5. 2022 consolidated financial statements

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Consolidated statement of net income

(in millions of euros)	***Notes***	**Financial year 2022**	**Financial year 2021**
Revenue	*4.1*	5,101.2	4,682.8
Staff costs	*5.1*	-3,150.5	-2,911.7
External expenses and purchases	*4.2.1*	-1,331.3	-1,181.3
Taxes and duties		-42.8	-40.3
Depreciation, amortisation, provisions and impairment		-141.7	-172.5
Other current operating income and expenses	*4.2.2*	18.3	2.2
Operating profit on business activity		**453.1**	**379.2**
as % of revenue		*8.9%*	*8.1%*
Expenses related to stock options and related items	*5.4*	-23.2	-6.7
Amortisation of allocated intangible assets	*8.2*	-32.3	-33.2
Profit from recurring operations		**397.6**	**339.3**
as % of revenue		*7.8%*	*7.2%*
Other operating income and expenses	*4.2.3*	-36.3	-35.8
Operating profit		**361.3**	**303.4**
as % of revenue		*7.1%*	*6.5%*
Cost of net financial debt	*12.1.1*	-8.7	-8.7
Other financial income and expenses	*12.1.2*	-5.7	-9.5
Tax expense	*6.1*	-83.2	-93.5
Net profit from associates	*10.1*	-14.7	1.8
Net profit from continuing operations		**249.0**	**193.5**
Net profit from discontinued operations		-	-
Consolidated net profit		**249.0**	**193.5**
as % of revenue		4.9%	4.1%
Non-controlling interests	*14.1.5*	1.2	5.9
NET PROFIT ATTRIBUTABLE TO THE GROUP		**247.8**	**187.7**
as % of revenue		*4.9%*	*4.0%*
EARNINGS PER SHARE (IN EUROS)	*Notes*		
Basic earnings per share	*14.2*	12.23	9.27
Diluted earnings per share	*14.2*	12.13	9.19

Consolidated statement of comprehensive income

(in millions of euros)	***Notes***	**Financial year 2022**	**Financial year 2021**
Consolidated net profit		**249.0**	**193.5**
Other comprehensive income:			
Actuarial gains and losses on pension plans	*5.3.1*	127.2	87.7
Tax impact		-33.4	-2.2
Related to associates	10.2	0.1	0.2
Change in fair value of financial assets (non-consolidated securities)		16.7	3.7
Subtotal of items recognised in equity and not reclassifiable to profit or loss		**110.7**	**89.5**
Translation differences	14.1.4	-58.4	51.2
Change in net investment hedges		14.7	-18.6
Tax impact on net investment hedges		-4.3	5.8
Change in cash flow hedges		0.7	6.6
Tax impact on cash flow hedges		-0.1	-1.7
Related to associates		4.6	6.0
Subtotal of items recognised in equity and reclassifiable to profit or loss		**-42.8**	**49.3**
Other comprehensive income, total net of tax		**67.9**	**138.8**
COMPREHENSIVE INCOME		**316.9**	**332.4**
Non-controlling interests	14.1.5	3.4	12.4
Attributable to the Group		**313.5**	**320.0**

Consolidated statement of financial position

Assets *(in millions of euros)*	***Notes***	**31/12/2022**	**31/12/2021**
Goodwill	*8.1*	1,943.9	1,984.3
Intangible assets	*8.2*	166.7	177.1
Property, plant and equipment	*8.3*	141.5	129.6
Right-of-use assets	*9.1*	359.9	343.1
Equity-accounted investments	*10.2*	183.5	198.1
Other non-current assets	*7.1*	114.0	81.9
Retirement benefits and similar obligations	*5.3*	38.5	20.4
Deferred tax assets	*6.3*	127.0	151.2
Non-current assets		**3,075.1**	**3,085.8**
Trade receivables and related accounts	*7.2*	1,104.2	1,020.1
Other current assets	*7.3*	410.6	447.9
Cash and cash equivalents	*12.2*	355.9	217.2
Current assets		**1,870.7**	**1,685.1**
Assets held for sale		-	-
TOTAL ASSETS		**4,945.8**	**4,771.0**

Liabilities and equity *(in millions of euros)*	***Notes***	**31/12/2022**	**31/12/2021**
Share capital		20.5	20.5
Share premium		531.5	531.5
Consolidated reserves and other reserves		1,298.3	1,094.5
Equity attributable to the Group		**1,850.3**	**1,646.5**
Non-controlling interests		**43.1**	**49.0**
TOTAL EQUITY	***14.1***	**1,893.4**	**1,695.5**
Financial debt – Non-current portion	*12.3*	320.1	448.4
Lease liabilities – Non-current portion	*9.2*	312.8	289.2
Deferred tax liabilities	*6.3*	68.5	51.5
Retirement benefits and similar obligations	*5.3*	190.3	310.1
Non-current provisions	*11.1*	51.8	62.9
Other non-current liabilities	*7.4*	15.5	15.8
Non-current liabilities		**959.0**	**1,178.0**
Financial debt – Current portion	*12.3*	187.7	95.8
Lease liabilities – Current portion	*9.2*	77.7	75.6
Current provisions	*11.1*	46.7	43.6
Trade payables and related accounts		318.2	328.9
Other current liabilities	*7.5*	1,463.0	1,353.6
Current liabilities		**2,093.4**	**1,897.5**
Liabilities held for sale		-	-
TOTAL LIABILITIES		**3,052.4**	**3,075.5**
TOTAL LIABILITIES AND EQUITY		**4,945.8**	**4,771.0**

Consolidated statement of changes in equity

(in millions of euros)	Share capital	Share premium	Treasury shares	Consolidated reserves and retained earnings	Other comprehensive income	Total attributable to the Group	Non-controlling interests	Total
At 31/12/2020	**20.5**	**531.5**	**-36.2**	**1,076.3**	**-194.2**	**1,397.8**	**47.6**	**1,445.4**
Share capital transactions	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	6.9	-	6.9	0.3	7.2
Transactions in treasury shares	-	-	-15.4	-10.1	-	-25.5	-	-25.5
Ordinary dividends	-	-	-	-40.7	-	-40.7	-5.6	-46.3
Changes in scope	-	-	-	-0.7	-	-0.7	-	-0.7
Other movements	-	-	-	-10.2	-1.0	-11.3	-5.6	-16.9
Shareholder transactions	**-**	**-**	**-15.4**	**-54.9**	**-1.0**	**-71.3**	**-10.9**	**-82.3**
Net profit for the period	-	-	-	187.7	-	187.7	5.9	193.5
Other comprehensive income	-	-	-	-	132.3	132.3	6.5	138.8
Comprehensive income for the period	**-**	**-**	**-**	**187.7**	**132.3**	**320.0**	**12.4**	**332.4**
AT 31/12/2021	**20.5**	**531.5**	**-51.6**	**1,209.1**	**-63.0**	**1,646.5**	**49.0**	**1,695.5**
Share capital transactions	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	22.3	-	22.3	0.2	22.5
Transactions in treasury shares	-	-	-17.0	-19.8	-	-36.8	-	-36.8
Ordinary dividends	-	-	-	-65.1	-	-65.1	-6.4	-71.5
Changes in scope	-	-	-	-	-	-	-	-
Other movements	-	-	-	-30.0	-	-30.0	-3.1	-33.2
Shareholder transactions	**-**	**-**	**-17.0**	**-92.7**	**-0.0**	**-109.7**	**-9.3**	**-119.0**
Net profit for the period	-	-	-	247.8	-	247.8	1.2	249.0
Other comprehensive income	-	-	-	-	65.7	65.7	2.2	67.9
COMPREHENSIVE INCOME FOR THE PERIOD	**-**	**-**	**-**	**247.8**	**65.7**	**313.5**	**3.4**	**316.9**
AT 31/12/2022	**20.5**	**531.5**	**-68.6**	**1,364.2**	**2.7**	**1,850.3**	**43.1**	**1,893.4**

Consolidated cash flow statement

(in millions of euros)	*Notes*	Financial year 2022	Financial year 2021
Consolidated net profit (including non-controlling interests)		**249.0**	**193.5**
Net increase in depreciation, amortisation and provisions		189.4	206.7
Unrealised gains and losses related to changes in fair value		-2.0	-4.8
Expenses and income related to stock options and related items	*5.4*	21.4	5.9
Gains and losses on disposal		3.7	-5.7
Share of net profit/(loss) of equity-accounted companies	*10.1*	14.7	-1.8
Cost of net financial debt (including cost related to lease liabilities)	*12.1.1*	15.0	15.0
Dividends from non-consolidated securities		-0.1	-
Tax expense	*6.1*	83.2	93.5
Cash from operations before change in working capital requirement (A)		**574.4**	**502.3**
Tax paid (B)		-87.8	-77.3
Change in operating working capital requirement (C)	*13.2*	17.1	38.2
Net cash from operating activities (D) = (A+B+C)		**503.6**	**463.3**
Purchase of property, plant and equipment and intangible assets	*13.1*	-94.2	-54.6
Proceeds from sale of property, plant and equipment and intangible assets		0.1	0.2
Purchase of non-current financial assets		-4.9	-3.3
Proceeds from sale of non-current financial assets		0.7	1.5
Cash impact of changes in scope		-13.1	-89.2
Dividends received (equity-accounted companies, non-consolidated securities)		2.8	2.8
Proceeds from/(Payments on) loans and advances granted		-4.5	0.3
Net interest received		-0.2	-0.1
Net cash from/(used in) investing activities (E)		**-113.2**	**-142.4**
Proceeds from shareholders for capital increases		-	-
Purchase and sale of treasury shares		-17.5	-16.2
Dividends paid to shareholders of the parent company	*14.1.3*	-65.0	-40.7
Dividends paid to the minority interests of consolidated companies		-6.6	-5.6
Proceeds from/(Payments on) borrowings	*13.1*	-33.5	-139.7
Lease payments		-94.5	-105.8
Net interest paid (excluding interest on lease liabilities)		-11.0	-7.9
Additional contributions related to defined-benefit pension plans	*13.1*	-18.9	-29.8
Other cash flows relating to financing activities		0.6	-4.1
Net cash from/(used in) financing activities (F)		**-246.5**	**-349.9**
Impact of changes in foreign exchange rates (G)		-4.6	0.9
NET CHANGE IN CASH AND CASH EQUIVALENTS (D+E+F+G)		**139.3**	**-28.1**
Opening cash position		216.9	245.0
Closing cash position	*12.2*	356.2	216.9

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The Group's consolidated financial statements for the year ended 31 December 2022 were approved by the Board of Directors at its meeting held on 22 February 2023.

NOTE 1 ACCOUNTING POLICIES

The main accounting policies applied in the preparation of the consolidated financial statements are presented below. They have been applied consistently for all of the financial years presented.

1.1. Basis of preparation

The consolidated financial statements for the year ended 31 December 2022 have been prepared in accordance with International Financial Reporting Standards (IFRS) as published by the IASB and adopted by the European Union. Information on these standards is provided on the European Commission website: https://ec.europa.eu/info/business-economy-euro/company-reporting-and-auditing/company-reporting/financial-reporting_en#ifrs-financial-statements.

1.2. Application of new standards and interpretations

1.2.1. New mandatory standards and interpretations

New standards and amendments to existing standards adopted by the European Union, the application of which is mandatory for accounting periods beginning on or after 1 January 2022, mainly consist of the amendment to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* on onerous contracts and the costs to be taken into account when recognising a provision for an onerous contract. The Group has not identified any impact of the application of this amendment.

In addition, in financial year 2022, the IFRS Interpretations Committee published several final decisions, including a decision relating to "Demand Deposits with Restrictions on Use". The application of this decision, like the others, is mandatory for reporting periods beginning on or after 1 January 2022. These decisions have no impact on the Group's financial statements.

1.2.2. Standards and interpretations published by the IASB but not applied early

The Group did not identify any new standards or amendments to existing standards adopted by the European Union, the application of which is mandatory after 31 December 2022 and which may be applied in advance.

1.3. Implications of the Russia-Ukraine conflict with regard to the consolidated financial statements for the period

The Group is not directly exposed to Ukraine, Belarus or Russia, with the exception of a small non-trading entity, which ceased operations in the first half of the year. The costs relating to this transaction, amounting to €0.3 million, are recognised within *Other operating income and expenses*, part of *Operating profit* (see Note 4.2). The entity was in the process of being disposed of at the date when the financial statements were approved.

In addition, at this stage, the Group has not identified any indirect impacts of the conflict on its strategy or its financial performance.

1.4. Impact of environmental risks on the consolidated financial statements

In Section 3.6, "Green taxonomy (Regulation (EU) 2020/852 of 18 June 2020)" of Chapter 4, "Corporate responsibility", the Group describes the main activities through which it has an impact on the climate, and the actions it has taken to adapt to the effects of climate change. This analysis was carried out using the revenue and capital expenditure indicators. It demonstrates that the Group's business and its sector play a minor role in greenhouse gas emissions. It also helps show that, to date, the Group has not been affected by major climate events.

As such, the Group considers that, at this point in time, the financial impact of climate change on its financial statements is nil. In addition, the process of transitioning its activities towards meeting the Climate Neutral Now programme's target of climate neutrality did not have a material impact on the Group's financial statements in 2022.

1.5. Material estimates and accounting judgments

The preparation of financial statements entails the use of estimates and assumptions in measuring certain consolidated assets and liabilities, as well as certain income statement items. Group management is also required to exercise judgment in the application of its accounting policies.

Such estimates and judgments, which are continually updated, are based both on historical information and on a reasonable anticipation of future events according to the circumstances. However, given the uncertainty implicit in assumptions as to future events, the related accounting estimates may differ from the ultimate actual results.

The main assumptions and estimates that may leave scope for material adjustments to the carrying amounts of assets and liabilities in the subsequent period are as follows:

- revenue recognition (see Note 4.1);
- post-employment benefits for staff (cf. Note 5.3);
- measurement of deferred tax assets (Note 6.3);
- amounts payable to non-controlling interests (see Note 7.5);
- the recoverable amount of property, plant and equipment and intangible assets, and of goodwill in particular (see Note 8.1);
- lease terms and the measurement of right-of-use assets and lease liabilities (see Note 9);
- the recoverable amount of investments in associates recorded in the balance sheet (see Note 10.2);
- provisions for contingencies (see Note 11.1).

1.6. Format of the financial statements and foreign currency translation

1.6.1. Format of the financial statements

With regard to the presentation of its consolidated financial statements, Sopra Steria Group applies Recommendation 2013-03 of the French Accounting Standards Authority (*Autorité des Normes Comptables* – ANC) of 7 November 2013 on the format of the income statement, the cash flow statement and the statement of changes in equity.

The format of the income statement was adapted several years ago to improve the presentation of the Company's performance, with the addition of a financial aggregate known as *Operating profit on business activity* before *Profit from recurring operations.* This indicator is used internally by management to assess performance. It corresponds to *Profit from recurring operations* before:

- the expense relating to the costs and benefits granted to the recipients of stock option, free share and employee share ownership plans;
- the amortisation of allocated intangible assets.

Operating profit is then obtained by taking *Profit from recurring operations* and subtracting *Other operating income and expenses.* The latter contains any material items of operating income and expenses that are unusual, abnormal, infrequent or unpredictable, presented separately in order to give a clearer picture of performance based on ordinary activities.

Finally, in the analysis of *Change in net financial debt*, the Group splits out EBITDA. This figure corresponds to *Operating profit on business activity*, after adding back in the depreciation, amortisation and provisions included in the latter indicator.

1.6.2. Foreign currency translation

a. Functional and presentation currencies

Items included in the financial statements of each Group entity are measured using the currency of the primary economic environment in which that entity operates, i.e. its "functional currency".

The consolidated financial statements are presented in euros, the functional and presentation currency of the Sopra Steria Group parent company.

b. Translation of the financial statements of foreign subsidiaries

The accounts of all Group entities whose functional currency differs from the Group's presentation currency are translated into euros as follows:

- assets and liabilities are translated at the end-of-period exchange rate;
- income, expenses and cash flows are translated at the average exchange rate for the period;
- all resulting foreign exchange differences are recognised as a distinct equity component under *Other comprehensive income* and included in *Accumulated translation reserves* within equity (see Note 14.1.4).

