and articles L. 225-129-6 and L. 225-138-1 of the Code of Commerce:

- delegates to the Board of Directors for a period of 26 months commencing on the date of this decision, full powers to increase the share capital, at its sole discretion, in one or several stages, by issuing shares or securities conferring entitlement to the share capital of the Company that is reserved for the members of a company savings plan in respect of French or foreign companies related to the Company as defined under article L. 225-180 of the Code of Commerce and L. 444-3 of the Labour Code, subject to a maximum par value of 10% of the par value of the Company's capital on the implementation date of this authorisation;

- decides to set the maximum discount to be offered under the company savings plan at 10% of the average of the opening share price of the Company on the Eurolist by Euronext market on the 20 trading days preceding the date on which the decision to set the subscription opening date is made. However, the General Meeting expressly authorises the Board of Directors to reduce the abovementioned discount, subject to legal and regulatory limits;
- decides that the characteristics of the other securities conferring entitlement to the Company's share capital will be determined by the Board of Directors in accordance with applicable regulatory conditions;
- decides to rescind, in favour of employees who are members of a company savings plan, the pre-emptive subscription rights to shares to which shares, or other securities conferring entitlement thereto, will confer entitlement, immediately or in the future, and to renounce any rights to receive shares or other securities to be allotted under the terms of this resolution;
- grants all necessary powers to the Board of Directors to decide, with a subdelegation facility, as stipulated by the legal dispositions in force, together with those stipulated in this resolution, inter alia to:
  - determine the characteristics of the securities to be issued, the amounts proposed on subscription and notably set the issue prices, dates, terms and conditions relating to the subscription, settlement, delivery and taking possession of securities, in accordance with applicable laws and regulations,
  - recognise the completion of the capital increases in the amount of the shares which will be effectively subscribed or other securities issued under the terms of this authorisation,
  - where applicable, charge the costs of the capital increase against the related premium and deduct this amount from the sums required to adjust the legal reserve to one tenth of the new share capital after each capital increase,
  - conclude any agreements, carry out all transactions and fulfil all conditions, including carrying out formalities arising from capital increases and modifying the Company's Articles of Association accordingly, either directly or by means of a representative, and more generally, do anything that may be required in this regard,
  - generally, make any agreement, notably in order to successfully complete the planned issues, take all measures and perform all formalities with respect to the issue, listing and custodial services of shares issued by virtue of this delegation, in addition to exercising the associated rights.

#### **Twenty-fourth resolution**

#### **Authorisation granted to Sopra Group to trade its own shares (AGM)**

Having taken note of the report of Management Board, the General Meeting hereby:

- terminates, with immediate effect, the authorisation provided to the Management Board by the sixth resolution of the Combined General Meeting of 26 May 2005;
- pursuant to the provisions of articles L. 225-209 et seq. of the Code of Commerce, and Title IV of Book II of the general regulations of the Autorité des Marchés Financiers in addition to its application guidelines, authorises the Board of Directors with immediate effect to carry out stock market transactions in the Company's shares, subject to the following conditions:
  - the purchase and sale of shares will be performed by means of a liquidity contract concluded with an investment services provider, in accordance with regulations in force,
  - these transactions will be performed by the service provider with a view to enhancing the liquidity and regular listing of Sopra Group shares on the Paris stock market,
  - the maximum purchase price is €120 per share,
  - the maximum number of shares that may be acquired is set at 50,000, representing a maximum potential commitment of €6 million,
  - the shares held under the terms of the liquidity contract may not be cancelled.

This authorisation shall be valid until 29 November 2007 inclusive.

The General Meeting grants all powers to the Board of Directors to conclude all agreements, perform all formalities and generally do anything necessary in this regard.

#### **Powers to perform formalities**

#### **Twenty-fifth resolution**

#### **Powers to perform formalities (AGM)**

The General Meeting gives full authority to the bearer of an original or copy of these minutes to carry out all legally required formalities.

We hope that you accept these proposals and that you vote in favour of the corresponding resolutions.

