



2006 annual results,  
4th quarter 2006 revenue  
and 2007 outlook

**Didier Lamouche - CEO**

**Philippe Lederman - CFO**

February 15, 2007

# Agenda

- **2006 key events & key successes**
- Fourth quarter & 2006 annual results
- 2006 business performance
- 2007 focus points
- 2007 outlook

## 2H06 and full year 2006 highlights

- **July 2006 commitment met**
- **Italy fixed : with decent financial conditions and with good social terms**
- **Strong cash performance : €26m operating cash flow generated in H2 06**
- **Growth in focus areas :**

<b>Telco services</b>	<b>: &gt;50 % in H2</b>
<b>LAM</b>	<b>: &gt;25 % in H2</b>
<b>Spain</b>	<b>: &gt;15 % in H2</b>
- **Slowdown in YoY maintenance revenue decline:**

<b>- 14 % in Q1</b>
<b>- 7 % in Q4</b>
- **Reduction in Escala revenue in 2006 vs 2005**
- **Several large contracts awarded in 2006 : Barnsley (€110m), CCRT (>€10m), State of New York (>€10m), Retail leader (€10m)**
- **Human Resources : 20 % of current employees were not with Bull 2 years ago**



# 2006 Key business event summary

## ■ January

- China: NovaScale OEM partnership with PowerLeader
- Open Source services : "Open Desk" anct. in France

## ■ February

- Business Intelligence: Oracle world-record performance with a NovaScale server
- Partnership agreement between Informatica & Bull

## ■ March

- Telco and finance: acquisition of AMG.net
- New industrial partnership with NEC, with a €10 million investment in Evidian
- Pininfarina trusted Bull NovaScale Servers
- Belgian Federal Justice selected Bull for its IT infrastructure

## ■ April

- Acquisition of HRBC: Human Resources ERP

## ■ May

- Bull attained Gold Partner Status in Microsoft Partner Program
- Telco & banking: opening of new services centre in Marseille
- NovaScale technology exported to Malaysia and Thailand through an OEM partnership with Basis Bay

## ■ June

- The June edition of TOP500 confirmed Tera-10 supercomputer as number one in Europe and number five in the world.
- French Social Security asked Bull to support their Linux environments

## ■ July

- Outsourcing: Partnership with Barnsley MBC in UK leading to major €110m, ten-year contract
- Contracts in a telco in Morocco, in Poland to connect 1,200 schools to the Internet and in Bulgaria for their customs
- IDG named Bull Brazil consulting company of the year.

## ■ September

- Outsourcing: Acquisition of the French company Agarik, specialized in critical Internet infrastructure.
- Business Intelligence: New York State renewed its confidence in Bull's to manage its vast Medicaid program.
- University of Manchester chose the Group to provide a new supercomputer for research and simulation.

## ■ October

- In Spain, Correos selected Escala servers and integration services to renew its IT infrastructure

## ■ November

- Bull put HPC within reach adopting Microsoft software
- Creation of a new services center in Bordeaux
- Partnership with JBoss in open source

## ■ December

- The CCRT selected Bull to supply the most powerful civil supercomputer in France
- Bull Brazil won IT& Government 2006 Award with SERPRO.
- Acquisition of Bull's Italian subsidiaries by Eunics.



# Key commitments met in 2006: Italian operations & Maintenance activities

- Italy: the best possible deal
  - Strong and ambitious partner acquired Bull Italia
  - Guaranteed continuity for service & maintenance contracts
  - 5 year distribution agreement for Bull products
  - Cash-positive transaction for Bull (+€6m) with no further liability
- Maintenance: significant improvements already seen
  - Reorganization & (some) centralization
  - Generalization of best practices
  - New value-added offers developed
  - Rate of revenue decline reduced to -7% in Q4 from -14% in Q1
  - Gross margin improved 20bps in 2006 vs 2005

Management is tackling  
and solving long standing issues



# Services: key initiatives with success

1/2

Telco vertical: Services France revenues +50% yoy

## ■ Our Value Proposition

- IT expertise with long experience in Telco (SS7, mediation)
- Industrial integrator of Telco Information Systems
- Carrier-grade applications for residential and corporate
- Dedicated expert centers in new technologies

## ■ Our ambition

- European leading integrator of IP infrastructures and services for:
  - New operators
  - New businesses of existing Telcos

## ■ Strategic moves

- Bull/Cirpack (Thomson) partnership for VoIP solutions 1Q05
- AMG.net acquisition in Poland 1Q06
- Morocco nearshore competence center 3Q06

### Key '06 wins:

Integration of the complete Information System of North African mobile operator (IP services)

New Generation Network IP services and unified messaging platform for a large European mobile operator

SQM solution (Telcordia) and billing solution for several Orange affiliates



# Services: key initiatives with success

## Critical Infrastructure outsourcing

2/2

### Barnsley Metropolitan Borough Council

- 250 000 inhabitants
- € 110 million global outsourcing contract
- 100 p. transferred to Bull TCL
- Implementation of a cost-effective, robust and secured IT infrastructure, to host BMBC current and future services

including Help Desk, Corporate Desktop, Voice and Data Networking, Server and Operational Support etc.