In accordance with IAS 21 *The Effects of Changes in Foreign Exchange Rates*, translation gains and losses arising from the translation of net investments in foreign operations are recognised as a distinct component of equity. Translation gains and losses in respect of intercompany loans are considered an integral part of the Group's net investment in the foreign subsidiaries in question.

When a foreign operation is divested, the cumulative translation difference is recycled to profit or loss as part of the gain or loss arising on disposal.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the operation and, as such, are translated at the end-of-period exchange rate.

The applicable exchange rates for the translation of the main foreign currencies used within the Group are as follows:

	Average rate for the period		Period-end rate	
€1/Currency	**Financial year 2022**	**Financial year 2021**	**31/12/2022**	**31/12/2021**
Norwegian krone	10.1026	10.1633	10.5138	9.9888
Swedish krona	10.6296	10.1465	11.1218	10.2503
Tunisian dinar	3.2568	3.2895	3.3289	3.2666
Moroccan dirham	10.6438	10.6330	11.1608	10.5238
US dollar	1.0530	1.1827	1.0666	1.1326
Singapore dollar	1.4512	1.5891	1.4300	1.5279
Swiss franc	1.0047	1.0811	0.9847	1.0331
Pound sterling	0.8528	0.8596	0.8869	0.8403
Brazilian real	5.4399	6.3779	5.6386	6.3101
Indian rupee	82.6864	87.4392	88.1710	84.2292
Polish zloty	4.6861	4.5652	4.6808	4.5969

c. Translation of foreign currency transactions

Transactions denominated in foreign currencies are translated to the functional currency at the exchange rate applying on the transaction date. Foreign exchange gains and losses arising on settlement, as well as those arising from the translation of monetary assets and liabilities that are denominated in foreign currencies at the end-of-period exchange rate, are recognised in profit or loss under *Other current operating income and expenses* for transactions hedged against foreign exchange risk and under *Other financial income and expenses* for all other transactions.

d. Hyperinflation in Lebanon

The Lebanese economy is a hyperinflationary economy. IAS 29 *Financial Reporting in Hyperinflationary Economies* lays down the restatements that need to be carried out in such circumstances.

The US dollar is the functional currency of the Group's subsidiary in Lebanon. As a result, the standard does not require any adjustments.

NOTE 2 SCOPE OF CONSOLIDATION

Consolidation methods

Sopra Steria Group SA is the consolidating company.

The companies over which Sopra Steria Group has exclusive control are fully consolidated. An investor controls an investee where that investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Consequently, an investor controls an investee if and only if all the following criteria are met:

- it has power over the investee;
- it is exposed – or has rights – to variable returns from its involvement with the investee;
- it has the ability to exercise its power over the investee in such a way as to affect the amount of returns it obtains.

Investments in entities over which the Group exerts significant influence (associates) are accounted for under the equity method. Significant influence is deemed to exist, unless clearly demonstrated not to be the case, when a parent company directly or indirectly holds 20% or more of the voting rights of the investee.

Intercompany transactions as well as balances and unrealised profits on transactions between Group companies are eliminated.

The accounts of all consolidated companies are prepared as at 31 December. Where applicable, those accounts have been restated to ensure the consistency of accounting and measurement rules applied by the Group.

The scope of consolidation is presented in Note 18.

2.1. Main acquisitions

In 2022, the Group made the following acquisitions:

- **Footprint –** On 11 July 2022, the Group acquired Footprint, a Norway-based climate change consultancy, through its local subsidiary. The assets acquired and liabilities assumed are estimated to total €0.1 million, and goodwill €4.3 million. The company is part of the "Scandinavia" cash-generating unit;
- **Graffica** – On 1 August 2022, the Group acquired Graffica Ltd, a UK-based consultancy specialising in the "Transport" vertical market, through its subsidiary Sopra Steria Ltd. The assets acquired and liabilities assumed totalled €4.6 million, and goodwill €3.9 million. The company is part of the "United Kingdom" cash-generating unit.

In 2021, the Group made the following acquisitions:

- **Labs** – On 30 September 2021, the Group wholly acquired Labs, a Norway-based consultancy specialising in the digital user experience. The assets acquired and liabilities assumed totalled €0.1 million, and goodwill totalled €5.0 million. It is part of the "Scandinavia" cash-generating unit;
- **EGGS Design** – On 2 December 2021, the Group wholly acquired EGGS Design, a Norway- and Denmark-based consultancy specialising in digital service design. The assets acquired and liabilities assumed totalled -€0.2 million, and goodwill totalled €16.0 million. It is part of the "Scandinavia" cash-generating unit;
- **EVA Group** – On 21 December 2021, the Group wholly acquired EVA Group, a French cybersecurity firm. This company and its subsidiaries are part of the "France" cash-generating unit.

The final allocation of goodwill breaks down as follows:

(in millions of euros)	**EVA Group**
Total assets acquired	26.3
Total liabilities assumed	-27.4
Total net assets acquired/(net liabilities assumed)	**-1.1**
Minority interests	-
Purchase price	**65.7**
GOODWILL	**66.8**

Based on the inventory of assets acquired and liabilities assumed, the Group identified, measured and recognised customer relationships totalling €7.9 million.

Business combinations

The Group applies IFRS 3 *Business Combinations* to the identified assets acquired and liabilities assumed as a result of business combinations. The acquisition of an asset or a group of assets that does not constitute a business is recognised under the standards applicable to those assets.

The Group recognises all business combinations by applying the acquisition method, which consists in:

- the measurement and recognition at fair value of the identifiable assets acquired and liabilities assumed. The Group identifies and allocates these items on the basis of contract provisions, economic conditions, and its accounting and management policies and procedures;
- the measurement of any non-controlling interest in the acquiree either at its fair value or based on its share of the fair value of the identifiable assets acquired and liabilities assumed;
- the measurement and recognition at the acquisition date of the difference (referred to as goodwill) between:
  - the purchase price of the acquiree plus the amount of any non-controlling interests in the acquiree, and
  - the net amount of the identifiable assets acquired and liabilities assumed.

The decision of how to measure non-controlling interests is made on an acquisition-by-acquisition basis and leads to the recognition of either full goodwill (should the fair value method be used) or partial goodwill (should a share of the fair value of the identifiable assets acquired and liabilities assumed be used).

The acquisition date is the date on which the Group effectively obtains control of the acquiree.

The purchase price of the acquiree is the fair value, at the acquisition date, of the elements of consideration transferred to the seller in exchange for control of the acquiree, to the exclusion of any consideration for a transaction separate from the business combination.

If the initial accounting for a business combination can only be determined provisionally for the reporting period in which the combination takes place, the acquirer recognises the combination using provisional amounts. The acquirer must then recognise adjustments to those provisional amounts as the accounting for the business combination is completed within 12 months of the acquisition date.

2.2. Other changes in scope

In 2022, as in 2021, the Group took measures to streamline its portfolio of subsidiaries. These changes in the Group's legal structure had no material effect on the financial statements for the financial year.

In addition on 21 November 2022, Sopra Steria Group signed an acquisition agreement with a view to owning a controlling interest in CS Group, corresponding to 29.73% of its share capital. This built on the commitments already made to Sopra Steria Group on 27 July 2022 to sell two other blocks comprising 29.15% and 6.38% of CS Group's share capital. The acquisition remains subject to the customary conditions precedent, particularly with regard to merger control and approval of foreign investments. These had not yet been met at 31 December 2022.

On 17 November 2022, the Group signed a share purchase agreement pursuant to which Sopra Steria Benelux NV will acquire all the shares in the holding company Assua NV and, indirectly, in its operating subsidiaries, Tobania NV and Python Predictions BV, which together comprise Tobania. The acquisition is subject to approval by the Belgian Competition Authority. At 31 December 2022, this condition precedent had not yet been met.

NOTE 3 SEGMENT INFORMATION

3.1. Results by reporting unit

a. France

(in millions of euros)	Financial year 2022		Financial year 2021	
Revenue	2,039.0		1,824.9	
Operating profit on business activity	204.4	10.0%	156.3	8.6%
Profit from recurring operations	187.0	9.2%	152.9	8.4%
Operating profit	167.9	8.2%	137.8	7.6%

b. United Kingdom

(in millions of euros)	Financial year 2022		Financial year 2021	
Revenue	890.6		823.1	
Operating profit on business activity	93.8	10.5%	75.1	9.1%
Profit from recurring operations	80.7	9.1%	63.1	7.7%
Operating profit	91.6	10.3%	67.2	8.2%

c. Other Europe

(in millions of euros)	Financial year 2022		Financial year 2021	
Revenue	1,473.0		1,343.2	
Operating profit on business activity	91.9	6.2%	104.1	7.8%
Profit from recurring operations	85.6	5.8%	95.5	7.1%
Operating profit	72.3	4.9%	76.4	5.7%

d. Sopra Banking Software

(in millions of euros)	Financial year 2022		Financial year 2021	
Revenue	426.5		434.1	
Operating profit on business activity	27.6	6.5%	17.5	4.0%
Profit from recurring operations	11.1	2.6%	2.8	0.7%
Operating profit	-1.1	-0.3%	-2.1	-0.5%

e. Other Solutions

(in millions of euros)	Financial year 2022		Financial year 2021	
Revenue	272.1		257.5	
Operating profit on business activity	35.4	13.0%	26.1	10.1%
Profit from recurring operations	33.2	12.2%	24.9	9.7%
Operating profit	30.6	11.3%	24.1	9.4%

f. Group

(in millions of euros)	Financial year 2022		Financial year 2021	
Revenue	5,101.2		4,682.8	
Operating profit on business activity	453.1	8.9%	379.2	8.1%
Profit from recurring operations	397.6	7.8%	339.3	7.2%
Operating profit	361.3	7.1%	303.4	6.5%

Under IFRS 8, segment information is based on internal management data used by the Chief Executive Officer, the company officer with ultimate responsibility for the Group's operational decisions.

The Group organisational structure reflects both its businesses and the geographic distribution of its activities.

The segments presented correspond to five reporting units:

- the "France" reporting unit, comprising the Consulting, Systems Integration, IT Infrastructure Management and Cybersecurity activities in this geographic area;
- the "United Kingdom" reporting unit, comprising the Consulting, Systems Integration, IT Infrastructure Management, Cybersecurity and Business Process Services activities in this geographic area;
- the "Other Europe" reporting unit, comprising the Consulting, Systems Integration, IT Infrastructure Management and Cybersecurity activities in European countries other than France and those in the United Kingdom (Germany, Norway, Sweden, Denmark, Spain, Italy, Belgium, Luxembourg and Switzerland), including the Sopra Financial Technology GmbH banking services platform in Germany;
- the "Sopra Banking Software" reporting unit, comprising the Core Banking and Specialised Lending Solutions businesses;
- the "Other Solutions" reporting unit, comprising the Human Resources and Real Estate Management Solutions businesses.

3.2. Revenue by geographic area

(in millions of euros)	France	Outside France	Total
Financial year 2021	2,207.2	2,475.5	4,682.8
Financial year 2022	**2,392.7**	**2,708.5**	**5,101.2**

The above breakdown is based on geographic area and does not represent the reporting units presented in Note 3.1.

3.3. Non-current assets by geographic area

(in millions of euros)	France	United Kingdom	Other European countries	Other countries	Total
Goodwill	896.5	687.2	358.3	2.0	1,943.9
Intangible assets	87.4	49.1	30.2	0.0	166.7
Property, plant and equipment	69.1	23.7	35.7	13.0	141.5

The above breakdown is based on geographic area and does not represent the reporting units presented in Note 3.1.

NOTE 4 OPERATING PROFIT

4.1. Breakdown of revenue by reporting unit

(in millions of euros)	Financial year 2022		Financial year 2021	
France	2,039.0	40.0%	1,824.9	39.0%
United Kingdom	890.6	17.5%	823.1	17.6%
Other Europe	1,473.0	28.9%	1,343.2	28.7%
Sopra Banking Software	426.5	8.4%	434.1	9.3%
Other Solutions	272.1	5.3%	257.5	5.5%
TOTAL REVENUE	**5,101.2**	**100.0%**	**4,682.8**	**100.0%**

Revenue mainly comprises revenue from services recognised on a percentage-of-completion basis, around 98.7% of which consists of implementation, consulting and assistance services provided on a time-and-materials basis, outsourcing, infrastructure management, third-party application maintenance, and development.

The transaction price allocated to performance obligations not yet satisfied at 31 December 2022 is determined by applying the exemptions provided by the standard, which enable the following performance obligations to be excluded in determining this value:

- those performed on the basis of the actual use of billable services: implementation, consulting and assistance services provided on a time-and-materials basis, outsourcing, infrastructure management, and third-party application maintenance (corrective maintenance);
- those included in a contract for which the initial expected term does not exceed one year: the Group only applies this exemption to software maintenance royalty-type services, for which the fixed term of the majority of contracts does not exceed one year.

On this basis, within the limits set by the standard, revenue not yet recognised that is allocated to performance obligations not yet fulfilled is only attributable to services under fixed-price contracts and, to a lesser extent, sales of licences for which control has not yet been transferred to customers. It amounted to at least €926.7 million at 31 December 2022. Most of it will be recognised in revenue in the following financial year.

Revenue recognition

Revenue recognition should reflect the transfer of control of goods or services promised to the customer for the amount of the consideration the Group expects in return.

a. General principles

i. Identifying the contract with the customer

Revenue recognition for a contract or a group of contracts must meet five criteria: the contract must have commercial substance (generation of future cash flows for the Group), the parties must have approved the contract and have pledged to meet their respective obligations, the rights and obligations of each party are identified, the payment conditions are identifiable, and the customer has the ability and intention to pay that amount of consideration in exchange for the goods and services provided.

ii. Identifying the performance obligations in the contract

The contract or group of contracts may include one or more performance obligations: single-service or multi-component arrangements. A performance obligation is distinct if it meets two conditions. First, the underlying good or service must be distinct in absolute terms: the customer can benefit from the good or service either on its own or through readily available market resources. The good or service must also be distinct with respect to the contract, necessitating an analysis of the transformation relationship between the various goods and services comprising the contract. This relationship does not exist if the good or service is not used to produce other goods or services covered in the contract; it does not significantly modify or customise another good or service promised in the contract; or it is not highly dependent on, or highly interrelated with, other goods or services promised in the contract.

iii. Determining the transaction price

Once the contract's existence is validated and the various performance obligations identified, the contract's transaction price must be determined and allocated to the various completed performance obligations.

The contract's transaction price may include variable consideration, generally in the form of discounts, reductions, or penalties or, conversely, bonuses, and may be subject to the completion of project milestones. It can also include a financial component or a consideration payable to the client.

At the contract's inception, variable consideration is only taken into account in the amount for which the Group deems it highly probable that there will not be a material decrease in revenue in subsequent periods, and provided it is not subject to factors outside the company's influence. This variable consideration is allocated to the performance obligations pro rata to their respective standalone selling price if it cannot be otherwise allocated.

A financial component included in the transaction price is identified if it is material and if the period between completion and payment exceeds twelve months or if the timing to fulfil the services diverges substantially from that of the payments. This material financial component results in an adjustment to revenue and is recorded as financial income in *Other financial income*, where the Group finances the customer or as a financial expense in *Other financial expenses*, where the customer finances the Group through the payment of advances.

A consideration payable to the customer is deducted from the contract's transaction price if it does not correspond to a separate service provided by the customer. Otherwise, it is recognised as an operating expense.

iv. Allocating the transaction price to the various performance obligations identified

The transaction price is allocated to each performance obligation identified in the contract pro rata to the standalone selling prices of each underlying good or service. The standalone selling price is the price of the performance obligation as if it were sold separately. It is generally based on list prices, similar past transaction prices and observable market prices. With certain multi-component arrangements, essentially relating to software solutions, the Group may need to estimate the licence's standalone selling price using a residual approach; this corresponds to the contract's transaction price less the standalone selling prices of the other performance obligations.

