

In the first half of 2017, Sopra Steria strengthened its growth strategy in digital and performed in line with its full-year targets

- Revenue of €1,903.2 million, equating to organic growth of 2.6%
- Growth of 3.8% at constant exchange rates and total growth of 1.3%
- Operating margin on business activity up 0.4 points to 7.5%
- Increase of 22.3% in net profit attributable to the Group, at €66.0 million

Paris, 28 July 2017 – At its meeting on 27 July 2017 chaired by Pierre Pasquier, Sopra Steria's Board of Directors approved the financial statements for the first half of 2017. The Statutory Auditors have conducted a limited review of the financial statements.

Sopra Steria: 2017 Half-year results

		H1 2017		H1 2016 Reported	
Key income statement items					
Revenue	€m	1,903.2		1,878.8	
Total growth		+ 1.3%			
Organic growth		+ 2.6%			
Operating profit on business activity	€m / %	142.1	7.5%	134.2	7.1%
Profit from recurring operations	€m / %	114.2	6.0%	114.0	6.1%
Operating profit	€m / %	102.7	5.4%	103.2	5.5%
Net profit attributable to the Group	€m / %	66.0	3.5%	54.0	2.9%
Weighted average number of shares in issue excl. treasury shares	m	20.20		20.01	
Basic earnings per share	€	3.27		2.70	
Recurring earnings per share	€	3.65		3.07	
Key balance sheet items					
		30/06/17		30/06/16	
Net financial debt	€m	643.3		719.6	
Equity attributable to the Group	€m	1,085.4		1,006.7	

* Alternative performance measures are defined in the glossary at the end of this document

Comments on business activity and operating performance for the first half of 2017

In the first half of 2017, the European digital services market showed sustained growth, bolstered by investments in digital and cloud offerings. Sales were strong for Sopra Steria during the period and operating performance is on track to meet full-year targets. Among the highlights was a very clear upturn in business lines that had been generating weak margins and which are now in a position to reach, at a minimum, the profitability objectives set for 2017.

A number of initiatives were launched in the first half and are illustrated by major commercial successes, the expansion of offerings (in both services and solutions), the continued pursuit of an active targeted acquisition policy and the deepening of exchanges with a broad ecosystem of partners. These initiatives are strengthening Sopra Steria's digital and cloud growth strategy.

Sopra Steria generated revenue of €1,903.2 million in the first half of 2017, representing total growth of 1.3%. Changes in scope had a positive impact of €20.5 million, while currency fluctuations had an adverse impact of €44.5 million, essentially due to the 9.5% drop in the pound-to-euro exchange rate relative to the same period a year earlier. Growth at constant exchange rates and scope was 2.6%. The Group's operating profit on business activity grew by 5.9% relative to the first half of 2016, to €142.1 million, a margin of 7.5%, up 0.4 percentage points from the previous year.

In **France**, first-half revenue came to €801.4 million, representing organic growth of 2.1%.

- Business levels at **Consulting & Systems Integration** (revenue of €701.4 million), held back by particularly negative calendar effects in the second quarter (three fewer working days), generated organic growth of 2.6%. This performance was buoyed by an increase of 7.6% in Consulting. The public sector and aerospace were the best-performing vertical markets. The outlook for the second half is favourable and should prompt an acceleration in growth compared to the first half. With regard to profitability, operating profit on business activity reached €69.1 million, or 9.8% of revenue, thus remaining stable relative to the first half of 2016.
- **I2S (Infrastructure & Security Services)** generated revenue of €100.0 million, representing negative organic growth of 1.3%. The IT infrastructure management business has successfully refocused on high added-value services (consulting, architecture, cloud computing, etc.), with a clear improvement in profitability and a 3.5% decrease in revenue. Cybersecurity (11% of the entity's revenue) achieved strong organic growth of 24.6%. Profitability at I2S improved markedly, with an operating margin on business activity of 3.1%, 2.6 percentage points higher than that achieved in the year-earlier period and in line with the roadmap set to achieve the full-year target of 5%.