### Agarik

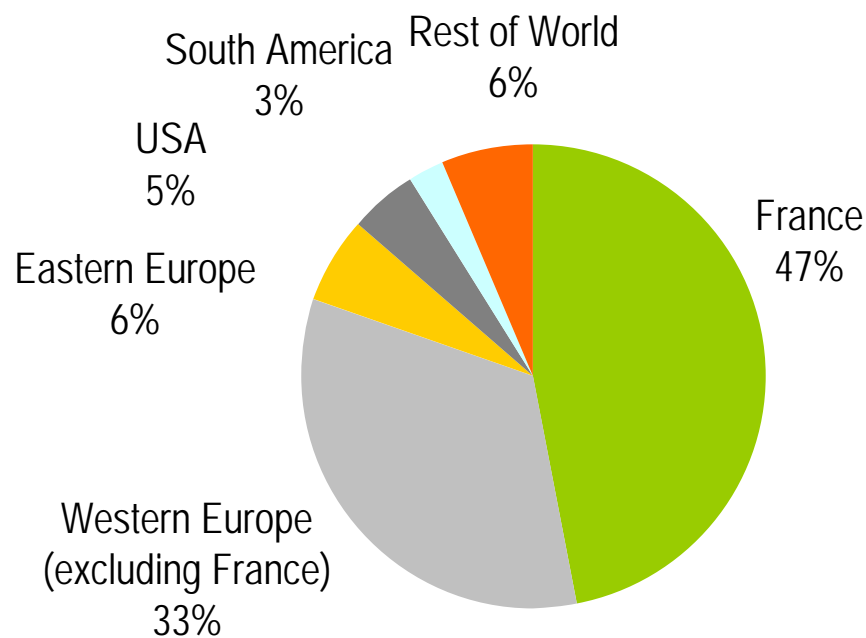
- 35 people including 23 technical experts
  - Monitors and administrates 24x7, all year round
  - Contract renewal rate > 97 %
- A powerful network to monitor and to manage customers hosted equipments



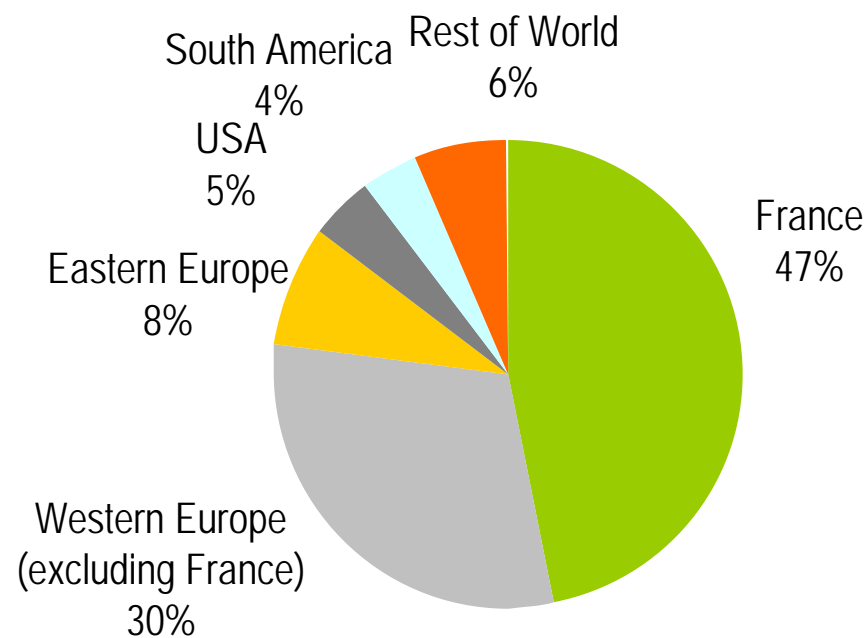
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# 2006 revenue by geography



2005



2006

Sustained growth in focus geographies:  
Eastern Europe, South America



# FY2006 - Income Statement

€millions	2005	commitment	2006	
Revenue	1173.1	-2%	1146.5	-2.3% with Italy for 11 months only
Grossmargin	302.2		284.0	
	25.8%		24.8%	
R&D	(51.1)		(45.9)	
	-4.4%		-4.0%	
SG&A	(212.6)		(217.7)	Investment to sustain growth
	-18.1%		-19.0%	
of which selling expenses	(125.8)		(127.3)	
of which G&A expenses	(86.8)		(90.4)	Provisions: -bad debt -tax risk
Exchange gain/ (loss)	(0.6)		(0.6)	
EBIT before non-recurring items	37.9	>18m	19.7	Better than Oct target: €18m
	3.2%		1.7%	

EBIT better than October target of €18m



# FY2006 - Income Statement

€millions	2005	2006	
EBIT before non-recurring items	37.9	19.7	Not in October guidance
	3.2%	1.7%	Capital loss Italy (€6.3m)
Other income	11.4	(3.3)	€2m to €5m more than guidance
Restructuring	(26.5)	(32.9)	
EBIT after non-recurring items	22.8	(16.5)	
Financial Income	(2.1)	(1.7)	
Tax	(4.9)	(2.8)	
CRMF adjustment	-	27.3	
Deferred Tax Assets adjustment	-	(23.7)	Of which (€4m) for Italy
Net Income before minority interests	15.8	(17.4)	
Minority interests	0	0.3	
Net Income (Group share)	15.8	(17.1)	

Second half 2006:  
Italy impact (€10.3m)  
Accelerated restructuring



# FY2006 – Cashflow statement

€millions	2005	2006
EBIT	37.9	19.7
Depreciation (excl. goodwill)	17.6	19.5
Working capital	(16.7)	14.8
Operational capex	(14.8)	(21.0)
Net financial charges	(2.1)	(1.7)
Taxes	(4.9)	(2.8)
<b>Operating cash flow</b>	<b>17.0</b>	<b>28.5</b>
Cash restructuring	(26.3)	(23.8)
Exceptional resources + NEC capital increase	36.9	20.1
Non-recurring cash out	(10.7)	(31.3)
<b>Exceptional cash flow</b>	<b>(0.1)</b>	<b>(35.0)</b>
<b>Total cash flow</b>	<b>16.9</b>	<b>(6.5)</b>
Gross cash at start of period	283.3	315.0
<b>Gross cash at end of period</b>	<b>315.0</b>	<b>315.0</b>

