

Half-year results 2010/11: strong improvement in current operating margin at 13.7%

At its meeting on 22 November 2010, Solucom's Supervisory Board approved the consolidated half-year financial statements, at 30 September 2010.

Data consolidated to 30/09 (in €M)	H1 2010/11	H1 2009/10	Variance
Turnover	52.4	48.3	+ 9%
EBIT	7.2	3.2	+ 126%
Operating margin	13.7%	6.6%	
Operating income	7.2	3.2	+ 125%
Group's share of net profit	4.2	2.0	+ 112%
Net margin	8.0%	4.1%	

The auditors have summarily examined these financial statements. The EBIT complies with the CNC 2009.R.03 recommendations.

At the end of the first half of the 2010/11 financial year, Solucom's turnover was € 52.4M, up purely organically 9%.

In a market that is gradually on the way to recovery, Solucom has benefited from the sales investments it approved 18 months ago to post a significant rebound in business.

High activity rate in first half

In the first half of 2010/11, the company's activity rate was up sharply to 86%, as compared with 78% for the corresponding period last year. All the company's practices have contributed to this improvement. For the record, the standard activity rate of Solucom is situated between 82% and 84%.

The daily sales price came to € 707 for the first half, down 1% by comparison with the previous period. Based upon a reduction in pressure on prices over the last few months, Solucom is expecting a stabilization of its prices in the second half, which is supported by the first signs of a pick up in new projects.

In terms of Human resources the first half-year was marked by a 3% drop in the company's staff, to 945 employees at the end of September as against 978 at 31 March 2010. This figure reflects the acceleration of turnover to an annualised 19%, as compared with the 12% - 15% budgeted, and relative inertia in the recruitment rate.

Increase of 126% in half-year EBIT

With the benefit of an optimal activity rate, EBIT came to € 7.2M, up 126%. The operating margin was sharply improved at 13.7% for the first half-year as compared with 6.6% a year earlier. This figure takes into account the reclassification for tax purposes on income of part of the *Contribution Économique Territoriale* local tax, which replaces the previous Professional Tax. Without this reclassification, EBIT would have been 12.4%.

Group's net margin 8.0%

After netting off the cost of borrowing and taxes on profits, for the first half-year Solucom has posted a net profit for the Group's share of € 4.2M, which represents a net margin of 8.0%.

As at 30 September 2010 Solucom's equity stood at € 37.3M. Net borrowings, without any early repayment covenants, stand at € 5.3M at 30 September 2010 as against € 2.5M a year earlier. It should be noted that this borrowing includes the effect of heavy pressure on client receivables. This does not, however, put in question Solucom's target to increase its cash flow for the entire period in order to have a net cash flow greater than € 5M at 31 March 2011.

Human resources: stakes for the 2nd Half-Year

During the first half Solucom consolidated its fundamentals by restarting growth with a high operating margin due to a rapid recovery and strengthening those parts of the business that had been in difficulty in 2009/10. The company has increased its market share by bringing in major upgrade projects at clients while readjusting its sectoral sales positioning; this has included in particular greater weight in the financial sector than in the previous year.

Thus while the upturn dynamics of the consulting market ought to continue into the second half, human resources constitute Solucom's major challenge over the coming months on account of the likely lasting pressures in this area. Solucom intends to accelerate implementation of various actions to speed up recruitment and to keep its staff turnover under control.

2010/11: Financial targets stated and confirmed

H1 2010/11 results exceed the annual objectives of the company.

Despite the decline of the, which could slow down the H2 performance, Solucom lays out and confirms its annual targets, set in June: relaunch its rate of organic growth, with an annual growth rate in excess of 4% and have a double digit operating margin, somewhere between 11% and 13%, while making the necessary investments to prepare for the future.

Upcoming dates: Turnover for Q3 of the 2010/11 financial year on 26 January 2011 (after close of trading).

To consult the annexes, please download the pdf of the press release.

About Solucom

Solucom is a management and IT consulting firm.

Solucom's customers are among the top 200 large companies and public bodies. For them, Solucom is capable of mobilizing and combining the skills of nearly 1,000 staff members.

Our mission statement? To place innovation at the heart of business lines, target and steer transformations that are sources of added value, and turn the information system into an actual asset designed to serve corporate strategies.

Solucom is listed on NYSE Euronext Paris and is included in the SBF 250 Index.

Solucom has been granted the innovative company award from OSEO Innovation.