The Management Board



# 8

## Administrative and legal information

1. **General Information** p. **116**
2. **General Meetings** p. **116**
3. **Preparation and supervision  
of the reference document** p. **119**
4. **Provisional reporting timetable** p. **119**
5. **Documents available to the public** p. **119**

## 1. General Information

**Company name:** Sopra Group

**Registered office:** PAE Les Glaisins, F-74940 Annecy-le-Vieux

**Head office:** 9 bis, rue de Presbourg, F-75116 Paris

**Legal status:** A *société anonyme* with a Management Board and a Supervisory Board, governed by French law, notably Articles L. 225-57 to L. 225-93 of the Code of Commerce.

**Date of incorporation:** 5 January 1968, with a term of 50 years as from 25 January 1968. The company's term will therefore expire on 25 January 2018 unless it is dissolved before that date or the term is extended.

**Corporate purpose:** "The company's purpose shall be:

To engage, in France and elsewhere, in consulting, expertise, research and training with regard to corporate organisation and information processing, in computer analysis and programming and in the performance of customised work.

The design and creation of automation and management systems, including the purchase and assembly of components and equipment, and appropriate software.

The creation or acquisition of and the operation of other businesses or establishments of a similar type.

And, generally, all commercial or financial transactions, movable or immovable, directly or indirectly related to said corporate purpose

or such as favour the company's expansion or growth, either alone, or in partnership or in association with other companies or persons." (Article 2 of the Articles of Association).

**Registration No.:** 326 820 065 RCS Annecy

**Place where legal documents may be consulted:** Registered office.

**Financial year:** From 1 January to 31 December of each year.

**Statutory allocation of profits:**

"In respect of profits for the year minus any prior year losses, at least five per cent is allocated to the legal reserve. Said allocation shall no longer be mandatory when this reserve represents one-tenth of the capital.

Profit available for distribution comprises the profit for the year less any losses carried forward and amounts allocated to reserves, pursuant to the law and the Articles of Association, plus retained earnings.

The General Meeting may deduct from this profit all amounts that it deems appropriate for allocation to all optional, ordinary or extraordinary reserves, or to retained earnings.

The balance, if any, is apportioned by the General Meeting between all shareholders in proportion to the number of shares that they own." (Extract of Article 36 of the Articles of Association).

## 2. General Meetings

### Article 24 - General Meetings

General Meetings are convened and held in the conditions laid down by the law.

The decisions collectively made by the shareholders shall be taken in General Meetings characterised either as Ordinary General Meetings, Extraordinary General Meetings or Special General Meetings depending on the nature of the decision to be taken.

Special General Meetings are called for the holders of shares of a given category to decide upon any changes to the rights attached to shares in this category.

The decisions taken by General Meetings are binding for all the shareholders, including absentee and dissenting shareholders and those lacking legal capacity.

### Article 25 - Venue and procedure for convening General Meetings

General Meetings shall be convened by the Management Board. Failing this, they may also be convened by the Statutory Auditors or by a court-appointed agent, in accordance with the law.

General Meetings shall take place at the registered office or in any other place specified in the convening notice.

General Meetings shall be convened by means of a notice published either in a journal authorised to publish legal announcements in the area where the registered office is located, or in the *Bulletin des annonces légales obligatoires* (journal of official legal announcements: BALO), at least two weeks before the General Meeting.

However, if all the shares are registered, these publications are not obligatory, and the General Meeting may be convened by giving notice to each shareholder by registered letter, at the company's expense.

At least thirty days before the date of any General Meeting of shareholders, the company shall publish, in the *Bulletin des annonces légales obligatoires*, the notice specified in article 130 of the Decree of 23 March 1967.

Shareholders who have held registered shares for at least one month on the date a convening notice is published shall be invited to attend the General Meeting by ordinary letter.

However, they may give the Company a written authorisation to communicate by electronic mail instead of by letter. In this case, they must communicate their electronic address to the Company. They may, at any time, by registered letter, request the company to communicate by letter instead.

Shareholders may also ask to be notified of any General Meeting by registered letter if they have forwarded to the Company the amount necessary to cover the cost of sending such a letter.

