

2010: a successful first half

Consolidated sales: €120.0M
EBITDA: €26.7M (up 5.5%)

Income from ordinary activities: €9.4M (up 9.3%)
Net income: €7.0M (up 45.3%)

First half sales: strong growth in the second quarter

| First half (Consolidated figures, in € M) | 2010 | 2009 | Change 2010/2009 |
|--|-------------|-------------|---------------------|
| Sales | 120.0 | 120.4 | ns |
| EBITDA | 26.7 | 25.3 | +5.5% |
| Income from ordinary activities | 9.4 | 8.6 | +9.3% |
| Operating income | 11.6 | 6.6 | +77.5% |
| Net financial expense | -0.6 | -1.6 | +64.2% |
| Pre-tax income | 11.1 | 5.0 | +121.8% |
| Income tax | 3.9 | 0.2 | na |
| NET INCOME (GROUP SHARE) | 7.0 | 4.8 | +45.3% |

After a first quarter marked by a difficult economic climate and an unfavorable base of comparison, sales improved significantly from April onward with a steady inflow of orders, boosting "Licenses and Integration services" sales by 11%.

In H1 2010, consolidated sales (€120.0M) reached a level comparable to that of H1 2009 (€120.4M), after taking into account the continued decline in sales of €1.3M (down 15%) in "Hardware and Installations", an activity of lesser strategic importance.

Revenue from "Licenses and Integration services" was stable in H1 2010 compared to the previous year. Revenue from "Licenses" posted strong growth, offsetting the decline in sales of Integration services (training, deployment and consulting).

This trend in the Services business partly reflected Cegid's strategy, which aims both to deepen the expertise of its consultants in Cegid's functional areas, and to draw on its network of resellers and partner-integrators to deploy its products, thereby strengthening its ecosystem.

The increase in sales of licenses was particularly noticeable in Finance-Taxation, and Services-Wholesaling ERP and Retail.

Recurrent revenue increased by more than 4% in the second quarter and accounted for 51% of overall revenue in the first half, giving the Group better revenue visibility from its product mix. As of June 30, 2010, the annual value of the recurrent contracts portfolio amounted to €122 million (€121 million as of June 30, 2009).

Recurrent SaaS (Software as a Service) revenue advanced by 22% to €6.5 million during the second quarter (sales increased 19% in H1 2010 compared to the year-earlier period), outperforming market trends (projected 16% increase in SaaS sales in 2010 – source: Gartner, June 2010).

Cegid signed new contracts with companies that play a significant role in their respective sectors: Retail (Eram in France, Les Lolitas and Modus in Italy, Siebel in the Netherlands, Sport Plus in Morocco, Berden and Asics in the UK); Manufacturing (Apegelec, Cornilleau, Interseed and Resinence); CPAs (independents: Cabinet Premier Monde, GVA, SEAC, SOGEX; associations: CER Aube and CER Haute Marne, CER Nord Est Ile de France and CER Somme; accredited body: AGCS), the Public sector (APCM - the French network of chambers of professional trades), Hospitality (Société Thermale de La Roche Posay) Payroll/HR (Aoste) and Taxation in "On Demand" mode (AFIPAEM).

| Consolidated sales in € M, unadjusted scope | | Q2 | H1 | of which "Licenses and Integration services" | of which "Hardware and installation" |
|---|-------------|-------------|--------------|--|--------------------------------------|
| CPAs, small companies | 2010 | 22.1 | 45.3 | 14.6 | 4.7 |
| | 2009 | 22.1 | 47.5 | 15.5 | 5.3 |
| Mid-market and groups | 2010 | 19.2 | 35.6 | 15.1 | 0.4 |
| | 2009 | 16.1 | 32.7 | 14.5 | 0.4 |
| Vertical markets | 2010 | 16.3 | 30.6 | 16.5 | 1.9 |
| | 2009 | 16.0 | 31.7 | 16.2 | 2.5 |
| Public sector | 2010 | 3.3 | 6.6 | 3.8 | - |
| | 2009 | 2.6 | 5.6 | 3.2 | - |
| Other | 2010 | 1.1 | 1.9 | 0.1 | - |
| | 2009 | 1.4 | 2.9 | 0.8 | 0.1 |
| Total | 2010 | 62.0 | 120.0 | 50.1 | 7.0 |
| | 2009 | 58.2 | 120.4 | 50.2 | 8.3 |

Earnings growth

After accounting for purchases of outsourced activities, the gross margin reached 87.5% of sales in H1 2010 (88% in H1 2009). This coupled with a tight control of operating costs enabled the Group to achieve EBITDA of €26.7 million, nearly 6% higher than that posted in the year-earlier period (€25.3 million).