Continued strong cashflow generation



# FY2006 – Balance sheet

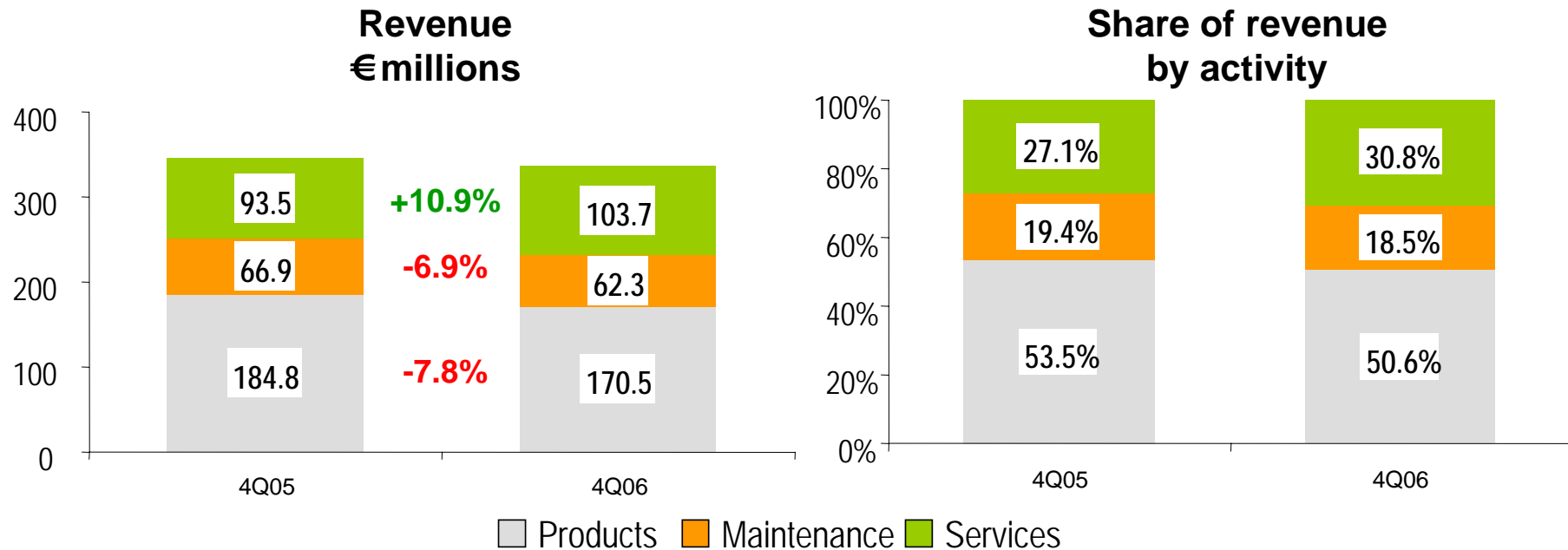
€millions	31 Dec. 2005	31 Dec. 2006
<b>ASSETS</b>		
Fixed assets	84.8	86.5
Financial assets available for sale (A)	-	67.7
Trade working capital	190.3	147.9
Other working capital	(255.4)	(243.3)
Deferred tax asset	51.7	28.0
Cash & cash equivalents (B)	315.0	247.3
<b>TOTAL ASSETS</b>	<b>386.4</b>	<b>334.2</b>
<b>LIABILITIES</b>		
<b>Shareholders' equity</b>	85.3	75.5
Reserves & other long term liabilities	163.8	142.2
CRMF - Profit sharing agreement	54.0	26.7
Financial debt (incl. OCEANES)	83.3	89.8
<i>of which short term debt</i>	74.3	77.4
<b>TOTAL LIABILITIES</b>	<b>386.4</b>	<b>334.2</b>

**Gross cash  
(A)+(B) = €315m**

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# 4Q06 Business performance: Revenue