In the **United Kingdom**, first-half revenue (€413.0 million) recorded a downturn in organic growth of 5.7%. Exchange rate fluctuations had a negative impact of €45.1 million. Overall, the region posted total revenue growth of -14.6%. Given the transition phase experienced this year by the SSCL joint venture of Sopra Steria with the Cabinet Office, revenue for the region is expected to be lower in 2017 (see the 27 February 2017 press release). In terms of profitability, the United Kingdom achieved an operating margin on business activity of 6.0% in the first half of 2017 (1.3 percentage points lower than in the year-earlier period). This performance reflects additional costs relating to the latest client migration onto SSCL, while the private sector has arrived at the implementation phase of its transformation project.

Revenue for the **Other Europe** reporting unit rose sharply (11.1% organic growth), reaching €397.8 million. All of the region's countries saw robust growth, with a special mention for Germany, which confirmed the success of its recovery (12.7% organic growth and an operating margin on business activity greater than 8%). For the reporting unit as a whole, the operating margin on business activity improved strongly by 2.4 percentage points to 6.8%.

Sopra Banking Software generated revenue of €185.8 million, an increase of 16.0%. Revenue growth for this business was also strong at constant scope and exchange rates, rising by 8.0%. This performance was driven primarily by services as well as Cassiopae's specialist loan products. Over the period, Sopra Banking Software



continued to invest in its offerings. Amplitude Up, a new, digital-ready version of its Amplitude product, was released. An innovative digital platform to support the creation of novel ways to enhance the client experience and assist financial players in ensuring compliance with the Payment Services Directive (PSD2) has been announced. Lastly, the development of the Platform product continued, in line with its roadmap. In terms of profitability, given the recognition of research and development expenses in the income statement and the fact that licence sales are concentrated in the second half of the year, the operating margin on business activity came to 3.4% (4.3% at 30 June 2016).

Other Solutions (Human Resource Solutions and Property Management Solutions) posted revenue of €105.1 million in the first half of 2017, equating to organic growth of 3.5%, and an operating margin on business activity of 11.2%, up 2.0 percentage points relative to the first half of 2016. This performance was accompanied by an enrichment of the added value of the offers. Thus, for example, in the field of human resources, interoperability with talent management solutions has been established, and in the field property management, Sopra Steria took an equity stake in La FoncièreNumérique®, a digital platform to better manage and leverage all data relating to digitised property assets.

Comments on net profit for the first half of 2017

Profit from recurring operations came to €114.2 million. This includes a €17.0 million expense related to share-based payments (versus €10.2 million in the first half of 2016), as a result of the renewal, in 2017, of the "We Share" employee share ownership plan and of a long-term incentive plan set up for the Group's main managers.

Operating profit was €102.7 million after a net expense of €11.4 million for other operating income and expenses (compared to a net expense of €10.7 million in first-half 2016), which included €10.1 million in reorganisation and restructuring expenses.

The tax expense was €30.8 million in the half-year period, versus €44.4 million in the first half of 2016, translating to a Group-wide tax rate of 31.8%.

The share of profit of equity-accounted companies (mainly Axway) was €1.0 million in the half-year period (€3.8 million in first-half 2016).

The net profit attributable to the Group was €66.0 million after deducting €0.9 million in respect of minority interests, 22.3% higher than the figure of €54.0 million for the first half of 2016.

Basic earnings per share came to €3.27 (compared with €2.70 in the year-earlier period), representing an increase of 21.1%.

Financial position at 30 June 2017

Sopra Steria's financial position at 30 June 2017 was robust in terms of both financial ratios and liquidity.

Free cash flow for the first half of the year, which is traditionally a period of net cash outflows due to seasonal effects, amounted to an outflow of €109.0 million.

In the first half, outflows for external growth (changes in scope) amounted to €26.6 million.

Net financial debt was €643.3 million at the end of June 2017, equating to 1.9x EBITDA compared to 2.2x as of end of June 2016 (with the bank covenant stipulating a maximum of 3x).

At 30 June 2017, the Group had €1.5 billion in financing, of which €1.1 billion was available.¹ In addition, the maturity of the Group's syndicated loan was extended by one year, to 6 July 2022.