When a General Meeting has not been able to deliberate due to the lack of the required quorum, a second General Meeting - extended, if necessary - shall be convened with at least six days' notice, in the same way as the first.

The notice and the letters inviting the shareholders to this second General Meeting shall feature the date and agenda of the first General Meeting. If a meeting is postponed by court decision, the court may set an alternative date.

The notice and letters convening the Meeting must contain all the information required by law.

### Article 26 - Agenda

The agenda for the General Meeting is decided by the convening body.

A shareholder or group of shareholders, representing at least 5% of the share capital, and acting under the conditions and within the time periods determined by the law, can request the inclusion, by registered letter with proof of receipt, of draft resolutions in the agenda for the meeting.

The workers' council may also request the inclusion of proposed resolutions in the agenda.

The General Meeting may not decide upon any issues that are not on the agenda. It may, however, at any time and in any circumstances, dismiss and replace members of the Supervisory Board.

### Article 27 - Access to General Meetings - Powers - Composition

The General Meeting shall be composed of all shareholders, regardless of the number of shares they hold, who attend the meeting either in person or by proxy.

The right to take part in General Meetings shall be subject either to the registration of the shareholder in the register of registered shares, five days before the meeting, or the deposit, within the same time at the places stated in the convening notice, of bearer shares or a certificate of deposit issued by the bank, financial institution or broker which is the depository of these shares or of a certificate issued by the authorised intermediary provided for by Decree no. 83.359 of 2 May 1983, recording that the shares registered in the account are unavailable until the date of the General Meeting.

A shareholder may be represented only by his or her spouse or by another shareholder, who must prove that he or she has been mandated to act as proxy.

If a shareholder does not name a proxy-holder in a form of proxy, the chairman of the General Meeting shall vote in favour of proposed resolutions submitted for approval by the Management Board, and against any other proposed resolution. For any other vote, the shareholder shall choose a proxy-holder who agrees to vote as directed by the shareholder.

The legal representatives of legally incapable shareholders and the persons representing legal entities that hold shares in the Company may attend General Meetings whether they are shareholders or not.

If so decided by the Management Board when convening the Meeting, shareholders may also take part by videoconference or any other means of telecommunication, including the Internet, that permits them to be identified as provided by the law.

Shareholders who participate in the Meeting via videoconference or any other means of telecommunication that enables them to be identified as required by law shall be considered to be present for the purpose of calculating the quorum and majority.

All shareholders may vote by mail by filling in a form addressed to the Company, under the conditions provided for by the law and the regulations; to be taken into account, this form must reach the Company at least three days before the date of the General Meeting.

Two members of the Workers' Council, to be named by the Council in compliance with the law, may attend General Meetings. They must, upon their request, be heard when decisions requiring shareholder unanimity are voted.

### Article 28 - Voting rights

The voting right attached to capital-only shares or dividend-bearing shares shall be proportional to the portion of the capital they represent. With the same par value, each share shall entitle the holder to the same number of votes, with a minimum of one vote. However, double voting rights are given to:

- a) all fully paid-up shares that have been registered for at least four years in the name of a given shareholder of French nationality or a citizen of a European Union Member State.
- b) registered shares allocated to a shareholder, in the event of an increase in capital by capitalisation of reserves, profits or share premiums, on the basis of old shares giving the holder such right.

Nonetheless, the aforesaid period is not interrupted and rights remain acquired in the event of any transfer following inheritance, liquidation of marital property between spouses, or donation inter vivos in favour of a spouse or relative entitled to inherit.

### Article 29 - Rights to shareholder information - disclosure obligations

All shareholders are entitled to receive all the information necessary for them to take an informed decision relating to the management and situation of the Company.

The documentation required and its availability to shareholders is laid down by the law.

Any shareholder who holds more than 3% or more than 4% of the company's capital shall inform the company in the same manner and based on the same methods of calculation as required with respect to legal thresholds.

### Article 30 - Attendance sheet - officers - minutes

The attendance sheet, duly initialled by the shareholders present and by proxy-holders and including the names of shareholders attending the meeting via a telecommunication channel, accompanied by the authorisations granted to proxy-holders, and, where appropriate, voting forms, shall be certified as accurate by the officers of the General Meeting.

