

# DRAFT OFFER DOCUMENT

issued by



**IN RESPONSE TO THE PUBLIC TENDER OFFER INITIATED BY**

## **SiegCo**

*This press release is published pursuant to the provisions of Article 231-26 of the General Regulations of the Autorité des marchés financiers ("AMF").*

**THIS DRAFT OFFER DOCUMENT IN RESPONSE ISSUED BY VALTECH REMAINS  
SUBJECT TO EXAMINATION BY THE AMF**

The draft offer document (the "**Offer Document in Response**") which was filed with the AMF on 23 November is accessible on the website of the *Autorité des marchés financiers* ([www.amf-france.org](http://www.amf-france.org)), as well as on the website of Valtech ("**Valtech**" or the "**Company**") ([www.valtech.fr](http://www.valtech.fr)) and a free copy may be obtained from:

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## **1. REASONED OPINION OF THE BOARD OF DIRECTORS**

### **1.1 Reasoned opinion of the Board on SiegCo's Offer**

Convened on 19 November 2009, Valtech's Board considered, unanimously, that SiegCo's public tender offer in cash is neither in the interest of the Company, nor in the interest of the Company's stakeholders. Consequently, the Board of Directors decided, unanimously, to recommend Valtech's shareholders neither to tender their shares to SiegCo's offer, nor to sell them on the market at a price equal or inferior to the Offer price.

#### **1. The Offer price undervalues the company based on several widely accepted valuation methodologies**

- The offer price represents a significant discount to the company's valuation, based on commonly used valuation criteria (multi-criteria approach).
- In this context, SiegCo's Offer price has been benchmarked against (i) premia paid in public tender offers in France (on solicited offers, unsolicited offers and IT services companies), (ii) stockmarket comparables, and (iii) comparable transactions.

#### **2. The Offer price values only Valtech's activities and does not take into account the potential sale by Valtech of a minority interest and Valtech's tax assets**

- As announced by the Company in a press release dated October 29, 2009, a letter of intent has been signed for the sale of a minority investment in the USA and Asia region. This process, though not certain, is well engaged. If such a transaction is completed, it is anticipated that Valtech will receive approximately 2.5 to 3.0 million Euros of net proceeds in Q4 of 2009, which will increase the amount of cash available in the company. This expected exceptional profit of 0.03 euro per share is not valued in the SiegCo's offer.
- Furthermore, Valtech's tax losses carried forward are estimated to amount to €43m as of December 31, 2009. SiegCo's Offer does not specifically value these significant tax assets in its offer document.

#### **3. SiegCo's intention is obviously to gain the de facto control of Valtech without paying the appropriate price for it**

- Considering the widespread shareholding of Valtech, SiegCo has deliberately offered a low premium and no minimum threshold. Consequently, SiegCo is potentially in a position to take the de facto control of Valtech without paying the price that should be appropriate for a controlling stake.
- The filing of the Offer allows SiegCo to buy Valtech's shares at the Offer price which does not reflect the intrinsic value of the company, whereas creeping acquisitions on the market would have represented a risk for SiegCo to face an increase of Valtech's market share price.

**4. The Offer suffers from a lack of transparency about SiegCo's intentions**

- Pursuant to its "*document d'autres informations*", SiegCo is a holding company created in 2005 for the purpose of investing in Risc Group and has not had any other significant activity since then.
- SiegCo's offer document does not provide sufficient details regarding its strategic, financial and industrial plans. SiegCo does not propose any alternative strategy for Valtech than the one currently implemented by the management of the company.
- SiegCo announces a plan of acquisitions but does not give any information as to the nature of such acquisitions (type of business, size, geographical region, etc.).
- SiegCo does not disclose its intentions regarding integration of Valtech's teams.

**5. The Offer price does not reflect the strategy put in place by the new board appointed in June 2008**

- The Offer is based on erroneous hypothesis and on unjustified criticisms against Valtech's strategy.
- The board has initiated, 18 months ago, a new strategy focused on the company's Agile and E-Business offers, aiming at unifying and simplifying the group's offers between the different geographical localisations, with solutions focused on added value in order to maximize the clients' satisfaction.
- SiegCo's Offer does not value this strategy and does not propose any concrete alternative to it.
- Moreover, from the second half of the year 2008, the new board appointed in June 2008 has implemented various measures in order to improve the company's profitability (restructuring of some subsidiaries abroad, decrease of fixed costs, staff adjustments, etc). The company was planning to return to an operating break-even in the second half of the year 2009. However, given the cost and management distraction linked to SiegCo's hostile Offer, the half-yearly results is expected to be slightly negative.