¹ Assuming a constant amount of commercial paper (€399.2m at 30/06/2017) and overdrafts



External growth

The Group announced a number of transactions in first-half 2017:

- Cassiopae: stake raised from 75% to 100% (the company had already been fully consolidated since the second quarter of 2016);
- Kentor: planned acquisition of a 100% stake in this Swedish company specialised in consulting and systems integration having generated revenue of €34 million in 2016 (to be consolidated in the second half of 2017);
- 2MoRo: planned acquisition of a 100% stake in this French software developer for the aerospace and defence market (solutions for fleet tracking, navigability management, preventive and curative maintenance management, etc.) having generated revenue of €1 million in 2016 (to be consolidated in the second half of 2017);
- Acquisition of a minority stake in the creation of La FoncièreNumérique®.

Workforce

At 30 June 2017, the Group's workforce totalled 40,431 people (39,813 at 31 December 2016), with 18.0% working in X-Shore zones.

Targets for 2017

The Group's targets for the 2017 financial year are confirmed:

- organic revenue growth of between 2% and 3%;
- an operating margin on business activity of around 8.5%;
- free cash flow in excess of €150 million.

Presentation of first-half 2017 results

The results for the first half of 2017 will be presented to financial analysts and investors in French on 28 July 2017 at 9:00 a.m. CET, at the Shangri-La Hotel in Paris.

The presentation may be attended remotely via a bilingual webcast in French and English:

Register for the French language webcast: <http://edge.media-server.com/m/p/vy9pw27>

Register for the English language webcast: <http://edge.media-server.com/m/p/vy9pw27b/lan/en>

Or by phone:

French-language phone number: +33 (0)1 70 77 09 20

English-language phone number: +44 (0)203 367 9454

Practical information about the presentation and webcast can be found in the 'Investors' section of the Group's website: <https://www.soprasteria.com>

Next financial release

Thursday, 26 October 2017 (before market): publication of Q3 2017 revenue



Glossary

- **Restated revenue:** Revenue for the prior year, expressed on the basis of the scope and exchange rates for the current year.
- **Organic revenue growth:** Increase in revenue between the period under review and the restated revenue for the same period in the prior financial year.
- **EBITDA:** This measure, as defined in the Registration Document, is equal to the consolidated operating profit on business activity adding back depreciation and amortisation included in the operating profit on business activity.
- **Operating profit on business activity:** This measure, as defined in the Registration Document, is equal to profit from recurring operations adjusted to exclude the expense relating to the cost of services rendered by the grantees of stock options and free shares and additions to the amortisation of allocated intangible assets.
- **Profit from recurring operations:** This measure is equal to operating profit before other operating income and expenses, which includes any particularly significant items of operating income and expense that are unusual, abnormal, infrequent or not predictive, presented separately in order to give a clearer picture of performance based on ordinary activities.
- **Recurring earnings per share:** This measure is equal to basic earnings per share before taking into account other operating income and expenses net of tax.
- **Free cash flow:** Free cash flow is defined as the net cash from operating activities (as described in the consolidated cash flow statement in the Registration Document), less investments (net of disposals) in tangible and intangible fixed assets, less net interest and less additional contributions to address any deficits in defined-benefit pension plans.

Disclaimer

This presentation contains forward-looking information subject to certain risks and uncertainties that may affect the Group's future growth and financial results. Readers are reminded that licence agreements, which often represent investments for clients, are signed in greater numbers in the second half of the year, with varying impacts on end-of-year performance. Actual outcomes and results may differ from those described in this document due to operational risks and uncertainties. More detailed information on the potential risks that may affect the Group's financial results are available in the 2016 Registration Document filed with the Autorité des Marchés Financiers (AMF) on 13 April 2017 (see pages 37 and following in particular). Sopra Steria does not undertake any obligation to update the forward-looking information contained in this document beyond what is required by current laws and regulations. The distribution of this document in certain countries may be subject to certain laws and regulations. Persons physically present in countries where this document is released, published or distributed should inquire as to any applicable restrictions and should comply with those restrictions.

About Sopra Steria

Sopra Steria, a European leader in digital transformation, provides one of the most comprehensive portfolios of offerings on the market, spanning consulting, systems integration, industry-specific solutions, infrastructure management and business process services. It provides end-to-end solutions to address the core business needs of large companies and organisations, helping them remain competitive and grow. Combining added value with innovative high-performance services, Sopra Steria excels in guiding its clients through their transformation projects to help them make the most of digital technology. With over 40,400 employees in more than 20 countries, Sopra Steria generated revenue of €3.7 billion in 2016.