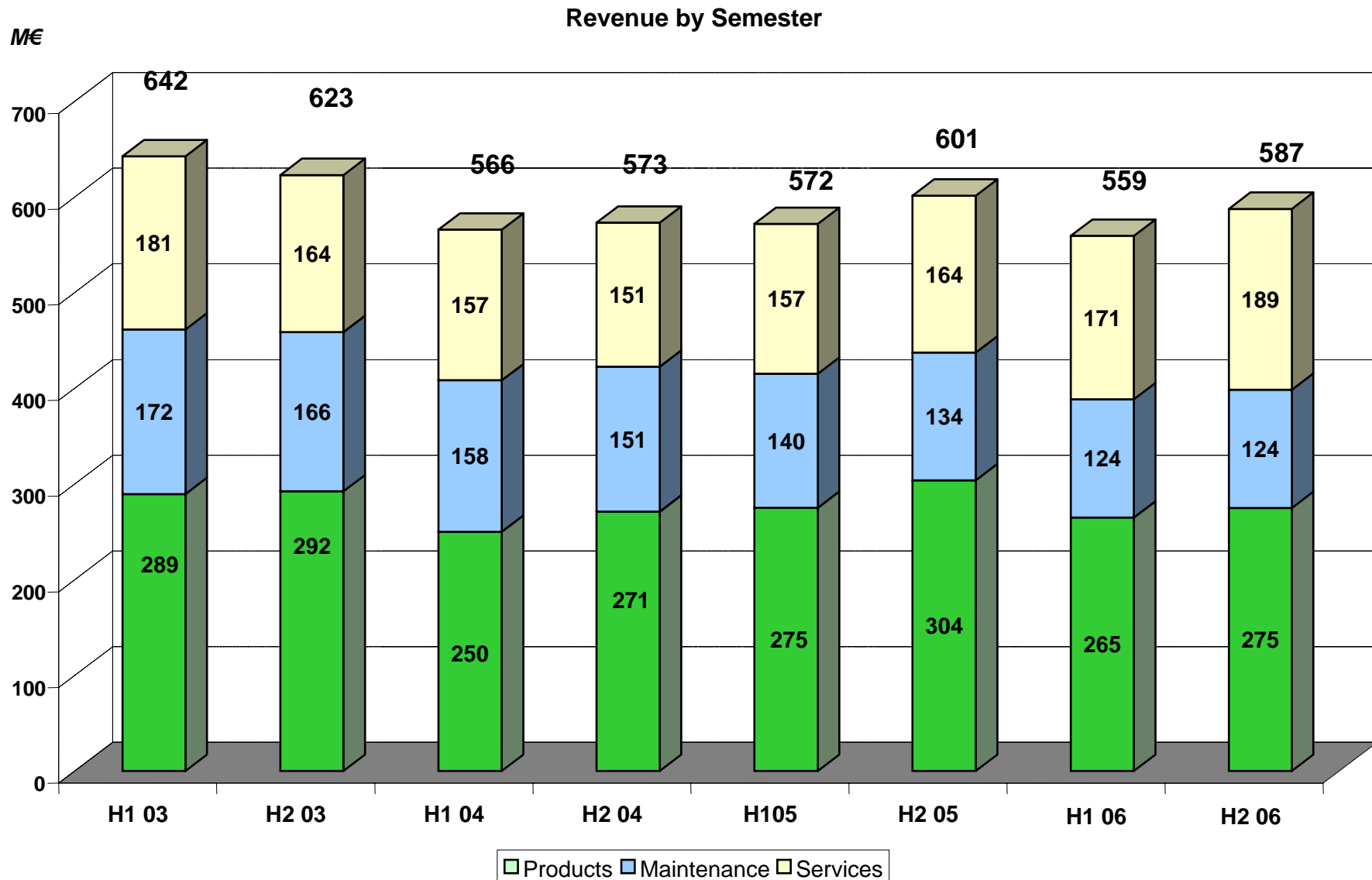


## Service business momentum continues:

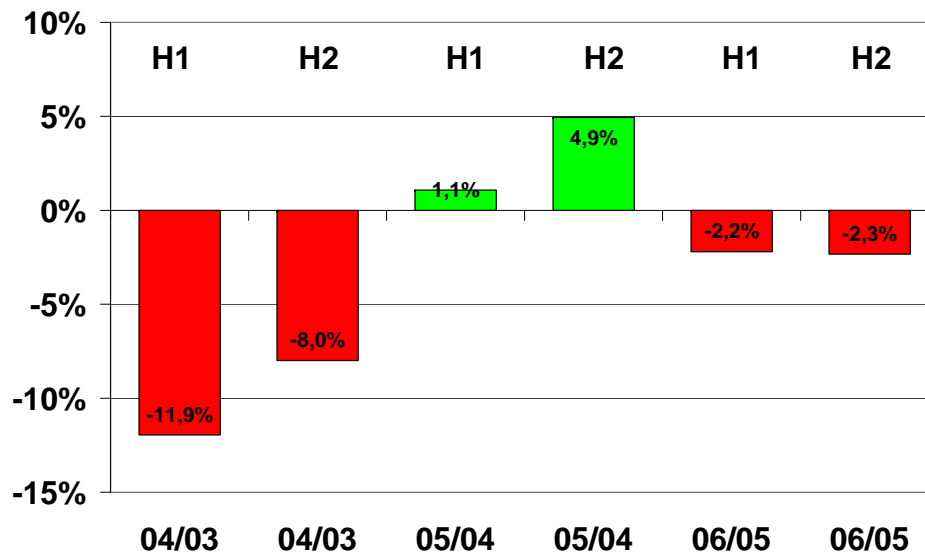
- share of sales above 30% in line with objective to rebalance revenues
- 6th consecutive quarter of double-digit revenue growth