The General Meeting shall be chaired by the Chairman of the Supervisory Board or, in the Chairman's absence, by a Vice-Chairman. Failing this, the Meeting shall elect its own Chairman.

The duties of vote-teller shall be performed by the two shareholders, present and accepting such duties, who hold the largest number of shares, either on their own behalf or as proxy-holders.

The officers of the meeting thus appointed shall designate a secretary, who may be a shareholder or not.

The minutes are kept and copies or extracts of these minutes are delivered and certified in accordance with the law.

### Article 31 - Ordinary General Meetings

An Ordinary General Meeting is a meeting called to take decisions which do not amend the Memorandum and Articles of association.

It shall be held at least once a year, in the conditions provided for by law, to approve the accounts for the financial year then ended.

Decisions are valid only if, when the meeting is convened for the first time, the shareholders attending the meeting or represented by proxy or having voted by mail represent at least one quarter of the total voting rights. No quorum is required for a second meeting.

Shareholders who vote via electronic or telecommunications channels are considered as attending the meeting.

The Meeting issues decisions by simple majority of the votes of the shareholders present or represented by proxy-holders, including the votes of shareholders who have voted by mail.

### Article 32 - Extraordinary General Meetings

The Extraordinary General Meeting alone shall be authorised to amend the Memorandum and Articles of Association. However, it may not increase shareholders' commitments, subject to transactions arising from any grouping together of shares, duly and properly carried out.

Decisions are valid only if the shareholders attending the meeting or represented by proxy or having voted by mail represent at least one third of the total voting rights, in the case of a first meeting, and one quarter of the total voting rights in the case of a second meeting. In the event of this quorum not being reached, the second meeting may be deferred to a date not more than two months later than the date on which it was originally convened; the quorum of one-fifth is also required for this second meeting.

The Meeting issues decisions by a majority of two-thirds of the votes of the shareholders present or represented by proxy-holders, including the votes of shareholders who have voted by mail, except in the event of a legal derogation.

### Article 33 - Special General Meetings

When there are several categories of shares, no changes may be made to the rights of a given category of shares unless approved by an Extraordinary General Meeting open to all shareholders and also by a Special General Meeting of the holders of the category of shares in question.

Decisions taken by Special General Meetings are valid only if the shareholders attending the meeting or represented by proxy represent at least one-third of the total voting rights, in the case of a first meeting, and one-fifth of the total voting rights in the case of a second meeting.

In all other respects, Special General Meetings are convened and deliberate in the same way as Extraordinary General Meetings.

### 3. Preparation and supervision of the reference document and the information contained therein

#### Name and position of the person responsible for the Reference Document

Pierre Pasquier, Chairman of the Management Board

#### Information officer

Jean-Claude Debray, Director of Communication

#### Persons responsible for auditing the financial statements

##### Statutory Auditors

- Auditeurs et Conseils Associés - 33, rue Daru, 75008 Paris  
Represented by Philippe Ronin  
Term of office expires at the General Meeting called to approve the 2009 financial statements  
First appointed: June 1986
- Cabinet Mazars & Guérard - Le Vinci - 4, allée de l'Arche, 92075 Paris-La Défense  
Represented by Pierre Sardet  
Term of office expires at the General Meeting called to approve the 2005 financial statements  
First appointed: June 2000. The General Meeting of 30 May 2006 is invited to renew its mandate.

##### Alternate Auditors

- AEG Finances - 4, rue de Châtillon, 75014 Paris  
Term of office expires at the General Meeting called to approve the 2009 financial statements
- Gérard Vincent-Genod - 185, avenue Charles-de-Gaulle, 92200 Neuilly-sur-Seine  
Term of office expires at the General Meeting called to approve the 2005 financial statements. The General Meeting of 30 May 2006 proposes his replacement by 30 May 2006.