Sopra Steria (SOP) is listed on Euronext Paris (Compartment A) – ISIN: FR0000050809

For more information, please visit our website: www.soprasteria.com

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Annexes

Sopra Steria: Impact on revenue of exchange rates and changes in scope – H1 2017

€m	H1 2017	H1 2016	Growth
Revenue	1,903.2	1,878.8	+ 1.3%
Changes in exchange rates		-44.5	
Revenue at constant exchange rates	1,903.2	1,834.3	+ 3.8%
Changes in scope		20.5	
Revenue at constant scope and exchange rates	1,903.2	1,854.8	+ 2.6%

Sopra Steria: Changes in exchange rates – H1 2017

For €1 / %	Average rate H1 2017	Average rate H1 2016	Change
Pound sterling	0.8606	0.7788	- 9.5%
Norwegian krone	9.1785	9.4197	+ 2.6%
Swedish krona	9.5968	9.3019	- 3.1%
Danish krone	7.4368	7.4497	+ 0.2%
Swiss franc	1.0766	1.0960	+ 1.8%

Sopra Steria: Revenue by reporting unit (€m / %) – H1 2017

	H1 2017	H1 2016 Restated*	H1 2016 Reported	Organic growth	Total growth
France	801.4	784.9	778.8	+ 2.1%	+ 2.9%
United Kingdom	413.0	438.2	483.4	- 5.7%	- 14.6%
Other Europe	397.8	358.1	355.6	+ 11.1%	+ 11.9%
Sopra Banking Software	185.8	172.0	160.2	+ 8.0%	+ 16.0%
Other Solutions	105.1	101.5	100.7	+ 3.5%	+ 4.4%
Sopra Steria Group	1,903.2	1,854.8	1,878.8	+ 2.6%	+ 1.3%

* Revenue at 2017 scope and exchange rates

Sopra Steria: Revenue by reporting unit (€m / %) – Q2 2017

	Q2 2017	Q2 2016 Restated*	Q2 2016 Reported	Organic growth	Total growth
France	391.0	394.1	391.1	- 0.8%	- 0.0%
United Kingdom	207.8	225.3	246.2	- 7.8%	- 15.6%
Other Europe	196.9	184.9	185.0	+ 6.5%	+ 6.4%
Sopra Banking Software	99.9	90.6	91.5	+ 10.3%	+ 9.2%
Other Solutions	53.8	52.2	51.8	+ 3.0%	+ 3.8%
Sopra Steria Group	949.5	947.0	965.6	+ 0.3%	- 1.7%

* Revenue at 2017 scope and exchange rates

Sopra Steria: Performance by reporting unit – H1 2017

	H1 2017		H1 2016	
	€m	%	€m	%
France				
Revenue	801.4		778.8	
Operating profit on business activity	72.2	9.0%	66.8	8.6%
Profit from recurring operations	60.8	7.6%	59.5	7.6%
Operating profit	56.5	7.1%	54.6	7.0%
of which C&SI				
Organic growth	+ 2.6%			
Revenue	701.4		677.6	
Operating profit on business activity	69.1	9.8%	66.3	9.8%
Profit from recurring operations	58.4	8.3%	59.5	8.8%
Operating profit	56.7	8.1%	57.0	8.4%
of which I2S				
Organic growth	- 1.3%			
Revenue	100.0		101.2	
Operating profit on business activity	3.1	3.1%	0.5	0.5%
Profit from recurring operations	2.3	2.3%	0.0	0.0%
Operating profit	-0.2	-0.2%	-2.4	-2.4%
United Kingdom				
Revenue	413.0		483.4	
Operating profit on business activity	24.6	6.0%	35.4	7.3%
Profit from recurring operations	18.3	4.4%	29.3	6.1%
Operating profit	18.4	4.5%	29.2	6.0%
Other Europe				
Revenue	397.8		355.6	
Operating profit on business activity	27.2	6.8%	15.8	4.4%
Profit from recurring operations	24.5	6.1%	13.9	3.9%
Operating profit	20.1	5.1%	11.1	3.1%
Sopra Banking Software				
Revenue	185.8		160.2	
Operating profit on business activity	6.3	3.4%	6.9	4.3%
Profit from recurring operations	0.3	0.1%	2.6	1.6%
Operating profit	-1.3	-0.7%	1.1	0.7%
Other Solutions				
Revenue	105.1		100.7	
Operating profit on business activity	11.7	11.2%	9.3	9.2%
Profit from recurring operations	10.4	9.9%	8.7	8.6%
Operating profit	9.0	8.6%	8.1	8.0%