**6. The hostile nature of the Offer could jeopardize the efficiency of Valtech's technical teams and endanger the future of the company**

- Hostile transactions carry a high degree of risk in knowledge-based industries such as Valtech's activities.
- Indeed, the value of Valtech resides in its human capital, i.e. its associates, in particular its consultants, engineers, and its management.

- Valtech's employees will be reluctant to support a hostile transaction, in which the intentions of the bidder are unclear and uncertain, not only in terms of integration, but also in terms of industrial, financial and strategic plans.
- Valtech's management is focused on avoiding any negative consequences of the Offer on the group's activity.

**7. The timing of SiegCo's offer is highly opportunistic and disadvantages the Company's stakeholders considering current market conditions**

- SiegCo's Offer is launched while Valtech, like many companies with a comparable size in the IT sector and the E-Business sector, has strongly been affected by a difficult market environment due to the worldwide economic and financial crisis.
- Valtech's current share price, as all the companies in its sector, has been severely affected by the international economical and financial crisis.
- Market conditions are clearly in favour of SiegCo and Valtech's shareholders are consequently disadvantaged by the timing of the Offer.

The board also emphasized on the fact that 25.6 million shares (representing 28.8% of the share capital) have been traded since SiegCo's offer filing up to November 18<sup>th</sup>, 2009, of which 98% at over 0.40€, thus indicating that the market considers that the offer price is not sufficient.

Consequently, the Board unanimously considered that the opportunistic Offer of SiegCo is neither fair nor adequate in terms of value creation for the shareholders of Valtech, as it does not take into account Valtech's future perspectives.

The Board unanimously concluded that the Offer is not in the best interests of the Company, of its employees and of its shareholders, and recommends to the shareholders not to tender their shares to the offer nor to sell their shares on the market at a price equal or inferior to the offer price.

All members of the board announced their intent, as such, not to tender or sell at the offer price the shares they hold or will come to hold.

The Board has also unanimously decided not to tender to SiegCo's offer the treasury shares of the Company (i.e. 214,900 shares).

The Board of Valtech further confirmed that it is currently pursuing and investigating all alternative strategies that will better serve the interests of all Valtech stakeholders.

## **2. SUPPLEMENTARY ASSESSMENT INFORMATION PROVIDED ON THE ANALYSIS OF THE OFFER PRICE PROPOSED BY SIEGCO**

### **2.1 Supplementary assessment information provided on the analysis of the offer price proposed by SiegCo**

Valtech considers that the terms of the offer undervalue Valtech:

- (i) on the basis of the premiums recorded for public tender offers in France; and
- (ii) on the basis of standard valuation criteria (multi-criteria analysis).

#### **2.1.1 Analysis of premiums recorded for public tender offers in France**

As Valtech is the object of an unsolicited public tender offer, the SiegCo offer must be assessed with regard to the levels of the premiums offered in previous public tender offers, and in particular:

- (i) over the past two years across all sectors in France(2008 and 2009), thereby taking into account the recent economic and stock-trading contexts;
- (ii) a sample of unsolicited public tender offers across all sectors (1999 to 2009) in France; and
- (iii) a sample of public tender offers in the IT services and E-Business sectors (2007 in 2009) in Europe.