The amount allocated to each performance obligation identified in the contract is recognised in revenue when control of the underlying goods or services promised in the contract is transferred to the customer.

v. Recognising revenue

The control of a good or service is transferred to the customer over time (requiring revenue recognition on a percentage-of-completion basis) solely if one of the following three criteria is met:

- the customer simultaneously receives and consumes the benefits of performance as it occurs;
- the performance creates or enhances an asset that the customer controls as the asset is created or developed;
- if neither of the first two criteria apply, the revenue generated by performance under a fixed-price contract can only be recognised on a percentage-of-completion basis if the asset created has no alternative use for the Group and the Group has an enforceable right to payment for the performance completed to date.

Services not yet rendered or partially invoiced are presented on the balance sheet in *Customer contract assets* under *Trade receivables and related accounts*. Services invoiced but not totally fulfilled are presented on the balance sheet in *Customer contract liabilities* under *Other current liabilities*. Customer contract assets and liabilities are presented on a net basis for each individual contract.

If a fixed-price contract becomes loss-making, the loss on completion is automatically provided for in *Provisions for contingencies and losses* on the basis of the costs required to fulfil the contract.

b. Practical application: Revenue recognition for services performed by the Group on behalf of customers

i. Costs of obtaining a contract

The costs of obtaining a contract are capitalised in assets if two conditions are met: they would not have been incurred had the contract not been obtained, and they are recoverable. They can include sales commissions if these are specifically and solely linked to obtaining a contract and were not therefore granted in a discretionary manner.

ii. Costs of fulfilling a contract: Transition/transformation phases of third-party application maintenance, infrastructure management and outsourcing contracts, preparatory phase for licences in SaaS mode

The costs of fulfilling or implementing a contract are costs directly related to the contract, which are necessary to satisfying performance obligations in the future and are expected to be recovered. They do not meet the criteria defined in the general principles to constitute a distinct performance obligation.

Certain third-party application maintenance, infrastructure management or outsourcing contracts may include transition and transformation phases. In basic contracts, these activities are combined for the purpose of preparing the operating phase. They are not distinct from subsequent services to be rendered. In this case, they represent costs to implement the contract. They are capitalised and recognised in *Inventories and work in progress* (*Other current assets*).

Conversely, in more complex or sizeable contracts, the transformation phase is often longer and more significant. This generally occurs prior to operations or parallel to temporary operations to define a target operating model. In these situations, this service often represents a distinct performance obligation.

Licences in SaaS mode require preparatory phases (functional integration, set-up of the technical environment) in order to reach a target operating phase. These are not distinct performance obligations but represent costs to implement the contract that are capitalised and recognised in *Inventories and work in progress* (*Other current assets*).

The costs of fulfilling or implementing a contract capitalised in *Inventories and work in progress* (*Other current assets*) are released to profit or loss in a pattern consistent with revenue recognition and never give rise to the recognition of revenue.

iii. Implementation, consulting and assistance services provided on a time-and-materials basis; outsourcing; infrastructure management; and third-party application maintenance (corrective maintenance)

Revenue from implementation, consulting and assistance services provided on a time-and-materials basis; outsourcing; infrastructure management; and third-party application maintenance (corrective maintenance) is recognised, in accordance with the general principles, when the customer simultaneously receives and consumes the benefits of the service. Revenue is recognised based on time spent or another billable unit of work.

iv. Services covered by fixed-price contracts

Revenue from services performed under fixed-price contracts is recognised over time (rather than at a specific date), in accordance with general revenue recognition principles, using the percentage-of-completion method in the following two situations:

- the services are performed in the customer's environment or enhance a customer's asset. The customer obtains control as the asset is created or developed;
- the contract provides for the development of highly specific assets in the Group's environment (e.g. solutions) prior to implementation in the customer's infrastructure. The contract also provides for settlement of the value of such services in the event of termination for convenience (where the customer is entitled to do so). The Group has no alternative use for the asset created and has an enforceable right to payment for performance completed to date.

Revenue and profit generated over time by services performed under fixed-price contracts are recognised based on a technical estimate of the degree of completion, measured as the difference between the contract value and the amount required to cover the total number of person-days remaining to be performed.

v. Licences

Should the analysis of a contract in accordance with the general principles identify the delivery of a licence as a distinct performance obligation, control is transferred to the customer either at a point in time (grant of a right to use), or over time (grant of a right to access).

A right to access corresponds to the development of solutions in SaaS mode. Changes at any time made by the developer to the solution that expose the customer to any positive or negative effects do not represent a service for the customer. In this situation, revenue is recognised as and when the customer receives and consumes the benefits provided by performance.

If the nature of the licence granted to the customer does not correspond to the definition of a right to access, it is a right to use. In this situation, revenue from the licence shall be recognised on delivery when all the obligations stipulated in the contract have been met.

A licence sale in the form of a subscription may be considered the sale of either a right to access an asset or a right to use an asset, depending on the rights and obligations set out in the lease signed with the customer.

vi. Principal/Agent distinction

Should the analysis of a contract in accordance with the general principles identify the resale of goods or services as a distinct performance obligation, it is necessary to determine whether the Group is acting as an agent or a principal. It is acting as an agent if it is not responsible to the customer for satisfying the performance obligation and for the customer's acceptance, if there is no transformation of the goods or services and there is no inventory risk. In this situation, revenue is recognised for a net amount corresponding to the agent's margin or a commission. Otherwise, where it obtains control of the good or service prior to its transfer to the end-customer, it is acting as a principal. Revenue is recognised for the gross amount and external purchases are recorded in full as an operating expense.

4.2. Other operating income and expenses included in *Operating profit*

Aside from the staff costs detailed in Note 5, *Operating profit* mainly includes the following items:

4.2.1. External expenses and purchases included in Operating profit on business activity

(in millions of euros)	Financial year 2022		Financial year 2021	
Project subcontracting purchases	-786.4	59.1%	-712.9	60.3%
Purchases held in inventory of equipment and supplies	-25.5	1.9%	-17.3	1.5%
Goods purchases and changes in inventory	-94.1	7.1%	-88.1	7.5%
Leases	-55.8	4.2%	-50.6	4.3%
Maintenance and repairs	-97.2	7.3%	-86.6	7.3%
Subcontracting	-21.6	1.6%	-12.5	1.1%
Remuneration of intermediaries and fees	-71.3	5.4%	-64.6	5.5%
Advertising and public relations	-23.1	1.7%	-16.4	1.4%
Travel and entertainment	-76.7	5.8%	-40.5	3.4%
Telecommunications	-33.1	2.5%	-30.0	2.5%
Other expenses	-46.5	3.5%	-61.9	5.2%
TOTAL	**-1,331.3**	**100%**	**-1,181.3**	**100%**

Lease expenses only included costs excluded or exempt from the application of IFRS 16 *Leases* (see Note 9.1).

4.2.2. Other current operating income and expenses included in Operating profit on business activity

Other current operating income and expenses amounting to income of €18.3 million (income of €2.2 million in 2021) mainly comprised net foreign exchange gains of €15.1 million (€4.7 million in 2021), which covered the foreign exchange impact of other components of *Operating profit on business activity.*

4.2.3 Other operating income and expenses included in Operating profit

(in millions of euros)	Financial year 2022	Financial year 2021
Expenses arising from business combinations (fees, commissions, etc.)	-3.7	-0.6
Net restructuring and reorganisation costs	-22.4	-35.5
■ Integration and reorganisation of activities	-0.5	-0.7
■ Separation costs	-21.9	-34.8
Asset impairment	-5.2	-12.0
Other operating expenses	-5.2	-1.9
Total other operating expenses	**-36.4**	**-49.9**
Other operating income	0.1	14.1
Total other operating income	**0.1**	**14.1**
TOTAL	**-36.3**	**-35.8**

In 2022, *Other operating income and expenses* consisted of resource adaptation expenses in Germany, France, Asia and at Sopra Banking Software (amounting to €3.6 million, €2.4 million, €5.6 million and €8.8 million, respectively). The cost of ceasing operations in Russia (see Note 1.3), which came to €0.3 million, was also recognised within *Other operating expenses*.

Other operating income and *Other operating expenses* also included the effects of amendments to post-employment defined-benefit plans in France and the United Kingdom, with these effects being negative in the former country and positive in the latter. They amounted to a negative €18.0 million impact for French companies and a positive €17.2 million impact in the United Kingdom. They are described in further detail in Note 5.3, “Retirement benefits and similar obligations”. Lastly, the Group recognised €5.0 million in impairment losses against intangible assets in Germany.

In 2021, *Other operating expenses* mainly consisted of resource adaptation expenses in France, Germany and the United Kingdom and at Sopra Banking Software (€15.8 million, €5.8 million, €4.1 million and €8.1 million, respectively). They also included a €5.7 million impairment loss on a data centre resulting from a business combination and €6.3 million of goodwill impairment on a German cash-generating unit included in the “Other Europe” reporting unit. *Other operating expenses* did not include any costs relating to the Covid-19 pandemic.

Other operating income consisted of €6.2 million in reversals for provisions for tax risks other than income tax and €8.2 million in income from the liquidation of companies in the United Kingdom.

NOTE 5 EMPLOYEE BENEFITS AND SHARE-BASED PAYMENTS

5.1. Staff costs

(in millions of euros)	Financial year 2022	Financial year 2021
Wages and salaries	-2,366.8	-2,190.2
Social security contributions	-741.3	-686.9
Net expense for post-employment and similar benefit obligations	-42.4	-34.5
TOTAL	**-3,150.5**	**-2,911.7**

The Group recognises the amount of short-term employee benefits, as well as the contributions due in respect of its pension plans, under *Staff costs*. As the Group has no commitments beyond these contributions, no provisions are recognised for these plans.

The principles applicable to post-employment benefit expenses and similar items are presented in Note 5.3.2 for other long-term employee benefits and Note 5.3.1 for post-employment benefits.

5.2. Workforce

Workforce at period-end	Financial year 2022	Financial year 2021
France	19,822	19,842
International	29,868	27,595
TOTAL	**49,690**	**47,437**

Average workforce	Financial year 2022	Financial year 2021
France	19,895	19,737
International	28,870	26,595
TOTAL	**48,765**	**46,332**

5.3. Retirement benefits and similar obligations

Retirement benefits and similar obligations break down as follows:

(in millions of euros)	31/12/2022	31/12/2021
Post-employment benefit assets	-38.5	-20.4
Post-employment benefit liabilities	176.2	298.5
Net post-employment benefits	**137.7**	**278.1**
Other long-term employee benefits	14.1	11.6
TOTAL	**151.8**	**289.7**

5.3.1. Post-employment benefits

Post-employment benefits mainly concern the Group's obligations towards its employees to provide retirement bonuses in France (9.8% of the Group's total obligations) and defined-benefit pension plans in the United Kingdom (86.2% of the Group's total obligations) and Germany (3.2%). For marginal amounts, they also include end-of-contract bonuses in certain countries in Africa, as well as a defined-benefit plan in Belgium. At 31 December 2022 they totalled €137.7 million (€278.1 million at 31 December 2021).

In the United Kingdom, the Group has three post-employment defined-benefit plans, one of which is divided into three sections as a result of three prior plans being merged into one in 2020. One plan and two sections are closed to all new employees and the vesting of future benefits has ceased. The obligations under each plan and each section are asset-funded. For each plan, the benefits payable are primarily based on the plan member's final salary or, in certain cases, an average of the member's salary and any additional benefits. Each plan holds its assets in a trust fund for employees and is supervised by the regulating body defined in UK pension law. The plan trustees are corporate trustees whose directors include representatives of the plan members, representatives of the company and independent members. External consultants are hired by the trustees to manage the plans on a day-to-day basis and deal with legal, investment policy and actuarial matters. Under UK law, the plans must be assessed every three years. This assessment is used as a basis to determine the contributions payable by the employer to the funds. The most recent assessment was completed in 2020. The creation of a single plan through the merger of three prior plans simplified the administration of these post-employment benefit plans. However, this merger made it necessary to carry out a new assessment within 12 months, which was scheduled for 31 December 2020. This assessment made it possible to establish an agreement on the level of contributions to be paid. Discussions with trustees were finalised in 2022.

The risks associated with these plans relate to:

- asset management;
- inflation, to which pension benefits are indexed, although this risk is limited by the use of inflation-indexed financial instruments;
- interest rates insofar as the future cash outflows are discounted, although this risk is limited by the use of interest rate hedging instruments;
- changes in demographic assumptions such as mortality.

These plans distinguish between active members who are still vesting benefits, members who are still working but whose benefits are frozen, and retired members. These three member categories represent 3.6%, 47.4% and 49.0%, respectively, of total obligations.

The amount of obligations stood at €1,147.5 million at 31 December 2022. Projected benefit outflows by the funds are as follows, in millions of pounds sterling, over the next ten years:

- less than two years: £91.0 million;
- two to five years: £147.5 million;
- five to ten years: £278.1 million.

These outflows correspond to benefits provided and estimates for transfers of obligations (and the related assets), at the request of recipients, to external asset managers.

Assets covering these obligations came to €1,181.4 million at 31 December 2022.

These plans include the payment of contributions to fund the deficit existing in the funds (contributions less mandatory expenses and deductions) and to fund the current service cost for the financial year. In 2022, over 12 months, contributions paid totalled €19.5 million, including €15.6 million to fund the deficit (€18.4 million including other related disbursements). Following the merging of the plans, the amount of contributions to be paid in 2023 to fund the deficit was finalised with the corporate trustees.

Lastly, in the second half of 2022, a change took place for one section of the plan with respect to the index that serves as a reference for calculating increases in the future pensions of participants. The Consumer Prices Index including owner occupiers' housing costs (CPIH), the official measure of inflation used by the UK government, will replace the Retail Price Index (RPI) starting in May 2023. This plan amendment had the effect of reducing the amount of the obligation, and its impact was recognised within *Other operating income* (see Note 4.2.3). It amounted to €17.2 million.

In France, the defined-benefit plan concerns the payment of retirement bonuses. The Group recognises provisions for its employee benefit obligations, principally in accordance with the terms of voluntary and compulsory retirement under the Syntec collective bargaining agreement.

The resulting liability fluctuates according to demographic assumptions such as mortality rates (public statistics) and the discount rate (iBoxx eurozone index).

This plan is exposed to interest rate risk, inflation risk and the risk of changes in demographic assumptions.

The method for calculating retirement bonuses is changing. This change will take effect in the first quarter of 2023, the month after the date of publication of the order by the French Ministry of Labour to extend an amendment to the Syntec collective bargaining agreement. This amendment aims to align the method for calculating retirement bonuses with that used for termination benefits, which will have the effect of adding employee bonuses to the base salary. This plan amendment will increase the value of liabilities. At 31 December 2022, its cost was recognised under *Other operating expenses* within *Operating profit* (see Note 4.2.3), and amounted to €18.0 million.

In Germany, there are six plans, two of which are material (€32.8 million). Since these plans are not funded, they are covered by a provision. The purpose of the main plan is to pay a minimum pension equal to 14.1% of the salary paid up to the social security ceiling and 35.2% beyond that ceiling. This plan only involves employees who entered into service prior to 1 January 1986, and pension entitlements have been frozen since 30 September 1996. This plan is exposed to interest rate risk, inflation risk and the risk of changes in demographic assumptions.