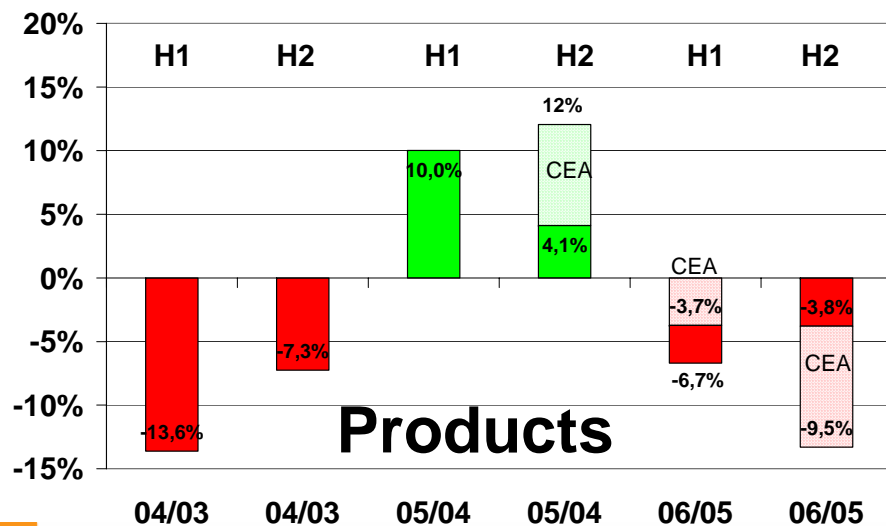
# Bull Revenue – evolution by semester



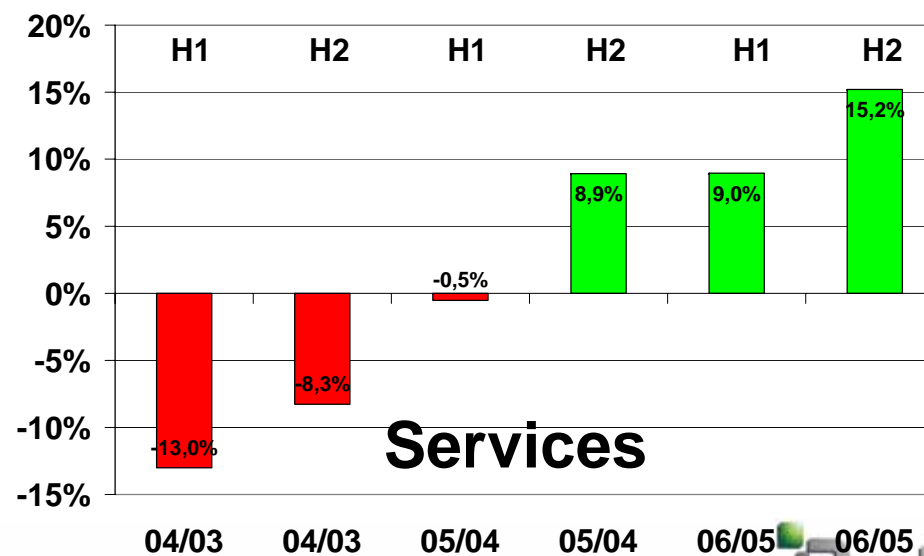
# Bull – Revenue evolution by semester



**Total**



**Products**



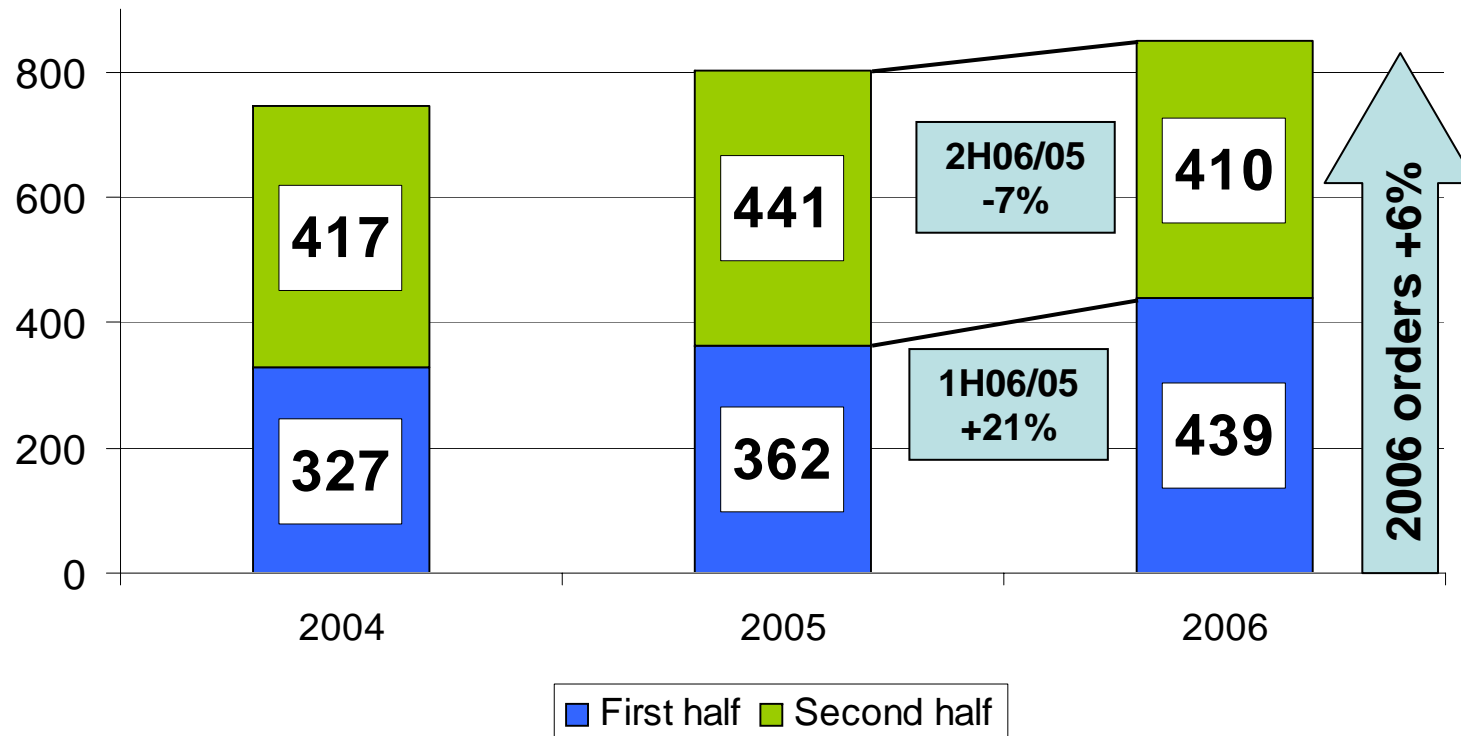
**Services**

As published
  On-going rate
  On-going rate