##### ***2.1.1.1 Analysis of the premiums recorded for public tender offers across all sectors in France in 2008 and 2009***

	Premium offered				
	Spot	1 month	3 months	6 months	1 year
Valtech (€ / share)	€0.35	€0.35	€0.31	€0.28	€0.26
Average premium 2009	48%	52%	51%	45%	39%
Average premium 2008	45%	43%	40%	34%	23%
<b>Average premium</b>	<b>47%</b>	<b>48%</b>	<b>45%</b>	<b>39%</b>	<b>31%</b>
<i>Price per Valtech share induced</i>	<i>€0.51</i>	<i>€0.52</i>	<i>€0.45</i>	<i>€0.39</i>	<i>€0.34</i>
<b>Premium/(Discount) versus the SiegCo offer</b>	<b>-22%</b>	<b>-23%</b>	<b>-11%</b>	<b>2%</b>	<b>18%</b>

*Source: offer documents approved referred to by the AMF*

### 2.1.1.2 Analysis of premiums recorded for unsolicited public tender offers

Date	Offeror	Target	Premium offered				
			Spot	1 month	3 months	6 months	1 year
			€0.35	€0.35	€0.31	€0.28	€0.26
<b>Hostile public offer in France</b>							
Aug-08	Iamgold	Euro Ressources	30%	27%	23%	21%	20%
Oct-08	Gemalto	Wavecom	72%	60%	52%	25%	-18%
Apr.-07	FS Part.	GFI	16%	18%	23%	28%	39%
June-06	Mittal Steel	Arcelor	85%	79%	81%	91%	105%
Apr.-04	Sanofi	Aventis	30%	31%	36%	36%	38%
Sept.-03	Alcan	Pechiney	52%	64%	81%	84%	58%
July.-99	BNP	Paribas	39%	42%	40%	43%	34%
Sept.-99	TotalFina	Elf	28%	30%	29%	32%	35%
<b>Average premium</b>			<b>44%</b>	<b>44%</b>	<b>46%</b>	<b>45%</b>	<b>39%</b>
<i>Price per Valtech share induced</i>			<i>€0.50</i>	<i>€0.50</i>	<i>€0.45</i>	<i>€0.41</i>	<i>€0.36</i>
<b>Premium/(Discount) versus the SiegCo offer</b>			<b>-21%</b>	<b>-21%</b>	<b>-11%</b>	<b>-2%</b>	<b>11%</b>

Source: offer documents approved by the AMF

### 2.1.1.3 Analysis of premiums recorded for public tender offers in the IT services and E-Business sectors

Date	Offeror	Target	Spot	1 month	3 months	6 months	1 year
			€0.35	€0.35	€0.31	€0.28	€0.26
03/02/2009	HP2M	Sodifrance	95%	82%	38%	20%	-7%
07/07/2008	Groupe Open	Sylis SA	104%	82%	69%	63%	37%
06/06/2008	CIC LBO	Alti	24%	26%	22%	14%	10%
01/04/2008	EMC	Conchango	44%	n.a.	n.a.	n.a.	n.a.
03/03/2008	AXA Private Equity	Consort NT SA	111%	52%	50%	53%	49%
13/12/2007	BT Group	NET2S Group	30%	31%	38%	48%	61%
14/06/2007	Publicis groupe	Business Interactif	10%	13%	23%	35%	40%
<b>Average premium</b>			<b>60%</b>	<b>48%</b>	<b>40%</b>	<b>38%</b>	<b>32%</b>
<i>Price per Valtech share induced</i>			<i>€0.56</i>	<i>€0.52</i>	<i>€0.43</i>	<i>€0.39</i>	<i>€0.34</i>
<b>Premium/(Discount) versus the SiegCo offer</b>			<b>-28%</b>	<b>-23%</b>	<b>-8%</b>	<b>3%</b>	<b>17%</b>

Source: Offer documents approved by the AMF, the press and Factset

### Conclusion

It results from these analyses that the levels of premium offered by SiegCo are lower than the premiums recorded in the context of public tender offers, in particular at the last quoted share price (the “spot” price prior to the announcement of the offer) and the average 1-month and 3-month share prices, which are the most relevant.

Indeed, the average 6-month and 1-year prices are strongly affected by the unfavourable stock-trading and economic environments at the beginning of 2009, which renders them less representative.

On the basis of the spot, 1-month and 3-month prices, this analysis results in an induced value for Valtech of between €0.43 and €0.56 per share, that is to say the SiegCo offer price represents a discount of between -28% and -8%.