There are also plans in Poland, Cameroon, Côte d'Ivoire, Tunisia and Belgium. The plan in Belgium is funded and serves to pay an annuity to plan members on retirement. The other plans cover end-of-contract bonuses payable. These plans are grouped together under "Other", with the plan in Belgium being the main contributor to this item.

a. Change in net liabilities arising from the main post-employment benefit plans in financial year 2022

(in millions of euros)	Defined-benefit pension funds – United Kingdom	Retirement bonuses – France	Defined-benefit pension funds – Germany	Other	Total
Calculation assumptions for actuarial liabilities					
Discount rate	5.01%	3.16% to 3.77%	3.63% to 3.77%	3.57% to 10.00%	
Inflation rate	2.73%	N/A	N/A	N/A	
Salary increase rate	3.13%	2.00% to 2.50%	2.00% to 2.75%	3.00% to 10.00%	
Retirement age	65	65	60 to 65	Variable	
Amounts recognised in the balance sheet					
Present value of the obligation at 31/12/2022	1,147.5	130.8	42.1	11.5	1,331.9
Fair value of plan assets at 31/12/2022	1,181.4	1.0	3.3	8.5	1,194.2
Net liabilities on the balance sheet at 31/12/2022	**-33.9**	**129.8**	**38.8**	**3.0**	**137.7**
Net liability cost components					
Current service cost	4.1	10.6	0.4	0.3	15.3
Past service cost	-17.2	18.0	-	-	0.8
Losses/(gains) on plan settlements	-	-	-	-	-
Interest on obligation	43.6	1.4	0.6	0.1	45.7
Interest on plan assets	-45.5	-	-0.1	-	-45.6
Total expenses recognised in the income statement	**-15.0**	**30.0**	**0.9**	**0.4**	**16.2**
Effect of net liability remeasurements	-62.0	-48.1	-17.1	-0.1	-127.2
■ Return on plan assets (excluding amounts included in interest income)	594.6	-	-	-0.2	594.4
■ Experience adjustments	133.0	-9.8	-0.2	2.1	125.0
■ Impact of changes in demographic assumptions	-1.3	-	-	-	-1.3
■ Impact of changes in financial assumptions	-843.2	-38.2	-16.9	-2.1	-900.4
■ Impact of asset ceiling	55.0	-	-	-	55.0
Total expenses recognised directly in equity	**-62.0**	**-48.1**	**-17.1**	**-0.1**	**-127.2**
Changes in net liabilities					
Net liability at 1 January 2022	**65.1**	**152.2**	**57.4**	**3.3**	**278.1**
Changes in scope	-	-0.3	-	-	-0.3
Net expense recognised in the income statement	-15.0	30.0	0.9	0.4	16.2
Net expense recognised in equity	-62.0	-48.1	-17.1	-0.1	-127.2
Contributions	-22.5	-	-0.3	-0.5	-23.2
■ Employer contributions	-22.5	-	-0.3	-0.5	-23.2
■ Employee contributions	-	-	-	-	-
Benefits provided	-	-4.1	-2.1	-	-6.2
Exchange differences	0.4	-	-	-	0.4
Other movements	-	-	-	-	-
NET LIABILITY/ASSET AT 31 DECEMBER 2022	**-33.9**	**129.8**	**38.8**	**3.0**	**137.7**

For reference, net liabilities arising from the main post-employment benefit plans changed as follows in financial year 2021:

(in millions of euros)	Defined-benefit pension funds – United Kingdom	Retirement bonuses – France	Defined-benefit pension funds – Germany	Other	Total
Calculation assumptions for actuarial liabilities					
Discount rate	1.81%	0.88% to 1.19%	0.68% to 0.98%	0.57% to 10.00%	
Inflation rate	2.52%	N/A	N/A	N/A	
Salary increase rate	3.32%	2.00% to 2.50%	2.00% to 2.50%	3.00% to 10.00%	
Retirement age	65	65	60 to 65	Variable	
Amounts recognised in the balance sheet					
Present value of the obligation at 31/12/2021	1,969.8	153.6	60.6	11.2	2,195.2
Fair value of plan assets at 31/12/2021	1,904.6	1.4	3.2	7.8	1,917.1
Net liabilities on the balance sheet at 31/12/2021	**65.1**	**152.2**	**57.4**	**3.3**	**278.1**
Net liability cost components					
Current service cost	4.8	11.6	0.5	0.2	17.1
Past service cost	-	-	-	-	-
Losses/(gains) on plan settlements	-	-	-	-	-
Interest on obligation	26.8	0.7	0.2	-	27.8
Interest on plan assets	-24.8	-	-0.1	-	-24.9
Total expenses recognised in the income statement	**6.8**	**12.2**	**0.6**	**0.3**	**19.9**
Effect of net liability remeasurements	-62.8	-17.6	-6.4	-0.8	-87.7
■ Return on plan assets (excluding amounts included in interest income)	-91.8	-	-	-0.3	-92.1
■ Experience adjustments	28.9	-2.8	-0.3	-0.1	25.7
■ Impact of changes in demographic assumptions	10.6	-4.1	-	-	6.5
■ Impact of changes in financial assumptions	-10.5	-10.7	-6.1	-0.5	-27.8
Total expenses recognised directly in equity	**-62.8**	**-17.6**	**-6.4**	**-0.8**	**-87.7**
Changes in net liabilities					
Net liability at 1 January 2021	**147.5**	**163.1**	**65.3**	**4.3**	**380.1**
Changes in scope	-	0.6	-	-	0.6
Net expense recognised in the income statement	6.8	12.2	0.6	0.3	19.9
Net expense recognised in equity	-62.8	-17.6	-6.4	-0.8	-87.7
Contributions	-34.5	-	-	-	-34.5
■ Employer contributions	-34.5	-	-	-	-34.5
■ Employee contributions	-	-	-	-	-
Benefits provided	-	-4.7	-2.1	-0.4	-7.3
Exchange differences	8.2	-	-	-	8.2
Other movements	-	-1.3	-	-	-1.3
NET LIABILITY AT 31 DECEMBER 2021	**65.1**	**152.2**	**57.4**	**3.3**	**278.1**

b. Change in pension assets and liabilities in the United Kingdom

In the United Kingdom, net assets arising from post-employment defined-benefit plans reflect the net value of benefit obligations and the plan assets covering them. Changes in these assets and liabilities broke down as follows:

(in millions of euros)	31/12/2022	31/12/2021
Present value of the obligation at the beginning of the period	**1,969.8**	**1,851.3**
Changes in scope	-	-
Translation adjustments	-74.7	129.2
Current service cost	4.1	4.8
Past service cost	-17.2	-
Interest	43.6	26.8
Employee contributions	-	-
Effect of obligation remeasurements	-717.8	21.4
■ Experience adjustments	133.0	28.9
■ Impact of changes in demographic assumptions	-1.3	10.6
■ Impact of changes in financial assumptions	-849.5	-18.1
Plan amendments	-	-
Transfers	-	-
Benefits provided	-60.2	-63.8
PRESENT VALUE OF THE OBLIGATION AT THE END OF THE PERIOD	**1,147.5**	**1,969.8**
Fair value of plan assets at the beginning of the period	**1,904.6**	**1,703.9**
Changes in scope	-	-
Translation adjustments	-75.2	121.0
Interest	45.5	24.8
Effects of plan asset remeasurements	-655.8	84.2
■ Return on plan assets (excluding amounts included in interest income)	-594.6	91.8
■ Impact of changes in financial assumptions	-6.3	-7.6
■ Impact of limits set on assets	-55.0	
Employer contributions	22.5	34.5
Employee contributions	-	-
Transfers	-	-
Benefits provided	-60.2	-63.8
FAIR VALUE OF PLAN ASSETS AT THE END OF THE PERIOD	**1,181.4**	**1,904.6**

The decrease in net liabilities was mainly the result of the increase in the discount rate and the decline in the return on plan assets.

UK pension fund assets fall into four investment categories:

(in millions of euros)	31/12/2022	31/12/2021
Shares	123.0	285.0
Bonds / Private placements	660.2	1,068.0
Infrastructure and property assets	275.1	268.4
Other assets	122.9	283.2
TOTAL	**1,181.4**	**1,904.6**

Other assets mainly comprised cash and cash equivalents at 31 December 2022.

The discount rate used for employee obligations is based on the return on AA bonds in line with the duration of the liabilities rounded to the nearest hundredth. In the United Kingdom, the benchmark used is the Mercer yield curve.

A 0.50-point decrease in the discount rate would increase the benefit obligation by €87.4 million. A 0.50-point increase in the discount rate would reduce the benefit obligation by €79.2 million. A 10% reduction in the value of the assets would reduce their amount by €118.1 million, whereas a 10% increase would increase their amount by €118.1 million. These sensitivity estimates are made on the basis of all other things being equal.

At 31 December 2022, one plan and two of the three sections of another plan were in a net asset position, totalling €38.5 million. These assets are deemed recoverable through a future decrease in contributions.

c. Change in pension assets and liabilities in France

In terms of sensitivity, a 0.50-point increase or decrease in the discount rate would decrease the benefit obligation by €6.5 million or increase it by €7.0 million, respectively.

The retirement bonus obligation in France breaks down as follows by maturity:

(in millions of euros)	31/12/2022	31/12/2021
Present value of theoretical benefits payable by the employer:		
■ Less than 1 year	5.6	4.4
■ 1 to 5 years	24.8	19.7
■ 5 to 10 years	37.3	39.6
■ 10 to 20 years	49.8	63.9
■ More than 20 years	13.4	26.3
TOTAL OBLIGATION	**130.8**	**153.9**

Defined-benefit plans are paid for either directly by the Group, which funds the benefits to be granted, or via pension funds to which the Group contributes. In both cases, the Group recognises a pension liability corresponding to the present value of future payments, which is estimated by taking into consideration relevant internal and external factors as well as the laws and regulations specific to each Group entity.

Certain post-employment defined-benefit plans may comprise plan assets intended to settle the obligations. They are mainly administered by pension funds that are legally separate from the entities making up the Group. The assets held by these funds are mainly shares or bonds. Their fair value is generally calculated using their market value.

Obligations in respect of post-employment defined-benefit plans are measured annually using the actuarial valuation method known as the projected unit credit method, which stipulates that each period of service gives rise to an additional unit of benefit entitlement, and measures each unit separately to obtain the final obligation. These calculations include assumptions regarding life expectancy, employee turnover and projected future salaries.

The present value of retirement benefit obligations is determined by discounting future cash outflows using the rate for market yields on high-quality corporate bonds of the currency used to pay the benefit and a term consistent with the estimated average term of the concerned retirement benefit obligation.

The expense representing the current service cost for the period is recognised in profit or loss within *Staff costs*.

The effects of plan amendments, recognised through past service cost (cost of service in prior periods modified by the introduction of changes or new benefit plans), are recognised immediately in profit or loss within *Staff costs* when they occur.

Any gains or losses recognised in the event of defined-benefit pension plan curtailments or settlements are recognised in profit or loss when the event occurs within *Other operating income* or *Other operating expenses*, respectively.

An interest expense is recognised in profit or loss within *Other financial expenses* and corresponds to the cost of unwinding the discount of the retirement benefit obligations net of plan assets.

The assumptions used in the actuarial calculation of defined-benefit pension obligations involve uncertainties that may affect the value of financial assets and obligations to employees. Actuarial gains and losses arising from the effects of changes in demographic assumptions, changes in financial assumptions and the difference between the discount rate and the actual rate of return on plan assets, less their management and administrative costs, are recognised directly in equity under *Other comprehensive income*, and are not reclassifiable to profit or loss.

5.3.2. Other long-term employee benefits

Other long-term employee benefits may include the portion available in more than one year of employee profit-sharing liabilities allocated to a current account and locked in for five years in France; long-service awards in Germany and India; pre-pension obligations in Germany and Belgium; and end-of-contract bonuses in Italy, Lebanon and India. Benefits for employees in India make up the largest portion of these liabilities for 2022, for €7.6 million (€6.0 million at 31/12/2021).

The remaining long-term employee benefits primarily consist of:

- long-term paid leave such as long-service or sabbatical leave;
- long-service awards;
- incentives and bonuses payable 12 months or more after the end of the period in which the employees render the corresponding service;
- profit-sharing liabilities. These are recognised at the present value of the obligation at the balance sheet date. For the year in which this profit-sharing is appropriated, the difference between the present value of the profit-sharing and the nominal value that will be paid to employees at the close of the lock-up period is recognised as a financial liability and balanced by an additional staff expense. It is then reversed as a deduction against financial expenses over the following five years;
- deferred compensation paid 12 months or more after the end of the period in which it is earned.

All expenses relating to other long-term benefits, including changes in actuarial assumptions, are recognised immediately in profit or loss within *Staff costs* in respect of the service cost and within *Other financial income and expenses* in respect of the cost of unwinding the discount.

5.4. Share-based payments

The cost of the benefits granted to employees under stock option, free performance share and employee share ownership plans, which amounted to €23.2 million (€6.7 million in 2021), is charged to *Profit from recurring operations*.

In 2022, it consisted of a charge corresponding to benefits granted to employees in respect of free performance share plans and a charge related to the Group's We Share employee share ownership plan. In 2021, the cost of share-based payments consisted of the impact of free performance share plans.

5.4.1. Free performance share plans

Expenses related to free share plans totalled €7.3 million (compared with €4.7 million in financial year 2021).

Information on the rules of the main free share plans is set out below:

	May 2021 plan	June 2022 plan
Date set up by General Management and/or the Board of Directors	26 May 2021	1 June 2022
Number of shares that may be granted	219,200	200,950
Performance measurement period	1 January 2021 to 31 December 2023	1 January 2022 to 31 December 2024
Vesting period	26 May 2021 to 30 June 2024 inclusive	1 June 2022 to 30 June 2025
Mandatory holding period following the grant of shares	None	None
Performance conditions stipulated in the plan	1) Consolidated revenue growth in financial years 2021, 2022 and 2023	1) Consolidated revenue growth in financial years 2022, 2023 and 2024
	2) Level of consolidated operating profit on business activity in financial years 2021, 2022 and 2023	2) Level of consolidated operating profit on business activity in financial years 2022, 2023 and 2024
	3) Level of consolidated free cash flow in financial years 2021, 2022 and 2023	3) Level of consolidated free cash flow in financial years 2022, 2023 and 2024
Additional grant condition	Proportion of women in senior management positions at the Group at 30 June 2023	Proportion of women in senior management positions at the Group at 30 June 2024

	May 2021 plan	June 2022 plan
Number of potential shares that could have been granted as at 1 January 2022	**210,100**	**-**
Number of shares granted in 2022	-	200,950
Number of shares cancelled in 2022	7,100	1,890
Number of shares vested at 31 December 2022	-	-
Number of potential shares that could have been granted as at 31 December 2022	**203,000**	**199,060**
Share price	149.50	162.00
Risk-free rate	-	-
Dividends	2.3%	2.6%
Volatility	N/A	N/A
(EXPENSE)/INCOME RECOGNISED IN THE INCOME STATEMENT FOR THE FINANCIAL YEAR IN MILLIONS OF EUROS	**7.3**	**3.6**

At the Combined General Meeting of 1 June 2022, an overall limit of 10% of the number of shares making up Sopra Steria Group's share capital at the time of the buyback (i.e. 2,054,770 shares on the basis of the share capital at 31 December 2021) was set, in particular to be used in connection with all employee and company officer shareholding programmes (share purchase options, free shares and any forms of share allotment to employees or company officers, such as a company savings plan).

Awards of free Sopra Steria Group shares are granted to some staff members, subject to their continued employment within the Group at the grant date, and either subject or not subject to conditions relating to the Group's performance. Benefits granted under free share award plans constitute additional compensation and are measured and recognised in the financial statements.

At the end of each reporting period, the Group reviews the potential number of shares that could be awarded based on the recipients present and estimates regarding the achievement of non-market performance conditions provided for under the plans. The impact of this re-estimate is recognised in profit or loss as an offset against equity.

The value of free shares in awards granted to employees as compensation for services rendered is measured by reference to the fair value of the equity instrument at the grant date. This fair value is based on the share price at this same date. Non-market vesting conditions must not be taken into account when estimating the fair value of the shares at the measurement date. When these equity instruments are subject to conditions of non-transferability, the cost of non-transferability is taken into account in their fair value. Where appropriate, the inability to collect dividends is also taken into account in the fair value calculation. Lastly, the cumulative expense recognised also takes into account the estimated number of shares that will eventually vest.

The expense related to share-based payments made to employees under free share plans is recognised on a straight-line basis in profit or loss over the vesting period, under *Expenses related to stock options and related items*, which enters into the calculation of *Profit from recurring operations*. Since this is an equity-settled plan, the double-entry for this expense is recognised in equity under the *Consolidated reserves and other reserves* heading.