# Business Performance – Orders

## 2006 orders +6%



### Second half 2006

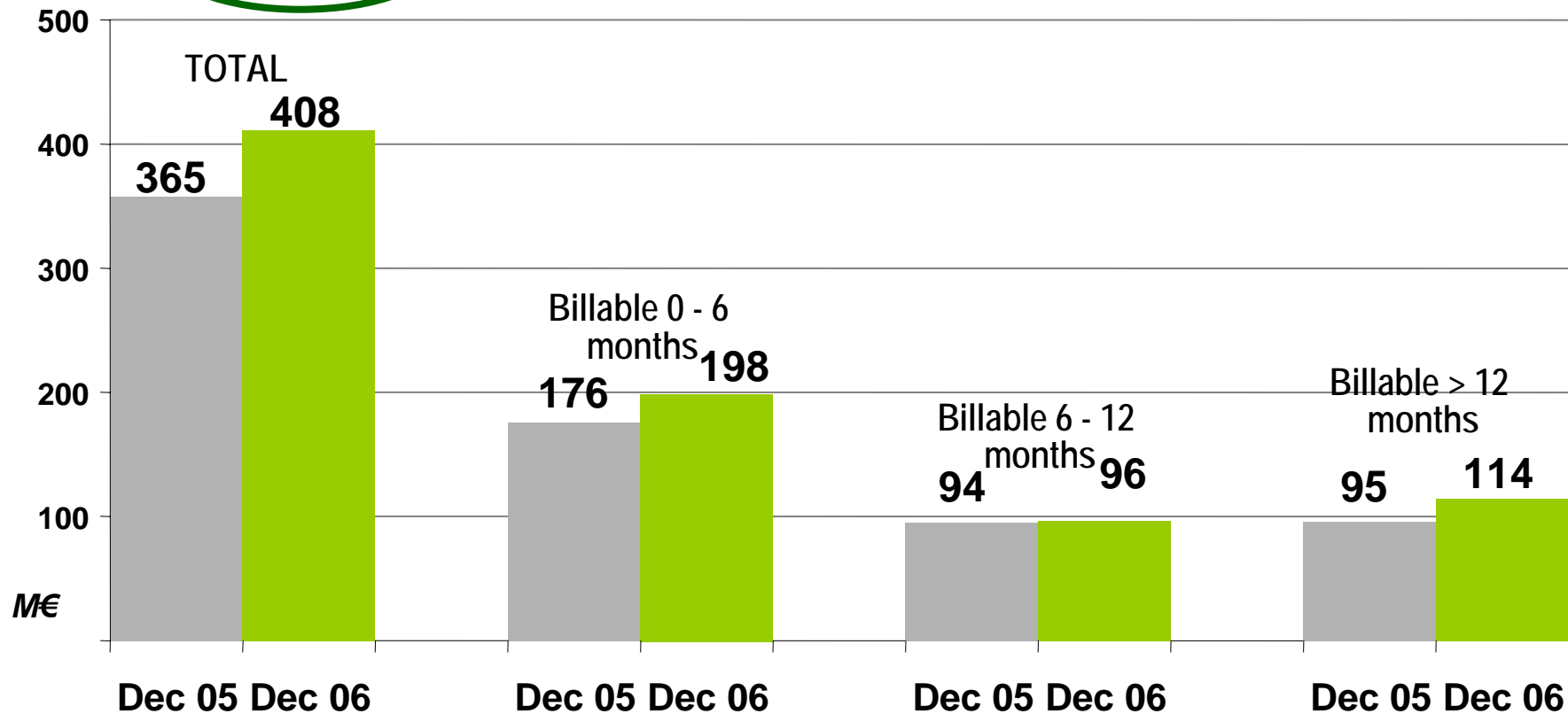
- One-time service contract debooking (€13.8m)
- Italy impact
- Challenging base in 2H05



# Backlog remains strong

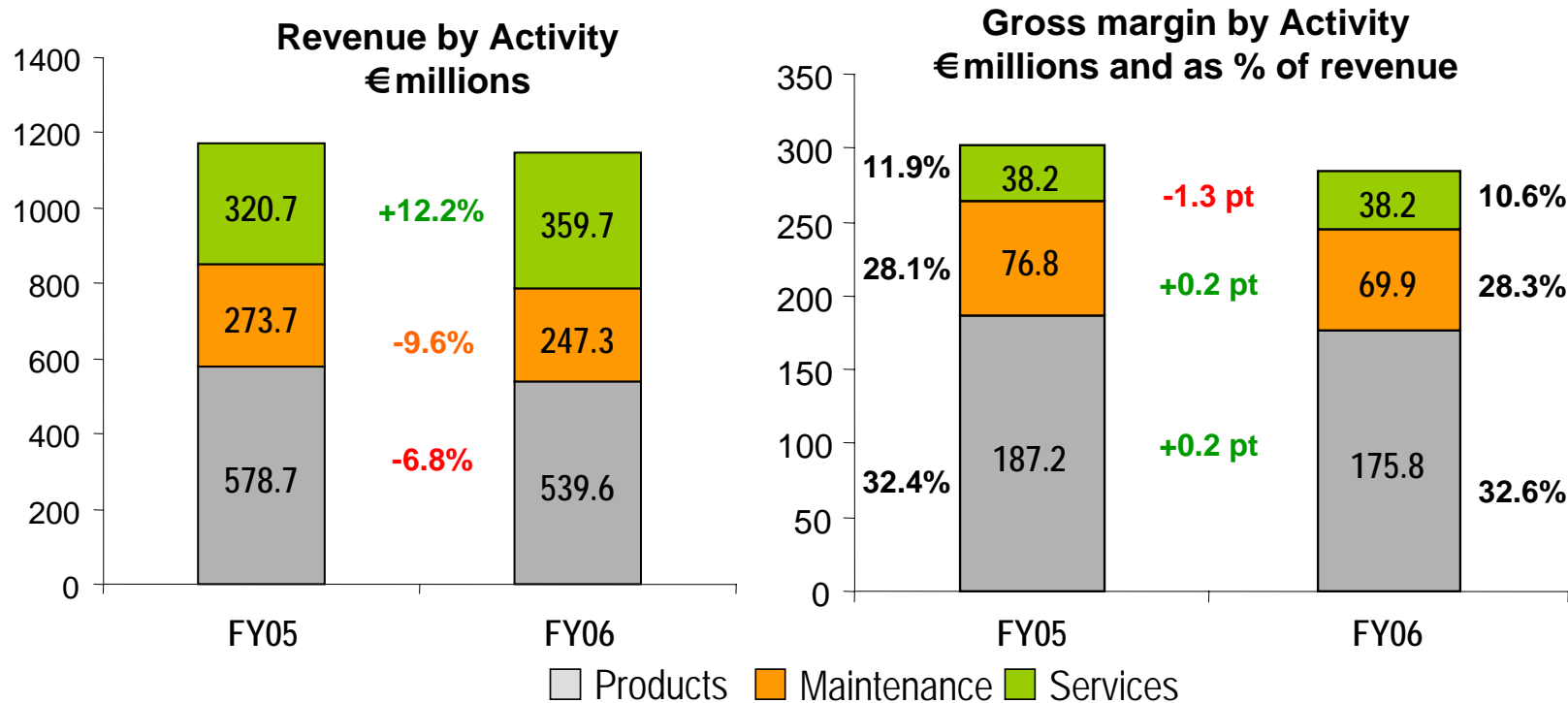
## Backlog 31 Dec '06 vs 31 Dec '05 (2005 excludes. Italy)