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ANNEX 1: CONSOLIDATED FINANCIAL STATEMENTS

<i>€000 - Consolidated data</i>	30/09/2010	30/09/2009	31/03/2010
REVENUES	52,376	48,272	103,443
Other operating income	0	0	0
Purchases consumed	1,269	982	1,912
Personnel costs (including profit share)	37,482	36,739	76,775
External costs	5,231	5,285	10,819
Taxes other than corporation tax	838	1,396	2,597
Net depreciation and provision charges	385	722	1,416
Other income and expenses on ordinary activities	(12)	(36)	(133)
OPERATING PROFIT ON ORDINARY ACTIVITIES	7,183	3,183	10,057
Other income and expenses from operations	0	14	(3,044)
OPERATING PROFIT	7,183	3,198	7,013
Financial income and expenses	3	4	29
Gross borrowing costs	84	98	193
NET BORROWING COSTS	81	94	164
Other financial income and expenses	(13)	20	59
PROFIT BEFORE TAX	7,089	3,124	6,908
Corporation tax	2,886	1,142	3,656
NET PROFIT FOR THE YEAR	4,202	1,981	3,252
Minority interests	0	0	0
NET PROFIT (GROUP SHARE)	4,202	1,981	3,252
Basic earnings (Group share) per action (€) (1)	0.85	0.40	0.40
Diluted earnings (Group share) per action (€) (1) (2)	0.85	0.40	0.40

(1) Weighted average number of shares during the year excluding treasury shares

(2) In accordance with IAS 33, earnings per share for the years ended 31 March 2010 and 31 March 2009 were recalculated based on the number of shares as at 30 September 2010.

ANNEX 2: CONSOLIDATED BALANCE SHEET

<i>€000 – Consolidated data – IFRS standards</i>	30/09/2010	31/03/2010
NON-CURRENT ASSETS	31,156	30,952
Goodwill	24,364	24,364
Intangible fixed assets	172	209
Tangible fixed assets	2,233	2,331
Long-term investments	664	554
Other non-current assets	3,722	3,493
CURRENT ASSETS	52,002	47,794
Trade receivables	40,403	34,770
Other receivables	8 543	4 333
Cash and cash equivalents	3,056	8,691
TOTAL ASSETS	83,158	78,746

SHAREHOLDERS' EQUITY (GROUP SHARE)	37,271	34,296
Share capital	497	497
Issue, merger and contribution premiums	11,218	11,218
Consolidated reserves and retained earnings	25,556	22,581
Minority interests		
TOTAL SHAREHOLDERS' EQUITY	37,271	34,296
NON-CURRENT LIABILITIES	5,467	5,941
Long-term provisions	2,068	1,576
Borrowing (due in more than 1 year)	3,214	4,290
Other non-current liabilities	185	75
CURRENT LIABILITIES	40,420	38,508
Short-term provisions	1,008	989
Borrowings (due in less than 1 year)	2,342	2,386
Trade payables	4,110	3,071
Tax and social security liabilities	27,934	28,223
Other current liabilities	5,026	3,839
TOTAL LIABILITIES	83,158	78,746

ANNEX 3: CONSOLIDATED CASH FLOW STATEMENT

<i>€000 – Consolidated data – IFRS standards</i>	30/09/2010	31/03/2010
Total net consolidated profit	4 202	3 252
<i>Elimination of non-cash items :</i>		
Depreciation and provision charges	691	4,698
Expense / (income) from stock options and similar items	0	0
Post-tax capital losses / (gains) on sales of assets	2	95
Other non-cash income and expenditure	(147)	(1 335)
Free cash flow after borrowing costs and tax	4,748	6,711
Exchange differences on free cash flow		
Change in working capital	(7,886)	2,069
Cash flow from operating activities	(3,138)	8,780
Purchase of intangible and tangible fixed assets	(278)	(560)
Sale of fixed assets	0	9
Change in long term investments	(163)	491
Change in consolidation scope	0	(617)
Other cash flow from investing activities		
Net cash flow from investing activities	(441)	(676)
Capital increase – proceeds from exercise of stock	0	0
Purchase and sale of treasury shares	0	0
Dividends paid to shareholders of the parents company	(936)	(937)
Dividends paid to minority interests of subsidiaries	0	0
Other cash flows from finance activities	(1,131)	(2,101)
Net cash flows from financing activities	(2,067)	(3,039)
Net change in cash and cash equivalents	(5,646)	5,065