5.4.2. Employee share ownership plan

In the first half of 2022, the Group relaunched its We Share employee share ownership programme. Employees were able to purchase Sopra Steria Group shares, under certain conditions, from 28 March to 13 April 2022 inclusive.

The main characteristics of the offer were as follows:

- offer open to all active employees and eligible retired employees;
- investment in Sopra Steria Group shares via the FCPE (employee mutual investment fund, the performance of which follows changes in the Group's share price as it increases or decreases);
- matching contribution of one free Sopra Steria Group share per share purchased;
- authorised investment amount of between the price of one share (minimum) and €3,000 (maximum);
- dividends reinvested in the FCPE;
- favourable tax treatment under the Group Savings Plan (PEG);
- investment locked in for five years, available from 6 May 2022, except in cases that justify early release.

The offer resulted in 95,112 shares being subscribed by employees and 94,527 shares granted as matching contributions. To transfer shares for the matching contribution, Sopra Steria Group used its stock of treasury shares, corresponding either to existing shares or to shares previously bought back under a share buyback programme authorised at the General Meeting of Shareholders held on 26 May 2021.

The fair value of free shares was determined based on the average closing share price during the subscription period from 28 March to 13 April 2022, i.e. €125.05.

An expense of €10.7 million (of which €8.8 million in respect of IFRS 2) was recognised within *Profit from recurring operations*.

In 2021, the Group did not set up any employee share ownership plans.

Furthermore, the Share Incentive Plan – a special plan in place in the United Kingdom – continued and incurred an expense of €1.6 million.

5.5. Compensation of senior management (related parties)

(in millions of euros)	**31/12/2022**	**31/12/2021**
Short-term employee benefits	2.6	2.5
Post-employment benefits	-	-
Other long-term employee benefits	-	-
Termination benefits	-	-
Equity compensation benefits	0.3	0.2
TOTAL	**2.9**	**2.7**

The compensation information provided in the table above relates to the Chairman of the Board of Directors, the Chief Executive Officer and all Directors holding a salaried position within the Group.

Post-employment benefits correspond to retirement benefits established in accordance with collective bargaining agreements (see Note 5.3.1). There are no obligations toward senior executives with respect to post-employment benefits or other long-term employee benefits.

NOTE 6 CORPORATE INCOME TAX

6.1. Tax expense

(in millions of euros)	**Financial year 2022**	**Financial year 2021**
Current tax	-77.9	-80.8
Deferred tax	-5.3	-12.7
TOTAL	**-83.2**	**-93.5**

a. Current tax

The Group determines its current tax expense by applying the tax laws in force in countries where its subsidiaries and associates conduct their business and generate taxable revenues. The tax laws applied are those enacted or substantively enacted at the end of the reporting period.

b. Deferred tax

Deferred tax is recognised on all temporary differences between the tax base and the carrying amount of assets and liabilities on consolidation.

Deferred tax assets are only recognised if it is probable that they will be recovered as a result of taxable profit expected in future periods within a reasonable time frame. They are reviewed at the end of each reporting period.

Tax assets and liabilities are measured based on the tax rates enacted or substantively enacted applicable to the reporting period during which the asset will be realised or the liability settled. Their effect is recognised in profit or loss as *Deferred tax* unless it relates to items recorded under *Other comprehensive income*, in which case the effect is also included among gains and losses recognised directly in equity. Deferred tax assets and liabilities, regardless of their expiry date, are offset when:

- the Group has the legal right to settle current tax amounts on a net basis; and
- the deferred tax assets and liabilities relate to the same tax entity.

6.2. Reconciliation of statutory and effective tax expense

(in millions of euros)	Financial year 2022	Financial year 2021
Net profit	**249.0**	**193.5**
Adjustment for:	-	-
■ Net profit from associates	-14.7	1.8
■ Tax expense	-83.2	-93.5
Profit before tax	**347.0**	**285.2**
Statutory tax rate	**25.83%**	**28.41%**
Statutory tax expense	**-89.6**	**-81.0**
Permanent differences	-0.1	0.5
Change in uncapitalised loss carryforwards	-9.1	-6.8
Impact of tax credits	7.0	7.0
Tax rate differences	-0.7	-2.9
Prior-year tax adjustments	23.4	1.1
CVAE (net of tax)	-10.9	-9.7
Other tax	-3.2	-1.7
ACTUAL TAX EXPENSE	**-83.2**	**-93.5**
Effective tax rate	*23.98%*	*32.77%*

The reconciliation between the statutory tax expense and the effective tax expense is conducted using the statutory tax rate in France for the Group's parent company. This statutory tax rate consists of the 25.0% corporate tax rate plus the 0.83% *Contribution Sociale de Solidarité des Sociétés* (C3S) social security tax.

The *Cotisation sur la Valeur Ajoutée des Entreprises* (CVAE) – a tax on corporate value added, which is a component of the *Contribution Économique Territoriale* (CET) regional business tax in France – is recognised as part of the corporate income tax expense, as is the *Imposta Regionale Attività Produttive* (IRAP) regional production tax in Italy.

In France, in connection with the merger between Sopra and Steria that took place on 31 December 2014, a request was filed with the tax authorities in 2014 for the right to transfer the tax losses carried forward by Groupe Steria SCA prior to 1 January 2014, to Sopra Steria Group SA. The French tax authorities, in a decision dated 15 December 2022, granted Sopra Steria Group SA the right to carry forward the tax losses of Groupe Steria SCA in the amount of €75.8 million, equating to a tax asset of €19.6 million. Its impact is recognised within Tax *adjustments for previous financial year* item.

The Group operates in many countries with differing tax laws and tax rates. Within each country, tax rates may also vary depending on the tax policies implemented by local governments and can lead to differences between the current and deferred tax rates, as is the case mainly in France. Local weighted average tax rates applicable to Group companies can therefore vary from year to year depending on the relative level of taxable profit. These movements are reflected in *Tax rate differences*. This also takes into account the impact of the reduced tax rate in France, which nevertheless represents an immaterial amount.

In 2022, as in 2021, *Other tax* essentially consisted of unrecovered withholdings.

6.3. Deferred tax assets and liabilities

6.3.1. Change in net deferred tax

(in millions of euros)	31/12/2021	Change through profit or loss	Change through OCI	Scope effect	Currency translation effect	Other	31/12/2022
Deferred tax arising from:							
Intangible assets	-17.1	8.0	-	-2.0	0.5	-	-10.6
Property, plant and equipment	3.0	0.4	-	-	-0.2	-	3.1
Non-current financial assets	-0.2	0.5	-	-	-	-	0.3
Inventories, services in progress and outstanding invoices	-2.9	-7.5	0.3	-	-	-	-10.1
Other current assets	-2.5	8.8	-	-	-0.1	-	6.2
Derivatives	-0.7	-0.4	-0.6	-	-	-	-1.8
▪ With impact on the income statement	0.4	-0.4	-	-	-	-	-
▪ With impact on OCI	-1.1	-	-0.6	-	-0.1	-	-1.8
Financial debt	-0.3	-0.8	-	-	-	-	-1.0
Retirement benefit obligations	69.4	-2.4	-33.4	-0.1	-0.1	-	33.5
▪ With impact on the income statement	-12.1	-2.4	-0.1	-0.1	3.0	-	-11.6
▪ With impact on OCI	81.5	-	-33.3	-	-3.1	-	45.1
Provisions	3.8	-0.3	0.1	-	-	-	3.5
Assets and liabilities related to leased assets	6.0	0.1	-	-	-	-	6.1
Other current liabilities	-2.4	-2.2	-	-	-0.2	-	-4.8
Tax loss carryforwards	43.6	-9.4	-	-	-	-	34.1
Net deferred tax asset/(liability)	**99.7**	**-5.3**	**-33.6**	**-2.1**	**-0.2**	**-**	**58.5**
Deferred tax included in assets held for sale	-	-	-	-	-	-	-
NET DEFERRED TAX ASSET/(LIABILITY) REPORTED IN THE BALANCE SHEET	**99.7**	**-5.3**	**-33.6**	**-2.1**	**-0.2**	**-**	**58.5**
Of which:							
Deferred tax recognised in profit or loss	19.3	-5.3	0.3	-2.1	3.0	-	15.2
Deferred tax recognised in equity (OCI)	80.4	-	-33.9	-	-3.2	-	43.3
▪ Reclassifiable to profit or loss	-1.1	-	-0.6	-	-0.1	-	-1.8
▪ Not reclassifiable to profit or loss (retirement benefit obligations)	81.5	-	-33.3	-	-3.1	-	45.1

6.3.2. Deferred tax assets not recognised by the Group

(in millions of euros)	31/12/2022	31/12/2021
Tax losses carried forward	41.2	42.2
Temporary differences	-	-
TOTAL	**41.2**	**42.2**

6.3.3. Change in tax loss carryforwards

(in millions of euros)	France	Scandinavia	Singapore	Morocco	Other countries	Total
31 December 2021	**231.0**	**36.3**	**19.1**	**13.9**	**47.5**	**347.8**
Changes in scope	-	-	-	-	-0.2	-0.2
Created	33.5	1.5	12.8	2.7	22.5	73.1
Used	-133.6	-	-	-	-1.2	-134.8
Expired	-0.1	-	-	-	-	-0.1
Translation adjustments	-0.0	-1.7	1.5	-0.9	0.4	-0.7
Other movements	25.8	-	-	-	-4.5	21.2
31 DECEMBER 2022	**156.7**	**36.2**	**33.4**	**15.7**	**64.6**	**306.4**
Deferred tax basis – Activated	122.2	0.8	-	0.1	10.3	133.5
Deferred tax basis – Non-activated	34.4	35.3	33.4	15.6	54.3	172.9
Deferred tax – Activated	31.6	0.2	-	0.0	2.3	34.1
Deferred tax – Non-activated	8.9	7.5	5.7	4.6	14.5	41.2

In France, a portion of the non-activated tax losses – €19.6 million in deferred taxes (based on a tax rate of 25.83%) – consisted at 31 December 2021 of the tax loss carryforwards prior to 1 January 2014 originating from Groupe Steria SCA. On 15 December 2022, the French tax authorities granted the right to carry forward these tax losses. As such, a deferred tax asset in the amount of €19.6 million was recognised.

In Scandinavia, the tax loss carryforwards of the companies established in Sweden and Denmark did not lead to the recognition of any deferred tax assets.

Lastly, in "Other countries", tax losses for small companies located in Brazil, Spain, Germany, the United Kingdom and several African countries were not activated.

NOTE 7 COMPONENTS OF THE WORKING CAPITAL REQUIREMENT AND OTHER FINANCIAL ASSETS AND LIABILITIES

These items include non-current financial assets, trade receivables and related accounts, other current assets, other non-current liabilities, trade payables and other current liabilities.

7.1. Other non-current financial assets

(in millions of euros)	31/12/2022	31/12/2021
Non-consolidated securities	45.3	25.2
Other loans and receivables	61.3	53.9
Derivatives	7.4	2.9
TOTAL	**114.0**	**81.9**

The Group classifies its financial assets into the following categories:

- assets at fair value through other comprehensive income;
- assets at fair value through profit or loss; and
- assets at amortised cost.

Classification depends on the purposes for which financial assets were acquired. According to its management model, the Group's management determines the appropriate classification of its financial assets upon their initial recognition, and performs a reassessment at each interim and annual reporting date.

The financial assets recognised by the Group consist of the items described below:

a. Assets at fair value through other comprehensive income

This category includes investments in equity instruments that the Group has chosen to irrevocably place in this category.

Changes in the fair value of these assets are recognised directly in equity and are not reclassifiable to profit or loss. These assets are not impaired.

The Group has included in this category its investments in unconsolidated entities over which it exercises no control or significant influence.

b. Assets at amortised cost (loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They comprise the financial assets arising when the Group transfers funds, or provides goods and services, to an individual or entity. Loans and receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

The Group distinguishes between:

- long-term loans and receivables classified as non-current financial assets;
- short-term trade receivables and other equivalent receivables. Short-term trade receivables continue to be measured at the nominal amount originally invoiced, which usually equates to the fair value of the consideration to be received.

c. Assets at fair value through profit or loss

These are non-derivative financial assets which the Group has chosen not to measure through other comprehensive income.

This category comprises financial assets held for trading (*i.e.* acquired with a view to resale in the near term). They are mostly marketable securities and other cash equivalents.

Changes in the fair value of assets of this category are recognised in profit or loss within *Other financial income and expenses.*

d. Impairment of financial assets

At each balance sheet date, the Group assesses whether or not there exists objective evidence that a financial asset or group of financial assets may be impaired.

The Group assesses the credit risk associated with loans and receivables when they are issued. They may be subsequently impaired if the Group expects that their estimated recoverable amount is less than their net carrying amount.

For trade receivables, these write-downs are charged to profit or loss as part of *Operating profit on business activity* and reversed in the event of an improvement in the recoverable amount. For loans and deposits, they are recorded within *Other financial income and expenses.*

7.1.1. Non-consolidated securities

(in millions of euros)	Gross value	Impairment	Carrying amount
31 December 2020	**22.0**	**2.6**	**19.4**
Changes in scope	-4.8	-	-4.8
Increases	8.8	1.6	7.1
Decreases	-0.5	-0.3	-0.3
Revaluation	3.7	-	3.7
Translation adjustments and other movements	0.1	-	0.1
31 December 2021	**29.2**	**4.0**	**25.2**
Changes in scope	-4.5	-	-4.5
Increases	9.3	1.1	8.2
Decreases	-0.5	-0.1	-0.5
Revaluation	16.7	-	16.7
Translation adjustments and other movements	0.1	-	0.1
31 DECEMBER 2022	**50.3**	**5.0**	**45.3**

The most significant component of non-consolidated securities is the shares in CS Group (€27.7 million at 31 December 2022, compared to €12.9 million at 31 December 2021).

7.1.2. Other loans and receivables

(in millions of euros)	31/12/2022	31/12/2021
Loans	-	0.1
R&D tax credit receivables	-	-
Other non-current receivables	45.2	37.6
Deposits and other non-current financial assets	19.7	19.6
Provisions for loans, deposits and other non-current financial assets	-3.5	-3.4
TOTAL	**61.3**	**53.9**

R&D tax credit receivables classified as *Other loans and receivables* are those which will be used or redeemed after more than one year.

Deposits and other non-current financial assets mainly include security deposits paid for leased premises and receivables relating to equity investments.

Other non-current receivables include €4.2 million in advances paid in the United Kingdom by the NHS SBS entity to new customers of its platform to facilitate their migration, and €41.0 million for services performed but not yet invoiced in Germany by Sopra Financial Technology GmbH.

These deposits and other receivables are held at their nominal value, given that the effect of discounting is not material.

7.2. Trade receivables and related accounts

(in millions of euros)	31/12/2022	31/12/2021
Trade receivables – Gross value	720.7	667.7
Impairment of trade receivables	-13.3	-17.4
Trade receivables – Net value	**707.4**	**650.3**
Customer contract assets	396.7	369.8
TOTAL	**1,104.2**	**1,020.1**

Net trade receivables, expressed in months of revenue, came to less than 2 months of revenue at 31 December 2022, stable with respect to 31 December 2021. This ratio is calculated by comparing *Net trade receivables* with revenue obtained using the countback method. *Net trade receivables* is obtained by eliminating VAT from the *Trade receivables* balance and subtracting the deferred income balance appearing under liabilities. An analysis of credit risk in light of the provisions of IFRS 9 *Financial Instruments* does not show any material impact.

Customer contract assets are described in Note 4.1. Changes during the period resulted in part from the appearance of billable amounts transforming assets into trade receivables, and in part from the recognition of revenue leading to the appearance of new customer contract assets.