**+11.8 %**



# Business Performance

## Revenue and gross margin



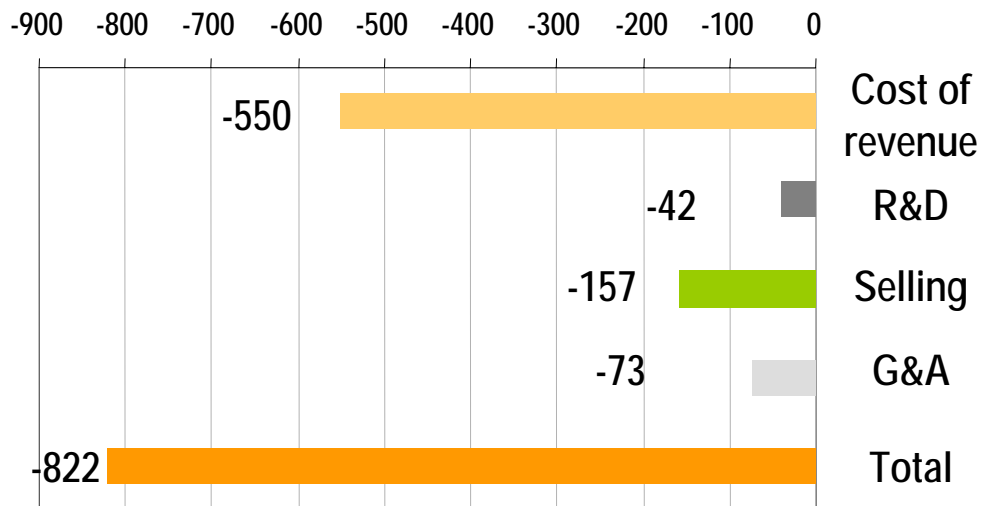
### 2006 service margin

- Excluding exceptional 2H06 service contract stoppage, annual service gross margin would have been 11.8%
- Slight decline in US margin
- Improvement in billable rate +3 points 2006/05
- Lower indirect headcount

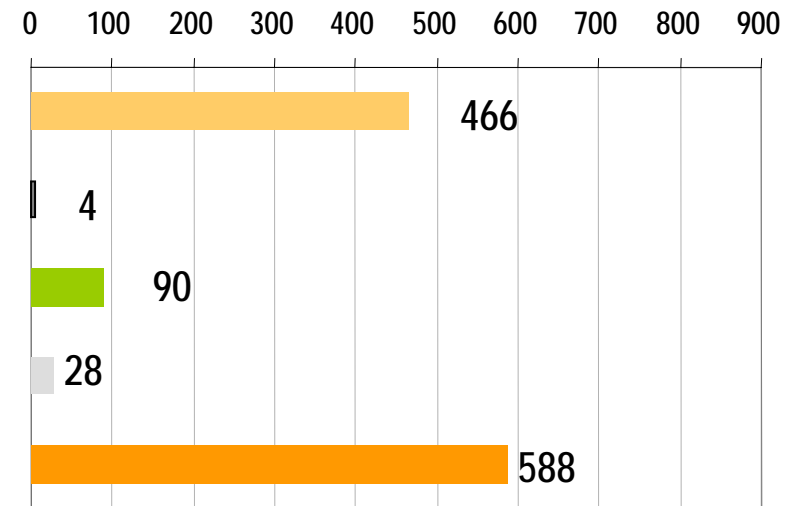


# 2006 headcount evolution shows accelerated group transformation

## Departures/divestment



## Hires/acquisitions



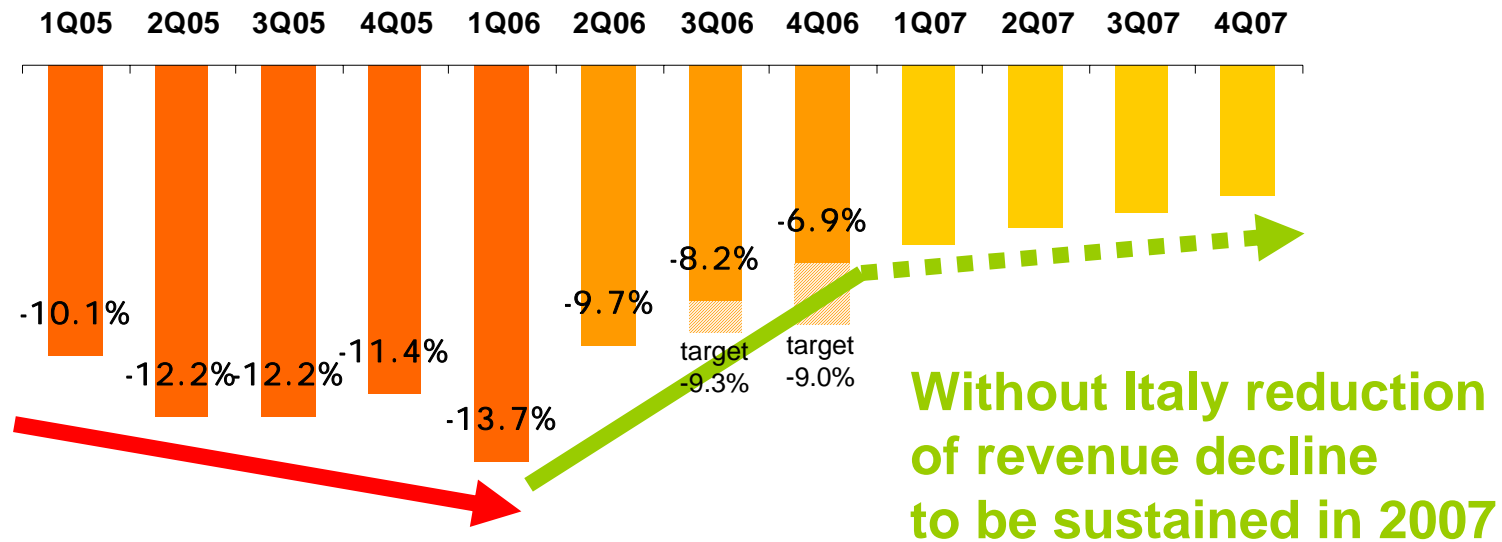
- Forced attrition in support functions & ageing technologies
- Cost of revenue headcount increases mainly in services to fuel growth
- Approx. 20% of employees were not with Bull 2 years ago