The average monthly breakeven in the first half of 2010 was around €18.2 million, which was lower than in H1 2009 (€18.4 million).

After depreciation and amortization related to development costs and identified assets deriving from acquisitions (up €0.8 million compared with H1 2009), income from ordinary activities rose by more than 9% to €9.4 million (compared to €8.6 million in H1 2009).

Operating income (€11.6 million) included a €2 million reversal of a provision for risks recognized in 2008 as part of a business combination, and rose sharply compared to H1 2009, which included €2.0 million in operating expenses and provisions.

Net financial expense improved significantly (€0.6 million vs. €1.6 million in H1 2009), due to lower average indebtedness, declining interest rates and the IFRS restatement of the OBSAR bonds, which were repaid in March 2009.

Tax expense of €3.9 million is not comparable to that of H1 2009, as during that period, the Group benefited from tax savings arising from the merger of foreign subsidiaries.

Consolidated net income for the first half of 2010 was thus €7.0 million, up 45% compared to H1 2009.

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Firm financial structure and lower gearing

An increase in cash flow generated by the business (up 8.6% to €25 million) reaffirmed the robustness of Cegid's business model.

Working capital requirement increased due to an upturn in new business at the end of the first half of 2010, the unfavorable base of comparison resulting from a significant reduction in DSO in H1 2009 and corporate tax payments (€5.6 million in H1 2010). Net cash from operating activities in the first half stood at €16.8 million vs. €27.6 million in H1 2009.

Gearing, the ratio of net debt (€72.5 million at June 30, 2010) to consolidated shareholders' equity (€161.6 million at June 30, 2010), stood at 44.9% at June 30, 2010, down from 52.6% at June 30, 2009.

The Yourcegid brand embodies Cegid's commitments

Created in the first half of 2010, the **Yourcegid** brand demonstrates the Group's commitments:

- **Industry expertise** using customer feedback to develop products that address industry needs,
- **Quality** of products and services provided by Cegid and its partners,
- **Innovation**, by turning technological innovation into an advantage for our customers in their day-to-day work,
- **Partnerships** and the development of an ecosystem of customers, resellers, integrators, partners, developers and suppliers of applications, which complement Cegid's range of products and services,
- **Human Resources**, attentive to the needs of our customers and partners, and conscious of good employer practices in order to attract the best human talent.

The Yourcegid brand will leverage Cegid's innovative nature and extended reach, reaffirming our ambition to offer all types of companies modern management solutions adapted to their needs and that seamlessly integrate into existing information systems.

Robust outlook for growth

Although the economic environment lacks short-term visibility, in particular in Europe, Cegid remains confident in the ability of end markets to bounce back starting from 2011, when companies should continue to invest in information systems, which provide the best way of increasing productivity and performance.

Cegid is well-placed to take advantage of improvements in the economic climate owing to:

- its positioning as a specialized developer with a strong foothold in its areas of expertise: ERP, Finance and Taxation, Human Resources, Retail, Manufacturing, Hospitality, Services-Wholesaling, Cleaning services, CPAs and the Public sector,
- its established expertise in SaaS (On Demand) solutions and portals, with consistent growth in sales (of around 20% in the first half of 2010),
- its new products and services for the agricultural sector, both insourced and in "On Demand" mode,
- a growing presence abroad, particularly in the Retail sector, where Cegid is now an international partner both for leading international chains and local stores. Cegid has a direct presence in the United States, China and the principal European countries and also works with numerous local partners,
- an installed base of 80,000 customers who generate recurrent revenue in excess of €120 million. This installed base also represents significant potential for sales of complementary products and migration to new Cegid solutions and leads to very low customer concentration,
- successful experience in acquisitions and in integrating acquired companies into the Group.

In this way, Cegid is poised to demonstrate its ability to generate a favorable level of operating profitability and to take advantage of economic recovery in the years to come.

The full calendar of publication dates and upcoming events can be found at the following address: <http://www.cegid.com/calendrier-financier>

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