7.2.1. Aged trade receivables at 31 December 2022

(in millions of euros)	Carrying amount	Of which: Not past due at the balance sheet date	Of which: Past due, with the following breakdown			
			Less than 30 days	Between 30 and 90 days	Between 90 and 120 days	More than 120 days
Trade receivables	720.7	566.9	92.7	31.0	6.7	23.4

7.2.2. Changes in provisions for trade receivables

(in millions of euros)	31/12/2022	31/12/2021
Impairment of trade receivables at beginning of period	**17.4**	**22.2**
Changes in scope	0.2	-
Additions net of reversals	-4.3	-4.4
Other movements	-	-0.6
Translation adjustments	-0.1	0.2
IMPAIRMENT OF TRADE RECEIVABLES AT END OF PERIOD	**13.3**	**17.4**

7.3. Other current assets

(in millions of euros)	31/12/2022	31/12/2021
Inventories and work in progress	46.3	44.7
Advances and payments on account	1.9	1.5
Staff and social security	5.0	5.2
Tax receivables (other than corporate income tax)	147.8	185.4
Corporate income tax	118.6	104.2
Loans, guarantees and other financial receivables maturing in less than one year	2.2	1.5
Other receivables	16.2	32.5
Impairment of other receivables	-0.8	-1.1
Prepaid expenses	63.9	68.5
Derivatives	9.3	5.4
TOTAL	**410.6**	**447.9**

Inventories and work in progress essentially result from the costs of fulfilling contracts (transition phases of third-party application maintenance, infrastructure management and outsourcing contracts; preparatory phases for licences in SaaS mode), as described in Note 4.1. Their increase results from the signature of new contracts.

Tax receivables (other than corporate income tax) include those relating to the CIR (R&D tax credit) in France.

7.4. Other non-current liabilities

(in millions of euros)	31/12/2022	31/12/2021
Put options granted	-	-
Other liabilities – Non-current portion	11.8	15.2
Derivatives	3.7	0.6
TOTAL	**15.5**	**15.8**

In 2022, *Other non-current liabilities* included funding requirements for the Group's investments in corporate venture funds, for €6.2 million (€9.8 million at 31 December 2021).

At 31 December 2022, *Derivatives* consisted of interest rate and foreign currency hedges (see Notes 12.5.3 and 12.5.4).

Put options granted to non-controlling interests

When non-controlling interests have an option to sell their investment to the Group, a financial liability is recorded in other non-current liabilities for the present value of the option's estimated exercise price. The offset of the financial liability generated by these commitments is deducted from:

- the corresponding amount of non-controlling interests initially; and
- the Group's share of consolidated reserves for the remainder.

Subsequent changes in this put option arising from changes in estimates or relating to the unwinding of discount are offset against the corresponding non-controlling interests and the remainder is deducted from the Group's share of consolidated reserves.

7.5. Other current liabilities

(in millions of euros)	31/12/2022	31/12/2021
Liabilities on fixed assets – Portion due in less than one year	3.4	5.2
Advances and payments on account received for orders	18.2	27.9
Employee-related liabilities	522.6	451.7
Tax liabilities	221.4	228.3
Corporate income tax	125.3	117.4
Customer contract liabilities	400.9	390.5
Other liabilities	167.6	131.4
Derivatives	3.5	0.9
TOTAL	**1,463.0**	**1,353.6**

Customer contract liabilities are described in Note 4.1. Changes arose in part from the transformation of former liabilities into revenue, and in part from the appearance of new liabilities due to services that have been invoiced but not yet performed. The majority of these liabilities existing at 31 December 2021 were converted into revenue during financial year 2022.

Other liabilities include in particular the Group's commitment to buy back its own shares to be used in connection with its free performance share plans for €14.8 million (€9.8 million at 31 December 2021). They also include the liability related to the put option granted by the Group to the Cabinet Office for the shares it holds in the SSCL joint venture, which totalled €132.5 million at 31 December 2022.

NOTE 8 PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

8.1. Goodwill

8.1.1. Statement of changes in goodwill

Movements in financial year 2022 were as follows:

(in millions of euros)	01/01/2022	Acquisitions	Adjustments for business combinations	Divestments	Impairment	Translation adjustments	Other movements	31/12/2022
France	629.6	-	-4.2	-	-	-	-	625.4
UK	611.3	3.9	-	-0.1	-	-32.3	-	582,7
Other Europe	351.8	4.3	-0.1	-	-	-6.0	-	350.0
Banking	375.5	-	-	-	-	-5.9	-	369.6
HR	16.2	-	-	-	-	-	-	16.2
TOTAL	**1,984.3**	**8.2**	**-4.3**	**-0.1**	**-**	**-44.2**	**-**	**1,943.9**

(1) "Other Europe" comprises the following CGUs, which are tested separately: Germany, Scandinavia, Spain, Italy, Switzerland, Belgium, Luxembourg and Sopra Financial Technology.

The effects of acquisitions in the period totalling +€8.2 million are set out in Note 2.1. Main acquisitions.

The €44.2 million change in translation adjustments resulted from changes in the value of the euro against the following currencies:

(in millions of euros)	31/12/2022	31/12/2021
GBP	-38.1	47.1
NOK/SEK	-7.9	4.5
Other currencies	1.8	1.8
TOTAL	**-44.2**	**53.4**

8.1.2. Impairment testing

The Group performed impairment tests at 31 December 2022 in line with standard practice. It began by reviewing its discount rate and perpetual growth rate parameters .

The tests were performed using the following parameters:

	Discount rate		Perpetual growth rate	
	31/12/2022	**31/12/2021**	**31/12/2022**	**31/12/2021**
France	9.2%	7.7%	2.2%	2.0%
United Kingdom	9.6%	8.5%	2.2%	2.0%
Other Europe	7.9% to 10.5%	7.5% to 9.0%	2.2%	2.0%
Sopra Banking Software	9.2%	7.7%	2.2%	2.0%
Sopra HR Software	9.2%	7.7%	2.2%	2.0%

For each business combination, the Group may elect to recognise under its balance sheet assets either partial goodwill (corresponding only to its percentage of ownership interest) or full goodwill (also including the goodwill corresponding to minority interests) according to the method for business combinations presented in Note 2.1. This decision is made on an acquisition-by-acquisition basis.

Should the calculation of goodwill result in a negative difference (bargain purchase), the Group recognises the resulting gain entirely in profit or loss, after reassessing whether all assets and liabilities have been correctly identified.

Goodwill is allocated to cash-generating units for the purposes of impairment tests as set out in Note 8.1.3. Such tests are performed when there is an indication of impairment, and in any event at the balance sheet date of 31 December.

The Group then applied these parameters to its cash flow projections. These tests did not lead to any recognition of impairment.

The Group also tested 1.0-point changes in these assumptions. A 1.0-point decrease in the perpetual growth rate, a 1.0-point increase in the discount rate or a combination of the two would not lead to any recognition of impairment except against the Sopra Banking Software CGU. For the latter, only the combination of a 1.0-point decrease in the perpetual growth rate and a 1.0-point increase in the discount rate would lead to an impairment loss being recognised. Conversely, if the discount rate were to increase by 2 points or the perpetual growth rate were to decrease by 2 points, the Sopra Banking Software CGU would no longer pass the test and an impairment loss would be recognised.

Furthermore, the Group also performed additional testing to measure sensitivity to a decrease in the operating margin for the Sopra Banking Software CGU. he Group therefore considers that, all other things being equal, a decline of more than 1.7 points in the operating margin would result in the recognition of an impairment loss. The Group also tested the impact on this CGU of a 2-point decrease in the expected growth rate, all other things being equal. The CGU passed this test.

Finally, additional testing was also performed to measure sensitivity to key assumptions (such as the discount rate, perpetual growth rate, operating margin and revenue growth rate) for each cash-generating unit except Sopra Banking Software:

- a 2-point increase in the discount rate; or
- a 2-point decrease in the perpetual growth rate (i.e. no perpetual growth); or
- the combination of a 2-point increase in the discount rate and a 2-point decrease in the perpetual growth rate; or
- a 2-point decrease in the projected operating margin; or
- a 2-point decrease in the projected growth rate.

These additional tests, excluding Sopra Banking Software, did not give rise to any impairment losses.

IAS 36 *Impairment of Assets* requires that an entity assess at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the entity must estimate the asset's recoverable amount.

Irrespective of whether there is any indication of impairment, an entity must also:

- test intangible assets with indefinite useful lives annually;
- test the impairment of goodwill acquired in a business combination.

In practice, impairment testing is above all relevant to goodwill, which constitutes the majority of Sopra Steria Group's consolidated non-current assets.

Impairment testing is performed at the level of the cash-generating units (CGUs) to which assets are allocated. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

The Group's segmentation into CGUs is consistent with the operating structure of its businesses, its management and reporting system, and its segment reporting (see Note 3). Impairment testing involves comparing CGUs' carrying amounts with their recoverable amounts. A CGU's recoverable amount is the higher of its fair value (generally market value) less costs of disposal and its value in use.

The value in use of a CGU is determined using the discounted cash flow (DCF) method:

- cash flows for an explicit forecast period of five years, with the first year of the period based on the budget;
- cash flows beyond the five-year explicit period are calculated by applying a perpetual growth rate to the last cash flow for the foreseeable period, reflecting the anticipated rate of real long-term economic growth adjusted for long-term inflation forecasts.

The discount rate is based on the weighted average cost of capital. This is compared with the estimates produced by financial analysts. The final discount rate used for each CGU is derived from this comparison and falls between the weighted average cost of capital and the average of analyst estimates.

Perpetual growth rates are based on an average of analyst estimates.

Impairment losses are recognised to the extent of any excess of a CGU's carrying amount over its recoverable amount. Impairment losses are first allocated against goodwill and are charged to profit or loss as part of *Other operating income and expenses.*

The reversal of impairment losses for goodwill arising on fully consolidated investments is prohibited.

8.2. Other intangible assets

(in millions of euros)	Gross value	Amortisation	31/12/2022	31/12/2021
Enterprise software/Technology	93.9	70.5	23.4	29.7
Customer relationships	224.2	153.5	70.7	87.0
Favourable contracts	0.9	0.9	-	-
Brands	19.1	4.9	14.2	15.1
Software acquired and other intangible assets	312.0	253.6	58.4	45.3
TOTAL	**650.1**	**483.4**	**166.7**	**177.1**

Other intangible assets comprise technologies, customer relationships, favourable contracts, order backlogs and brands allocated as part of the purchase price allocation process for a business combination. Expenses relating to the amortisation of allocated intangible assets enter into the calculation of *Profit from recurring operations.*

Changes in *Intangible assets* are set out in the table below:

(in millions of euros)	Gross value	Depreciation and impairment	Carrying amount
31 december 2020	**661.7**	**428.8**	**232.9**
Changes in scope	0.2	0.1	0.1
Allocated intangible assets	-	-	-
Acquisitions	5.1	-	5.1
Disposals – Scrapping	-50.5	-49.4	-1.0
Other movements	30.9	30.1	0.9
Translation adjustments	16.7	11.9	4.8
Net increase in amortisation and impairment	-	65.7	-65.7
31 december 2021	**664.2**	**487.1**	**177.1**
Changes in scope	-	-	-
Allocated intangible assets	11.0	-	11.0
Acquisitions	32.8	-	32.8
Disposals – Scrapping	-33.0	-33.0	-
Other movements	-11.4	-12.3	0.8
Translation adjustments	-13.5	-10.2	-3.3
Net increase in amortisation and impairment	-	51.7	-51.7
31 DECEMBER 2022	**650.1**	**483.4**	**166.7**

In 2022, customer relationships totalling €7.9 million were recognised in respect of EVA Group following its acquisition (see Note 2.1).

Other movements mainly arose from an intangible asset, acquired as part of a business combination completed in 2020, being broken down into its gross value and amortisation.

Development expenditures for software and solutions (Banking, Human Resources and Property Management) totalling €19.6 million have been recognised under intangible assets for 2022. They relate to the accelerating digitalisation of Sopra Banking Software's offering.

a. Assets acquired separately

These are software assets recorded at cost. They are amortised using the straight-line method over one to ten years, depending on their estimated useful lives.

b. Assets acquired in connection with business combinations

These are software assets, customer relationships, brands and distributor relationships measured at fair value as part of a purchase price allocation for entities acquired in business combinations. They are amortised using the straight-line method over three to fifteen years, depending on their estimated useful lives. Acquired brands whose useful lives cannot be estimated are not amortised.

c. Internally generated assets

Pursuant to IAS 38 *Intangible Assets*:

- research and development costs are expensed in the year in which they are incurred;
- software development costs are capitalised if all of the following can be demonstrated:
  - technical feasibility of completing the intangible asset for use or sale,
  - intent to complete the intangible asset and use or sell it,
  - ability to use or sell the intangible asset,
  - generation of probable future economic benefits,
  - availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset,
  - ability to reliably measure the expenditure attributable to the intangible asset during its development.

8.3. Property, plant and equipment

(in millions of euros)	Land and buildings	Fixtures and fittings, furniture and sundry equipment	IT equipment	Total
Gross value				
31 december 2020	**45.7**	**253.1**	**155.2**	**454.1**
Changes in scope	-	0.6	0.3	0.9
Acquisitions	0.5	22.9	19.2	42.7
Disposals – Scrapping	-0.8	-9.7	-4.4	-14.9
Other movements	1.4	-2.0	3.2	2.6
Translation adjustments	1.4	2.3	4.4	8.1
31 december 2021	**48.1**	**267.2**	**178.0**	**493.4**
Changes in scope	-	0.1	0.1	0.2
Acquisitions	5.2	32.0	19.4	56.5
Disposals – Scrapping	-2.2	-11.9	-26.7	-40.9
Other movements	0.5	-0.6	-0.1	-0.2
Translation adjustments	-1.2	-2.0	-3.5	-6.6
31 DECEMBER 2022	**50.4**	**284.8**	**167.1**	**502.4**
Depreciation				
31 december 2020	**27.0**	**166.3**	**128.3**	**321.6**
Changes in scope	-	0.1	0.2	0.3
Charges	2.3	28.1	16.1	46.5
Disposals – Scrapping	-0.7	-9.0	-4.4	-14.1
Other movements	-	0.8	2.4	3.2
Translation adjustments	0.8	1.7	3.7	6.2
31 december 2021	**29.4**	**188.0**	**146.3**	**363.8**
Changes in scope	-	0.1	0.1	0.1
Charges	3.2	19.3	17.3	39.8
Disposals – Scrapping	-1.5	-11.0	-26.6	-39.1
Other movements	0.2	0.6	-0.1	0.7
Translation adjustments	-0.7	-1.1	-2.6	-4.4
31 DECEMBER 2022	**30.5**	**195.9**	**134.4**	**360.9**
Net value				
31 december 2021	**18.7**	**79.2**	**31.7**	**129.6**
31 DECEMBER 2022	**19.9**	**88.9**	**32.7**	**141.5**

The Group's investments in property, plant and equipment (€56.5 million) mainly consisted of €36.8 million for fixtures and fittings and office equipment in France and abroad and €19.4 million for IT equipment.

Property, plant and equipment essentially consists of land and buildings, fixtures and fittings, office furniture and equipment, and IT equipment.

Property, plant and equipment is measured at acquisition cost (excluding any borrowing costs) less accumulated depreciation and any impairment losses. No amounts have been remeasured.

Depreciation is calculated using the straight-line method over the expected useful lives of each of the following fixed asset categories:

- buildings: 25 to 30 years;
- fixtures and fittings: 4 to 10 years;
- IT hardware and equipment: 3 to 8 years;
- vehicles: 4 to 5 years;
- office furniture and equipment: 4 to 10 years.

Depreciation is applied against assets' acquisition cost after deducting any residual value. Assets' residual values and expected useful lives are reviewed at each balance sheet date.