## **2.1.2 Multi-criteria analysis**

### ***2.1.2.1 Methodology***

The financial forecasts retained for Valtech correspond to the internal estimates of the Company for the 2010 financial year, in the absence of any consensus established resulting from analysts' forecasts (given that the company is not monitored by stock market analysts). In its estimates, the company forecasts for 2010 an increase in turnover of approximately 10% over 2009 and a return to operational profitability which is close to historical averages. It was not considered relevant to refer to the forecasts used by SiegCo in its memorandum, namely those prepared by the financial analysts IDMidcaps, to the extent that the company has not had any contact with the office of IDMidcaps or its analysts.

The total number of shares in question in the above sections is 88,668,358 shares, namely the number of shares which make up the share capital on 18 November 2009, including the treasury shares (to be transferred to the personnel of Valtech in the context of a share option plan and which are not intended to be cancelled). As those securities which could potentially give access to the share capital (share option plan approved by the 1999 General Meeting) are out of the money at the current Offer price is concerned, they have not been taken into account in the calculations.

The elements which make it possible to deduce from the value of the business the value of the shareholders' equity include:

- (i) the net consolidated cash flow of Valtech on 30 June 2009, namely +€4.2M;
- (ii) employee pension liabilities, namely – €0.2M;
- (iii) the value of the companies deemed to be peers on the balance sheet on 30/06/09, that is to say +€0.2 M;
- (iv) a provision for restructuring associated with lease liabilities in the United States which constitute a liquidated financial liability for the company, namely – €0.8M;

The calculation of the value of the shareholders' equity also takes into account:

- (v) revenue from the sale, which is well engaged, of a non-strategic asset, which would result in an increase of €3.0 M (after tax) in net cash by the end of December 2009;
- (vi) the up-dated value of the tax saving made from the carrying-forward for tax purposes of deficits accumulated by the Valtech group through its various legal entities estimated on 31 December 2009, namely €7.9M (on the basis of an aggregated carry-forward of €43.1M estimated on 31 December 2009, including 70% in France) (discounted at the rate of 9%).

### ***2.1.2.2 Analysis of the peer company multiples***

The IT services sector is characterized by a large number of listed actors. The analysis of multiples of listed companies is based on a sample of companies which specialize in IT services and E-Business, and on multiples usually retained in order to value this type of assets, namely EV/T, EV/EBITDA and EV/EBIT.

The sample of comparable listed companies is made up of 13 average-size companies (with turnover between €90 and €750M), including 11 French companies, 1 Dutch company and 1 English company:

- France: Aubay, Ausy, Business & Décision, Devoteam, GFI Informatique, Groupe Open, Micropole-Univers, Neuronnes, SQL Ingénierie, SII, Solucom,
- Netherlands: LBI
- United Kingdom: Phoenix IT

Company	Market Cap. (€m) <sup>1</sup>	EV (€m)	EV / T			EV / EBITDA			EV / EBIT		
			2008A	2009E	2010E	2008A	2009E	2010E	2008A	2009E	2010E
Aubay	55	55	0.34x	0.37x	0.36x	4.4x	6.8x	6.0x	4.8x	7.9x	6.8x
Ausy	54	46	0.33x	0.30x	0.27x	3.9x	7.8x	5.3x	4.3x	5.9x	4.6x
Business & Decision	43	86	0.36x	0.37x	0.37x	8.8x	n.m.	n.m.	12.7x	n.m.	n.m.
Devoteam	203	189	0.41x	0.41x	0.41x	4.4x	5.8x	5.3x	4.8x	6.8x	6.2x
GFI Informatique	181	313	0.41x	0.42x	0.42x	5.7x	7.8x	7.0x	7.0x	11.4x	8.8x
Groupe OPEN	61	90	0.40x	0.30x	0.30x	8.3x	14.4x	6.6x	10.8x	22.9x	8.4x
Micropole-Univers	22	29	0.32x	0.32x	0.32x	5.7x	7.7x	8.1x	6.8x	9.9x	10.5x
Neuronnes	153	111	0.59x	0.52x	0.51x	5.2x	5.6x	5.7x	5.7x	6.3x	6.5x
SQL Ingenierie	39	44	0.28x	0.29x	0.28x	5.2x	n.m.	4.9x	6.0x	n.m.	7.7x
SII	88	79	0.47x	0.42x	0.40x	5.4x	5.7x	5.2x	6.2x	5.7x	5.5x
Solucom	74	80	0.84x	0.78x	0.75x	6.6x	7.1x	6.1x	7.3x	8.0x	6.8x
LBI	90	120	0.80x	0.88x	0.82x	6.6x	6.7x	5.5x	12.0x	11.9x	8.4x
Phoenix IT	194	278	0.99x	0.99x	0.98x	5.1x	4.8x	4.6x	7.8x	7.0x	6.7x
<b>Average</b>			<b>0.50x</b>	<b>0.49x</b>	<b>0.47x</b>	<b>5.8x</b>	<b>7.3x</b>	<b>5.9x</b>	<b>7.4x</b>	<b>9.4x</b>	<b>7.2x</b>