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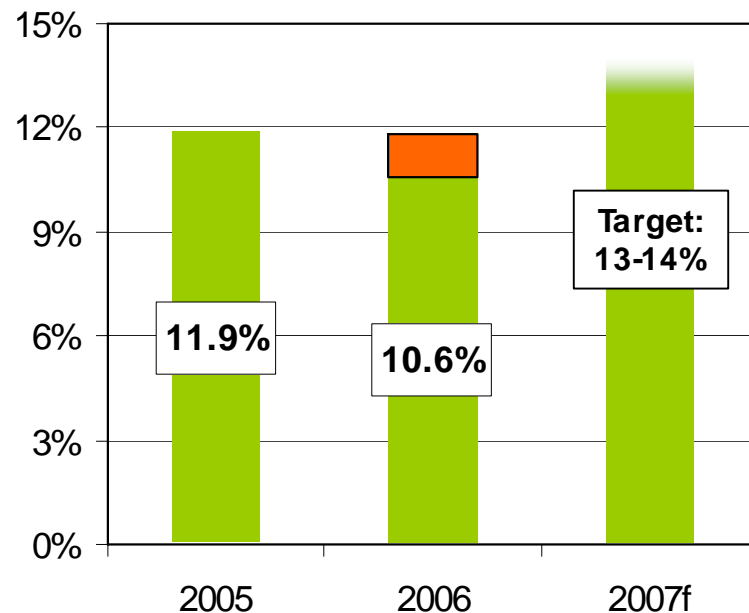
# Focus points for 2007: Maintenance



- Continue to improve performance of maintenance
  - Develop and roll out new value added offerings
  - Bring costs down faster than revenue decline
  - Rationalize support structures (new web-based support portal)



## Focus points for 2007: Service gross margin



### 2H06 Negatives

- Contract stoppage 2H06: -1.2 points of margin
- Decrease in US margin approx 5 pts to 30%

### 2H06 Positives

- Improvement in billable rate: +3 points 2006/05
- Lower indirect headcount



### Outlook

2007 to further benefit from billable rate improvement and restructuring

# Focus points for 2007: Focus on open servers especially UNIX

Scale up  
architectures

ESCALA PL  
Privilege Line  
"Rack Servers"

IT Consolidations for DataCenters:  
BI, ERP, SCM, Datawarehouse, RDBMS...

OS coverage  
increase

AIX & Linux  
on Escala  
"Linux on Power"

IT Flexibility for Front Office environments:  
Web engine, IAM, portals...

Scale out  
architectures

ESCALA EL  
Evolutive Line  
"Blade Power"

IT Aggregations for MidTiers environments:  
Application servers, orchestration workflow, content  
management, integration broker...

- Win new customers and win back customers
- Broaden server offering & value proposition with increased flexibility of "Linux on Power"



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## 2007 Outlook

- Full year objective for EBIT before restructuring and exceptional items: €20-24 million
  
- 2007 to be back end loaded:
  - Revenue and EBIT growth expected to come from H2
  - First half revenue objective: flat compared to 2006 (excluding Italy)

# Investor Information

## Analyst coverage & financial calendar

### ■ Analyst coverage

**Arete Research**

Elizabeth Buckley / +44 207 959 1342

**CA Cheuvreux**

Michael Beucher / + 33 1 4189 7349

**CM-CIC Securities**

Jean-Pascal Brivady / + 33 1 4596 8580

**Fortis**

François Deliot / + 33 1 5567 7246

**HSBC**

Antonin Baudry / + 33 1 5652 4325

**KBC Securities**

Jacques Falzon / + 33 1 5305 3551

**ODDO Securities**

Sébastien Thevoux / + 33 1 4451 8431

**Kepler Securities**

Sébastien Sztabowicz / +33 1 5365 3510

### ■ Next events

**FY06 Revenue & Results**

February 2007

**1Q07 Revenue**

May 2007

**AGM**

May 2007

**1H06 Results**

August 2007

### ■ Investor Relations

**Peter Campbell**

[peter.campbell@bull.net](mailto:peter.campbell@bull.net)

**+33 (0) 1 3080 3236**





Supplemental chart



In order to facilitate comparisons, the following unaudited figures exclude the divested Italian business

€ millions	1H06	2H06	2006
Revenue	528.2	568.2	1 096.4
Gross margin	142.4	143.0	285.4
R&D	(24.1)	(21.9)	(46.0)
SG&A	(103.2)	(105.2)	(208.4)
Currency effect		(0.7)	(0.7)
<b>EBIT before restructuring &amp; non-current items</b>	<b>15.1</b>	<b>15.2</b>	<b>30.3</b>