Sopra Steria: Consolidated income statement – H1 2017

	H1 2017		H1 2016 Reported	
	€m	%	€m	%
Revenue	1,903.2		1,878.8	
Staff costs	-1,176.4		-1,150.8	
Operating expenses	-582.5		-572.9	
Depreciation, amortisation and provisions	-2.2		-20.9	
Operating profit on business activity	142.1	7.5%	134.2	7.1%
Expenses related to stock options and related items	-17.0		-10.2	
Amortisation of allocated intangible assets	-10.9		-10.1	
Profit from recurring operations	114.2	6.0%	114.0	6.1%
Other operating income and expenses	-11.4		-10.7	
Operating profit	102.7	5.4%	103.2	5.5%
Cost of net financial debt	-3.5		-3.8	
Other financial income and expenses	-2.5		-4.6	
Tax expense	-30.8		-44.4	
Share of net profit from equity-accounted companies	1.0		3.8	
Net profit	66.9	3.5%	54.2	2.9%
Attributable to the Group	66.0	3.5%	54.0	2.9%
Minority interests	0.9		0.2	
Weighted average number of shares in issue excl. treasury shares (m)	20.20		20.01	
Basic earnings per share (€)	3.27		2.70	

Sopra Steria: Simplified balance sheet (€m) – 30/06/2017

	30/06/17	31/12/16
Goodwill	1,536.7	1,557.0
Allocated intangible assets	166.1	179.7
Other fixed assets	167.2	160.8
Equity-accounted investments	194.2	202.3
Fixed assets	2,064.3	2,099.8
Net deferred tax	121.0	128.9
Trade accounts receivable (net)	1,191.1	1,132.7
Other assets and liabilities	-1,090.5	-1,171.5
Working capital requirement (WCR)	100.6	-38.7
Assets + WCR	2,285.8	2,190.0
Equity	1,117.0	1,103.1
Provisions for post-employment benefits	433.2	464.5
Provisions for contingencies and losses	92.3	116.4
Net financial debt	643.3	506.0
Capital invested	2,285.8	2,190.0



Sopra Steria: Change in net financial debt (€m) – H1 2017

	H1 2017	H1 2016
Operating profit on business activity	142.1	134.2
Depreciation, amortisation and provisions (excl. allocated intangible assets)	4.0	20.2
EBITDA	146.1	154.4
Non-cash items	-1.4	-0.2
Tax paid	-23.7	-33.0
Change in operating working capital requirement	-184.0	-172.9
Reorganisation and restructuring costs	-12.6	-14.1
Net cash flow from operating activities	-75.7	-65.7
Change relating to investing activities	-20.8	-20.1
Net financial interest	-3.7	-4.0
Additional contributions related to defined-benefit pension plans	-8.8	-10.8
Free cash flow	-109.0	-100.6
Impact of changes in scope	-26.6	-104.7
Financial investments	-1.9	-0.1
Dividends paid	-	-
Dividends received from equity-accounted companies	2.8	0.2
Capital increases in cash	0.2	2.0
Purchase and sale of treasury shares	-1.0	9.3
Impact of changes in foreign exchange rates	-1.8	5.2
Other changes	-	-
Change in net financial debt	-137.3	-188.8
Net financial debt at beginning of period	506.0	530.8
Net financial debt at end of period	643.3	719.6

Sopra Steria: Workforce breakdown – 30/06/2017

	30/06/17	31/12/16
France	18,629	18,227
United Kingdom	6,320	6,508
Other Europe	7,961	7,844
Rest of the World	253	231
X-Shore	7,268	7,003
Total	40,431	39,813