NOTE 9 LEASES

9.1. Right-of-use assets by category of leased assets

(in millions of euros)	Premises	Vehicles	IT equipment	Other property, plant and equipment	Total
Gross value					
31 december 2020	**611.6**	**37.3**	**34.5**	**4.6**	**688.0**
Changes in scope	0.5	0.1	-	-	0.6
Acquisitions	133.6	8.5	1.3	0.7	144.0
Disposals – Scrapping	-99.7	-8.9	-7.9	-0.4	-117.0
Other movements	0.3	-0.3	-	-0.4	-0.4
Translation adjustments	19.0	-0.4	0.3	0.3	19.1
31 december 2021	**665.3**	**36.3**	**28.1**	**4.6**	**734.3**
Changes in scope	-	-	-	-	-
Acquisitions	97.3	8.7	11.2	0.2	117.4
Disposals – Scrapping	-108.5	-6.9	-10.2	-0.1	-125.8
Other movements	-0.8	0.5	-	-	-0.3
Translation adjustments	3.2	-0.9	-4.7	-0.2	-2.6
31 DECEMBER 2022	**656.5**	**37.7**	**24.3**	**4.5**	**723.0**
Depreciation and impairment					
31 december 2020	**350.9**	**23.0**	**20.6**	**3.1**	**397.7**
Changes in scope	0.2	-	-	-	0.2
Charges	75.6	9.4	7.2	0.8	93.1
Disposals – Scrapping	-89.1	-8.7	-7.9	-0.4	-106.1
Other movements	0.4	-0.5	-	-0.4	-0.6
Translation adjustments	8.6	-1.9	0.1	0.1	6.9
31 december 2021	**346.5**	**21.5**	**20.0**	**3.2**	**391.2**
Changes in scope	-	-	-	-	-
Charges	80.8	9.7	5.0	0.7	96.2
Disposals – Scrapping	-100.9	-6.6	-9.2	-0.1	-116.8
Other movements	-1.1	-0.4	-	-	-1.6
Translation adjustments	-0.2	-0.8	-4.7	-0.2	-6.0
31 DECEMBER 2022	**325.1**	**23.3**	**11.1**	**3.6**	**363.1**
Net value					
31 december 2021	**318.8**	**14.8**	**8.0**	**1.5**	**343.1**
31 DECEMBER 2022	**331.4**	**14.4**	**13.1**	**0.9**	**359.9**

The Group significantly reorganised its premises in 2022, mainly in France, resulting in an increase in lease right-of-use assets coinciding with the termination of leases of the same type.

Leases

Leases are recognised in the balance sheet at the lease commencement date, which corresponds to the date at which the lessor makes the underlying asset available to the lessee, and results in the recognition of a balance sheet asset within *Right-of-use assets* and a liability within *Lease liabilities*. The value of lease liabilities corresponds to the present value of minimum future payments, discounted over the lease term using either the interest rate implicit in the lease or otherwise the incremental borrowing rate of the entity leasing the asset. The lease term chiefly reflects the non-cancellable period of the lease. The Group may adjust it, where it considers this to be reasonable, to reflect the period of a renewal or an extension option, which could be exercised, or an early termination option, which could be invoked where the corresponding penalties (contractual penalties and economic costs of doing so) would be more than negligible.

At the lease commencement date, the value of the right-of-use asset recognised in the balance sheet corresponds to the lease liability adjusted for any initial direct costs incurred in obtaining the lease, prepaid lease payments, incentives received from the lessor at that date, or costs to be incurred by the lessee in dismantling and removing the underlying asset.

Minimum future payments include fixed lease payments, variable lease payments that depend on an index or a rate, residual value guarantees, the exercise price of a purchase option, and termination or non-renewal penalties if the Group is reasonably certain to exercise or not exercise these options. Some of these values may change over the term of the lease, in which case the values of lease liabilities and right-of-use assets are revised upward or downward. They do not include any service components that may be included in the lease, which continue to be recognised as expenses.

In the balance sheet, *Lease liabilities* are split out into non-current and current portions. *Right-of-use assets* are amortised on a straight-line basis over the lease term or the useful life of the underlying asset if the lease transfers ownership of the asset to the lessee, or if the lessee is reasonably certain of exercising a purchase option. In the income statement, these amortisation expenses are included within *Depreciation, amortisation, provisions and impairment* under *Operating profit on business activity.* The *Net interest expense on lease liabilities* is split out from the line item *Other financial income and expenses.*

Finally, as an exception, short-term leases (lease term of 12 months or less) and leases of low-value assets (individual value less than 5,000 USD) are directly recognised as expenses and are therefore not restated in the balance sheet. Variable lease payments are also recognised as expenses according to the use or revenue generated by the use of the underlying asset.

9.2. Breakdown of lease liabilities by maturity

				Breakdown of non-current portion				
(in millions of euros)	**Carrying amount**	**Current**	**Non-current**	**1 to 2 years**	**2 to 3 years**	**3 to 4 years**	**4 to 5 years**	**More than 5 years**
LEASE LIABILITIES	**390.5**	**77.7**	**312.8**	**68.8**	**61.5**	**49.0**	**35.9**	**97.6**

NOTE 10 EQUITY-ACCOUNTED INVESTMENTS

10.1. Net profit from associates

(in millions of euros)	31/12/2022	% held at 31/12/2022	31/12/2021	% held at 31/12/2021
Share of net profit of Axway Software	-12.8	31.96%	3.1	31.96%
Share of net profit of Holocare	-1.3	66.67%	-1.1	66.67%
Share of net profit of Celescan	-0.6	50.00%	-0.2	50.00%
TOTAL	**-14.7**		**1.8**	

10.2. Carrying amount of investments in associates

The carrying amount of investments in associates consisted mainly of the value of Axway Software shares. This latter changed as follows:

(in millions of euros)	Gross value	Impairment	Carrying amount
31 december 2020	**192.0**	**-**	**192.0**
Changes in scope	-	-	-
Reversal of impairment	-	-	-
Share capital transactions	0.7	-	0.7
Dividends paid	-2.8	-	-2.8
Net profit	3.1	-	3.1
Translation adjustments	6.0	-	6.0
Changes in shareholding	-1.5	-	-1.5
Disposal	-	-	-
Other movements	-1.6	-	-1.6
31 december 2021	**195.9**	**-**	**195.9**
Changes in scope	-	-	-
Reversal of impairment	-	-	-
Share capital transactions	-	-	-
Dividends paid	-2.7	-	-2.7
Net profit	-12.8	-	-12.8
Translation adjustments	4.6	-	4.6
Changes in shareholding	-	-	-
Disposal	-	-	-
Other movements	-3.3	-	-3.3
31 DECEMBER 2022	**181.7**	**-**	**181.7**

At 31 December 2022, Sopra Steria Group held a 31.96% stake, as at 31 December 2021. This stake does not give the Group a controlling interest in this subsidiary and does not allow it to involve itself in the running of business or influence variable returns from this subsidiary. As such, the Group exerts a significant influence and reviews this situation each financial year. In 2022, no events or developments occurred that changed this situation.

Their recoverable amount is estimated as follows:

(in millions of euros)	31/12/2022	31/12/2021
Market value (Category 1) *	115.1	186.0
Market value less costs to sell	112.8	182.2
Value in use	200.3	246.4
DCF calculation parameters:		
■ Discount rate	9.4%	7.8%
■ Perpetual growth rate	1.8%	2.3%
RECOVERABLE AMOUNT	**200.3**	**246.4**

(*) Since Axway Software's shares are listed, their fair (market) value less costs of disposal is equal to market price less costs to sell, which constitutes the Level 1 fair value under IFRS.

Their value in use – the higher of the two values used to determine the recoverable amount – supports the carrying amount of the equity-accounted Axway Software shares at 31 December 2022.

The Group tested 0.5-point changes in its assumptions, all other things being equal. Based on this test, neither a 0.5-point increase in the discount rate, nor a 0.5-point decrease in the perpetual growth rate, nor the combination of these two factors would lead to an impairment loss. This test is based on the judgement of management and was developed within the context of uncertainties inherent in the transformation of Axway Software's business model.

SUMMARY FINANCIAL INFORMATION RELATING TO THE AXWAY SOFTWARE GROUP

(in millions of euros)	31/12/2022	31/12/2021
Non-current assets	374.0	424.6
Current assets	197.1	158.3
Equity	327.8	372.2
Non-current liabilities excluding equity	119.8	100.9
Current liabilities	123.5	109.8
Revenue	314.0	285.5
Net profit	-40.0	9.6

Recognition and impairment of investments in associates

Investments in associates are initially recognised at acquisition cost, and their value is then adjusted to reflect changes in the Group's share of their net assets. The remainder of this share appears under *Equity-accounted investments* on the asset side of the balance sheet. Its change over the financial year is recognised in profit or loss within *Net profit from associates.*

Equity-accounted shares in a company constitute a single asset and must be tested for impairment in accordance with IAS 36 *Impairment of Assets*.

Goodwill on associates is included in the value of equity-accounted investments, the value of which is measured inclusive of goodwill. As such, goodwill on associates must not be tested for impairment separately.

At each balance sheet date, where there is an indication of impairment of an investment in an associate, the parent company must carry out an impairment test consisting of comparing the carrying amount of the relevant equity-accounted investment with its recoverable amount.

Under IAS 36, the recoverable amount of an investment in an associate is the higher of its value in use, calculated on the basis of future cash flows, and the fair value of the investment less costs of disposal. Where an associate's shares are listed, fair value less costs of disposal is equal to market price less costs to sell: in the absence of any firm sale agreement, this is the price at which the shares are currently trading.

Any impairment losses are charged to profit or loss as *Other operating income and expenses.*

Where there is an improvement in the recoverable amount of an equity-accounted investment such that the impairment loss may be written back, the full amount of the impairment loss, including the portion relating to goodwill, must be written back.

NOTE 11 PROVISIONS AND CONTINGENT LIABILITIES

11.1. Current and non-current provisions

(in millions of euros)	01/01/ 2022	Changes in scope	Charges	Reversals (used)	Reversals (not used)	Other	Translation adjustments	31/12/ 2022	Non -current portion	Current portion
Disputes	10.3	-	2.7	-1.1	-0.2	-1.9	-	9.8	8.2	1.6
Losses on contracts	9.9	-	4.7	-2.4	-	-	-0.5	11.7	-	11.7
Tax risks other than income tax	19.1	0.9	0.6	-0.5	-0.2	-	-	19.8	19.3	0.5
Restructuring	7.6	-	0.9	-4.1	-0.2	-0.4	-	3.9	2.2	1.7
Cost of renovating premises	14.1	-	6.4	-2.8	-1.0	-	-0.6	16.1	8.5	7.6
Other contingencies	45.5	-	22.4	-28.4	-6.3	4.9	-0.9	37.2	13.5	23.6
TOTAL	**106.5**	**0.9**	**37.7**	**-39.3**	**-8.0**	**2.6**	**-2.0**	**98.5**	**51.8**	**46.7**

Provisions for disputes mainly cover disputes before employment tribunals and end-of-contract bonuses for employees (€2.9 million at 31 December 2022, versus €3.1 million at 31 December 2021). The remainder mainly corresponds to customer disputes, primarily in France, for €1.9 million and with Sopra Banking Software for €4.5 million.

Provisions for tax risks other than income tax mainly concern risks relating to the R&D tax credit in France.

Provisions for restructuring correspond to the cost of one-off restructuring measures, mainly in Germany (€2.0 million) and France (€1.8 million).

Other provisions for contingencies mainly cover risks relating to clients and projects (€26.3 million, including €11.8 million in the United Kingdom, and €12.5 million in Germany, contractual risks (€4.2 million) and employee-related risks (€3.1 million).

Present obligations resulting from past events involving third parties are recognised in provisions only when it is probable that such obligations will give rise to an outflow of resources to third parties without consideration from said parties that is at least equivalent, and if the outflow of resources can be reliably measured.

Since provisions are estimated based on future risks and expenses, such amounts include an element of uncertainty and may be adjusted in subsequent periods. The impact of discounting provisions is taken into account if significant.

In the specific case of restructuring, an obligation is recognised as soon as the restructuring has been publicly announced and a detailed plan presented or the plan implementation has commenced. This cost mainly corresponds to severance payments, early retirement, costs related to notice periods not worked, training costs for departing employees and other costs relating to site closures. A provision is recognised for the rent and related costs to be paid, net of estimated subleasing income, in respect of any property if the asset is subleased or vacant and is not intended to be used in connection with main activities.

Scrapped assets and impairment of inventories and other assets directly related to the restructuring measures are also recognised in restructuring costs.

11.2. Contingent liabilities

The contingent liabilities recognised arose as a result of the Sopra-Steria business combination in 2014.

At 31 December 2022, they totalled €6.0 million after tax, corresponding to tax and contractual risks in India.

Furthermore, in Germany, the transformation programme run by Sopra Financial Technology on behalf of banks in the Sparda group was suspended because the stakeholders were unable to reach agreement on a shared solution within a reasonable time frame. Talks are in progress with the banks, shareholders and customers on the conditions under which the banks' information system might be migrated to a third-party supplier. Sopra Financial Technology would continue to provide the banks with operational support for the existing information system until migration was complete, which could be sometime between now and 2026. The effects of this reconfiguration of Sopra Financial Technology's business cannot be accurately assessed at this time.

To the extent that a liability is not probable or may not be reliably estimated, a contingent liability is disclosed by the Group among its commitments given. By exception, in connection with business combinations, the Group may recognise a contingent liability on the balance sheet if it results from a present obligation arising from past events and its fair value can be reliably estimated, even where it is not probable that an outflow of resources will be necessary to extinguish the obligation.

NOTE 12 FINANCING AND FINANCIAL RISK MANAGEMENT

12.1. Financial income and expenses

12.1.1. Cost of net financial debt

(in millions of euros)	Financial year 2022	Financial year 2021
Interest income	1.3	1.1
Income from cash and cash equivalents	**1.3**	**1.1**
Interest expenses	-10.2	-9.2
Gains and losses on hedges of gross financial debt	0.3	-0.6
Cost of gross financial debt	**-9.9**	**-9.9**
COST OF NET FINANCIAL DEBT	**-8.7**	**-8.7**

The average cost of borrowing after hedging was 1.87% in 2022 (1.53% in 2021). This cost amounted to 1.64% excluding the expense related to the accelerated amortisation of fees under the prior revolving multi-currency credit facility, which came to €1.2 million (see Note 12.3.2).

12.1.2. Other financial income and expenses

(in millions of euros)	Financial year 2022	Financial year 2021
Foreign exchange gains and losses	**-0.8**	**2.7**
Other financial income	**1.7**	**0.7**
Net interest expense on lease liabilities	-6.4	-6.3
Net interest expense on retirement benefit obligations	-0.1	-2.8
Expense on unwinding of discounted non-current liabilities	-0.8	-0.7
Change in the value of derivatives	2.0	-1.1
Gain or loss on disposal of financial assets	0.2	0.3
Other financial expenses	-1.6	-2.2
Total other financial expenses	**-6.6**	**-12.8**
TOTAL OTHER FINANCIAL INCOME AND EXPENSES	**-5.7**	**-9.5**

The €2.7 million reduction in finance costs in relation to post-employment benefits under defined benefit schemes is mainly the result of a favourable change in the United Kingdom pension fund deficit.

12.2. Cash and cash equivalents

(in millions of euros)	31/12/2022	31/12/2021
Cash equivalents	13.5	25.3
Cash	342.4	191.9
Cash and cash equivalents	**355.9**	**217.2**
Current bank overdrafts	0.3	-0.2
NET CASH IN THE CASH FLOW STATEMENT	**356.2**	**216.9**

Net cash and cash equivalents include available liquid funds (cash at bank and in hand), liquid marketable securities that meet the definition of cash equivalents, bills of exchange presented for collection and falling due before the balance sheet date, and temporary bank overdrafts.

Net debt, as presented in Note 12.3, is more representative of the Group's financial position.

Marketable securities and other short-term investments include money-market holdings, short-term deposits and advances under the liquidity agreement. The risk of a change in value on these investments is negligible.

Of the €356.2 million in cash and cash equivalents (excluding current bank overdrafts) at 31 December 2022, €283.6 million was held by the parent company and €72.6 million by the subsidiaries. Among the subsidiaries, entities in India contributed €15.5 million to net cash and cash equivalents at 31 December 2022 (versus €28.5 million at 31 December 2021).