*Note 1 : Average 1 month stock market price on 18 November 2009*

*Source: Factset, analyst reports, reference documents, annual reports, interim reports, financial press releases*

Calculated for the period 2008-2010 and on the basis of the sample referred to above, the range of value from the Turnover, EBITDA and EBIT multiples is between €0.46 and €0.55 per share (that is to say the SiegCo offer represents a discount of between -28% and -14%).

It must be noted that listed comparables method does not include a control premium. The discount represented by the SiegCo offer must therefore be assessed in light of the necessity of valuing the Company in the context of a change of control. It is such a control premium which should be paid to the shareholders of Valtech.

### **2.1.2.3 Analysis of comparable transaction multiples**

The analysis of the multiples for completed previous comparable transactions which involved the acquisition of control over a company in the IT services and E-Business sectors also highlights SiegCo's undervaluation of Valtech.

Despite the lack of public information generally available in the context of this type of exercise, it has been possible to analyze a sample of 12 transactions involving average-sized companies (with turnover of less than €150 M) in the IT services and E-Business sectors between 2007 and 2009. To the extent that 7 transactions involve listed companies, the information relating to such transactions is complete (with the Turnover, EBITDA and EBIT multiples published) and have been held to be reliable.

The analysis of comparable transaction multiples has been carried out on the basis of the multiples generally retained in order to value this type of assets, namely EV/Turnover, EV/EBITDA and EV/EBIT. 2 transactions were not included in the overall averages of the multiples, namely Business Interactif and Bluhalo. These companies exhibit multiples which are significant higher than the other companies in the sample (between 2 and 3 times higher) and correspond to the “*pure player*” multiples of web agencies. As their multiples are applicable only to a portion of the activities of Valtech, they are not relevant to the entirety of its activities and have been removed from the sample averages.

The comparable transactions sample is as follows:

Date	Target	Offeror	% acquired	EV (€m)	Multiples		
					EV / Turnover	EV/ EBITDA	EV / EBIT
03/02/2009	Sodifrance	HP2M	100%	21	0.31x	4.0x	5.9x
07/07/2008	Sylis SA	Groupe Open	100%	56	0.40x	8.2x	10.4x
06/06/2008	Alti	CIC LBO	100%	91	0.95x	9.5x	10.7x
14/05/2008	Bluhalo	Mighty Mouse digital	100%	6	2.67x	19.8x	24.2x
01/04/2008	Conchango	EMC	100%	53	1.12x	12.9x	14.8x
03/03/2008	Consort NT SA	AXA Private Equity	100%	26	0.52x	5.9x	7.0x
13/12/2007	NET2S Group (68.6% stake)	BT Group	69%	43	0.47x	10.9x	13.2x
14/06/2007	Business Interactif	Publicis groupe	100%	137	4.74x	31.1x	42.8x
01/12/2007	Eozen	SQLI	100%	20	0.92x	n.a.	9.8x
01/10/2007	BTD	GFI informatique	100%	47	0.86x	8.1x	10.0x
19/10/2007	Coframi	Akka Technologies	100%	56	0.39x	n.a.	n.a.
<b>Average</b>					<b>1.21x</b>	<b>12.3x</b>	<b>14.9x</b>
<b>Average (excluding Business Interactif and Bluhalo)</b>					<b>0.66x</b>	<b>8.5x</b>	<b>10.2x</b>

*Source: Factset, reference documents, annual reports, interim reports, financial information, Orbis, Press, offer documents approved by the AMF*

It appears that the SiegCo offer represents a discount of between -42% and -33% when compared to the implied valuation of between €0.60 and €0.68 per share on the basis of comparable transactions.

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