### 4. Provisional reporting timetable

Revenue for the first half of 2006	7 August 2006
Half-year results to 30 June 2006	11 September 2006
Revenue for the third quarter of 2006	6 November 2006
Full-year revenue 2006	12 February 2007

All results are announced after the market close on the above dates.

The full-year and half-year results are released at analysts' meetings organised in collaboration with the SFAF (French financial analysts association).

The meeting to present the first-half 2006 financial statements accounts will be held on 13 September 2006.

### 5. Documents available to the public

The legal documents relating to the Company and in particular the Articles of Association, financial statements, the reports presented to the General Meetings by the Management Board (or the Board

of Directors as of 30 May 2006) and the Statutory Auditors may be obtained by submitting a request to the Director of Communication, Sopra Group, 9 bis rue de Presbourg, 75116 Paris, France.

## Certification by the person responsible for the Reference Document

I declare, having taken all reasonable care to ensure that such is the case, that the information contained in this Reference Document is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import.

I have obtained a letter from the Statutory Auditors certifying that they have verified, in accordance with professional standards and doctrine applicable in France, the financial and accounting information provided in this Reference Document and that they have read the document as a whole.

Paris, 22 May 2006  
Pierre PASQUIER  
Chairman of the Management Board



In order to enhance the readability of the annual report filed as a Reference Document, the following theme-based table allows the reader to identify the headings required by Commission Regulation (EC) 809/2004 of 29 April 2004.

## Table of concordance

<b>1. Persons responsible</b>	<b>119</b>
<b>2. Statutory Auditors</b>	<b>119</b>
<b>3. Selected financial information</b>	<b>10</b>
<b>4. Risk factors</b>	<b>16</b>
<b>5. Information about the issuer</b>	
■ History and development of the issuer	<b>5 to 7</b>
■ Legal information about the issuer	<b>116 to 119</b>
■ Investments	<b>9</b>
<b>6. Business overview</b>	
■ Principal activities	<b>7 to 10</b>
■ Principal markets	<b>10</b>
<b>7. Organisational structure</b>	
■ Brief description of the Group and the issuer's position within it	<b>11</b>
■ List of significant subsidiaries	<b>67</b>
<b>8. Property, plant and equipment</b>	<b>71</b>
<b>9. Operating and financial review</b>	<b>40 to 42</b> <b>55 to 106</b>
<b>10. Capital resources</b>	
■ Capital resources of the issuer	<b>59</b> <b>73 to 74</b>
■ Sources and amounts of cash flows	<b>60</b>
■ Borrowing requirements and funding structure	<b>75 to 76</b>
<b>11. Research and development, patents and licences</b>	<b>9 and 16</b>
<b>12. Trend information</b>	<b>4 to 5</b> <b>44</b>

<b>13. Profit forecasts or estimates</b>	<b>n.a.</b>
<b>14. Administrative, management and supervisory bodies and senior management</b>	<b>26 to 27</b> <b>30</b>
<b>15. Remuneration and benefits</b>	<b>27 and 32</b>
<b>16. Board practices</b>	<b>27 and 29</b> <b>31 to 32</b>
<b>17. Employees</b>	
■ Number of employees	<b>13 to 15</b>
■ Stock options	<b>21</b>
<b>18. Major shareholders</b>	<b>18</b>
<b>19. Related party transactions</b>	<b>28</b>
<b>20. Financial information concerning the issuer's assets and liabilities, financial position and profits and losses</b>	
■ Historical financial information	<b>1 and 10</b>
■ Financial statements	<b>55 to 106</b>
■ Auditing of historical financial information	<b>1 and 95</b>
■ Dividend policy	<b>23 and 47</b>
■ Legal and arbitration proceedings	<b>16</b>
<b>21. Additional information</b>	
■ Share capital	<b>20</b> <b>48 to 49</b>
■ Memorandum and Articles of Association	<b>116 to 118</b>
<b>22. Material contracts</b>	<b>n.a.</b>
<b>23. Third party information and statement by experts and declarations of interest</b>	<b>n.a.</b>
<b>24. Documents on display</b>	<b>1 and 119</b>
<b>25. Information on holdings</b>	<b>45 to 46</b>

*n.a.: not applicable*