Cash and cash equivalents comprise cash, bank demand deposits, other highly liquid investments with maturities not exceeding three months, and bank overdrafts. Bank overdrafts are included in current liabilities as part of *Financial debt – Short-term portion.*

Cash equivalents are defined as short-term, highly liquid investments that are readily convertible to known amounts of cash, and that are subject to an insignificant risk of changes in value, with the exception of foreign exchange impacts.

UCITS classified by the AMF (France's financial markets regulator) as belonging to the "money market fund" and "short-term money market fund" categories are, for practical purposes, presumed to automatically meet all four quoted eligibility criteria. Other cash UCITS cannot be presumed to be eligible for classification as "cash equivalents": an analysis must be carried out to establish whether or not the four quoted criteria are met.

Cash equivalents are recognised at fair value; changes in fair value are charged to profit or loss under *Cost of net financial debt*.

12.3. Financial debt – Net financial debt

(in millions of euros)	Current	Non-current	31/12/2022	31/12/2021
Bonds	2.3	249.6	251.9	251.8
Bank borrowings	0.7	55.9	56.7	147.2
Other sundry financial debt	185.0	14.6	199.6	145.0
Current bank overdrafts	-0.3	-	-0.3	0.2
Financial debt	**187.7**	**320.1**	**507.9**	**544.3**
Cash equivalents	-13.5	-	-13.5	-25.3
Cash	-342.4	-	-342.4	-191.9
NET FINANCIAL DEBT	**-168.2**	**320.1**	**152.0**	**327.1**

Financial debt essentially comprises the following:

- bond debt and bank borrowings, initially recognised at fair value net of transaction costs incurred. Borrowings are subsequently recognised at amortised cost; any difference between the capital amounts borrowed (net of transaction costs) and the amounts repayable is recognised in profit or loss over the duration of the borrowings using the effective interest method;
- NEU CP short-term negotiable securities, which have a maturity of less than 12 months and are recognised at amortised cost;
- NEU MTN medium-term negotiable securities, which have maturities spread over one to five years from issuance, and are recognised at amortised cost;
- current bank overdrafts.

Financial debt repayable within 12 months of the balance sheet date is classified as current liabilities.

12.3.1. Bonds

On 5 July 2019, the Group issued a €250 million bond to top-ranking institutional investors. The bond has two tranches: a 7-year €130 million bond with a fixed annual coupon of 1.749%, and an 8-year €120 million tranche with a fixed annual coupon of 2.0%.

12.3.2. Bank borrowings

On 22 February 2022, the Group signed an agreement with its partner banks consisting of a €1,100 million non-amortising multi-currency credit facility tied to the achievement of environmental goals. Its ESG component does not constitute an embedded derivative. It is based on achieving a greenhouse gas emissions reduction aligned with a 1.5°C temperature increase scenario validated by SBTi for Scope 1 and 2 emissions, and part of Scope 3. The target is to reduce greenhouse gas emissions by 68% per employee in 2028 with respect to their 2015 baseline level. It is measured for each financial year and, if the target is met, will result in a 0.04% reduction per year in the applicable margin. If, on the other hand, emissions go over the limit, the margin will be increased and used to make a financial contribution to sustainable projects.

This agreement replaced the revolving multi-currency credit facility arranged in 2014. It has an initial term of five years and may optionally be extended for two periods of one year each.The first option of requesting an extension was exercised in late 2022 and received the unanimous agreement of all lenders in February 2023.

The Group also has two non-amortising bilateral bank facilities: one drawn to €60 million and the other undrawn for €50 million, both maturing in 2024.

12.3.3. Other financial debt

In 2015, the Group arranged an unrated multi-currency NEU CP programme of short-term negotiable securities that was not underwritten, in a maximum amount of €700 million. This programme is presented in documentation available on the Banque de France website, which was last updated in July 2022. The average amount outstanding under the NEU CP programme was €133.9 million in 2022, compared with €68.4 million in 2021. The outstanding amount under the NEU CP programme at 31 December 2022 was €125.0 million (€15.0 million at 31 December 2021). The NEU CPs are included in *Other sundry financial debt.*

In December 2017, as part of its efforts to diversify its borrowings, the Group arranged an NEU MTN programme of medium-term negotiable securities that was not underwritten, with a maximum amount of €300 million. As was the case for the earlier NEU CP programme, the NEU MTN programme is presented in documentation available on the Banque de France website, which was updated in July 2022. The NEU MTN programme pays fixed or floating rates, with a spread at each issue date. Maturities range from one to five years.

At 31 December 2022, the outstanding amount under the NEU MTN programme was €70.0 million, with maturities of up to two years (€130.0 million at 31 December 2021). The net decrease in the amount of NEU MTN over the financial year corresponded to €70 million in matured securities, which were renewed in the form of NEU CP and a new issue of €10 million. The NEU MTNs are included in *Other sundry financial debt.*

12.4. Derivatives reported in the balance sheet

	31/12/2022		Breakdown by class of financial instrument					
(in millions of euros)	Carrying amount	Fair value	Assets and liabilities at fair value through profit or loss	Financial assets at fair value through OCI	Loans, receivables and other debt	Financial liabilities at amortised cost	Derivatives	Other items not considered as financial instruments
Non-current financial assets	114.0	114.0	-	45.3	61.3	-	7.4	-
Trade receivables and related accounts	1,104.2	1,104.2	-	-	1,104.2	-	-	-
Other current assets	410.6	410.6	-	-	282.7	-	9.3	118.6
Cash and cash equivalents	355.9	355.9	355.9	-	-	-	-	-
FINANCIAL ASSETS	**1,984.7**	**1,984.7**	**355.9**	**45.3**	**1,448.2**	**-**	**16.7**	**118.6**
Financial debt – Long-term portion	320.1	320.1	-	-	-	320.1	-	-
Other non-current liabilities	15.5	15.5	-	-	11.8	-	3.7	-
Financial debt – Short-term portion	187.7	187.7	-	-	-	187.7	-	-
Trade payables and related accounts	318.2	318.2	-	-	318.2	-	-	-
Other current liabilities	1,463.0	1,463.0	-	-	1,334.2	-	3.5	125.3
FINANCIAL LIABILITIES	**2,304.6**	**2,304.6**	**-**	**-**	**1,664.2**	**507.9**	**7.2**	**125.3**

Items measured at fair value through profit or loss, and derivative hedging instruments, are valued by reference to quoted interbank interest rates and to foreign exchange rates set daily by the European Central Bank. All financial instruments in this category are financial assets and liabilities classified as such upon first recognition.

Financial debt is recognised at amortised cost using the effective interest rate. Hedging instruments may be put in place to hedge against fluctuations in interest rates by swapping part of the Group's floating-rate debt for fixed-rate debt.

The Group has entered into and continues to implement transactions designed to hedge its exposure to foreign exchange risk through the use of derivatives, including exchange-traded futures and options as well as over-the-counter instruments with top-tier counterparties, as part of its overall risk management policy and due to the substantial scale of its production activities in India, Poland and Tunisia.

Derivatives are recognised at fair value in the consolidated balance sheet. Changes in the fair value of derivatives not qualifying for hedge accounting are recognised directly in profit or loss for the period.

Income tax receivables and payables are not financial instruments.

The profit and loss impact of these financial instruments is as follows:

	31/12/2022	Breakdown by category of instrument				
(in millions of euros)	Profit or loss impact	Fair value through profit or loss	Financial assets at fair value through OCI	Loans, receivables and other debt	Liabilities at amortised cost	Derivatives
Total interest income	1.3	-	1.3	-	-	-
Total interest expense	-10.2	-	-	-	-10.2	-
Remeasurement	0.3	-	-	-	-	0.3
NET GAINS OR LOSSES	**-8.7**	**-**	**1.3**	**-**	**-10.2**	**0.3**

The Group uses derivatives such as currency forwards, swaps and options to hedge its exposure to interest rate risk and fluctuations in foreign currencies. Derivatives are recognised at fair value.

Any gains or losses resulting from fair value movements in derivatives not designated as hedging instruments are recognised directly in profit or loss as *Other financial income and expenses.*

The fair value of currency forwards is calculated by reference to current rates for contracts with similar maturity profiles. The fair value of interest rate swaps is determined by reference to the market value of similar instruments.

For hedge accounting purposes, hedges are classified as either:

- fair value hedges, which hedge exposure to changes in the fair value of a recognised asset or liability or a firm commitment (except foreign exchange risk);
- cash flow hedges, which hedge exposure to fluctuations in cash flows attributable either to a specific risk associated with a recognised asset or liability or a highly probable future transaction or foreign exchange risk on a firm commitment;
- hedges of a net investment in a foreign operation.

Hedging instruments that satisfy hedge accounting criteria are recognised as follows:

a. Fair value hedges

Changes in the fair value of a derivative designated as a fair value hedge are recognised in profit or loss (*Other current operating income and expenses* or *Other financial income and expenses* according to the type of hedged item). The ineffective portion of the hedges is recognised in profit or loss as part of *Other financial income* or *Other financial expenses*, either over the term of the instrument for financial hedges, or at the date of the hedged purchase or sale for hedges of commercial risk. Fair value gains and losses on the hedged item attributable to the hedged risk adjust the carrying amount of the hedged item and are also recognised in profit or loss.

b. Cash flow hedges

The gain or loss corresponding to the effective portion of the hedging instrument is recognised directly in equity, while the ineffective portion is taken to profit or loss, in *Other financial income and expenses.*

Gains and losses recognised directly in equity are released to profit or loss under *Other comprehensive income* in the period during which the hedged transaction impacts profit or loss.

If the Group does not expect the realisation of the forecast transaction or commitment, the gains and losses previously recognised directly in equity will be released to profit or loss. If the hedging instrument matures, is sold, cancelled or exercised and is not replaced or renewed or if its designation as a hedging instrument is revoked, amounts previously recognised in equity will be held in equity until realisation of the forecast transaction or firm commitment.

c. Hedges of a net investment

Hedges of a net investment in a foreign operation, including hedges of monetary items recognised as part of a net investment, are recognised in *Other comprehensive income.*

The gain or loss corresponding to the effective portion of the hedging instrument is recognised directly in equity, while the ineffective portion is taken to profit or loss.

On the disposal of the foreign operation, cumulative gains and losses recognised directly in equity are released to profit or loss.

12.5. Financial risk management

12.5.1. Liquidity risk

The Group's policy is to have borrowing facilities at its disposal that are much larger than its needs and to manage cash centrally at Group level where permitted by local law. Moreover, subsidiaries' cash surpluses or borrowing requirements are managed centrally, being invested or met by the Sopra Steria Group parent company, which carries the bulk of the Group's borrowings and bank credit lines.

As part of its efforts to diversify its borrowings, the Group launched a €300 million NEU MTN programme in December 2017 to supplement its €700 million NEU CP programme launched in 2015. In the first quarter of 2022, €70 million in NEU MTN matured securities were refinanced in the form of €10 million in NEU MTN and €70 million in NEU CP maturing in one year. In the rest of 2022, positive cash flow increased the Group's surplus cash positions, leading it to limit its issues of NEU CP in a market environment that saw lower demand from investors. Given the NEU CP issues negotiated in the fourth quarter of 2022, total outstanding NEU CP at end December 2022 stood at €125 million.

In addition, fixed-rate bilateral credit facilities were in place for a total of €110 million, with maturities in 2024. At 31 December 2022, bilateral credit facilities were drawn down in the amount of €60 million.

At 31 December 2022, the Group had credit facilities totalling €1,621 million, 19% of which was drawn down.

Undrawn available credit lines amounted to €1,150 million (€1,100 million in RCFs and €50 million in bilateral credit facilities), in addition to undrawn overdraft facilities for €161 million. Aside from the syndicated loan, bilateral credit facilities and bonds, the Group's financing essentially consists of issues under NEU CP (short-term commercial paper) and NEU MTN programmes. These financing sources break down as shown below:

	Amount authorised at 31/12/2022		Drawdown rate at 31/12/2022		Drawdown rate	Repayment terms	Interest rate at 31/12/2022
	€m	£m	€m	£m			
Available credit facilities							
Bond	250.0	-	250.0	-	100%	At maturity €130m 07/2026 €120m 07/2027	1.87%
Multi-currency revolving credit facility	1,100.0		-	-	0%	02/2027 with two one-year extension options*	
Bilateral credit facilities	110.0		60.0		55%	2024	0.50%
Other		-	-	-			
Overdraft	161.5	-	-	-		N/A	
Total credit facilities authorised per currency	**1,621.5**	**-**	**310.0**	**-**			
TOTAL CREDIT FACILITIES AUTHORISED (€ EQUIVALENT)	**1,621.5**	**-**	**310.0**	**-**	**19%**		**1.60%**
Other types of financing used							
NEU CP & NEU MTN	-	-	195.0	-		2023 to 2024	0.31%
Other	-	-	2.8	-			
Total financing per currency	**-**	**-**	**507.9**	**-**			
TOTAL FINANCING (€ EQUIVALENT)	**-**		**507.9**				**1.10%**

**The first one-year extension option was unanimously approved by lenders in February 2023.*

Interest rates payable on the syndicated loan equal the interbank rate of the currency concerned at the time of drawdown (minimum 0%), plus a margin set for a period of six months based on the leverage ratio.

The €250 million bond issued on 5 July 2019 has an effective interest rate of 1.749% for the €130 million tranche and 2% for the €120 million tranche.

The bond issue is subject to terms and conditions, which include financial covenants.

Two financial ratios are calculated every six months using the consolidated financial statements on a 12-month rolling basis:

- the first – known as the leverage ratio – is equal to net financial debt divided by pro forma EBITDA;
- the second – known as the interest coverage ratio – is equal to pro forma EBITDA divided by the cost of net financial debt.

The first financial ratio must not exceed 3.0 at any reporting date. The second ratio must not fall below 5.0.

Net financial debt is defined on a consolidated basis as all loans and related borrowings (excluding intercompany liabilities and lease liabilities), less available cash and cash equivalents.

Pro forma EBITDA is consolidated *Operating profit on business activity* adding back depreciation, amortisation and provisions included in *Operating profit on business activity* before the impact of IFRS 16 *Leases* (see Note 1.6.1). It is calculated on a 12-month rolling basis and is therefore restated so as to be presented in the financial statements at constant scope over 12 months.

At 31 December 2022, the net financial debt/pro forma EBITDA ratio covenant was met, with the ratio coming in at 0.31 compared with a covenant of 3.0. It is calculated as follows:

(in millions of euros)	31/12/2022	31/12/2021
Short-term borrowings (<1 year)	187.7	95.8
Long-term borrowings (>1 year)	320.1	448.4
Cash and cash equivalents	-355.9	-217.2
Other financial guarantees	-	-
Net financial debt (including financial guarantees)	**152.0**	**327.1**
Pro forma EBITDA	**496.5**	**447.8**
NET FINANCIAL DEBT/PRO FORMA EBITDA RATIO	**0.31**	**0.73**

For the second ratio, pro forma EBITDA is as defined above and the cost of net financial debt is also calculated on a rolling 12-month basis.

At 31 December 2022, the "Pro forma EBITDA/Cost of net financial debt" covenant – requiring a ratio of at least 5.0 – was met, with the ratio coming in at 57.34. It is calculated as follows:

(in millions of euros)	31/12/2022	31/12/2021
Pro forma EBITDA	**496.5**	**447.8**
Cost of net financial debt	**8.7**	**8.7**
PRO FORMA EBITDA/COST OF NET FINANCIAL DEBT RATIO	**57.34**	**51.22**

The bank loan is subject to conditions including a single financial covenant: the leverage ratio, calculated in the same way as for the bond issue, on the basis of the consolidated financial statements, on a 12-month rolling basis, but only annually. At 31 December 2022, this covenant was met.

In addition to satisfying the financial ratio prerequisites described above, the Group's two main financing agreements also contain:

- certain performance requirements that are entirely customary for this type of financing;
- clauses relating to events of default such as payment default, inaccurate tax returns, cross-default, bankruptcy, or the occurrence of an event having a material adverse effect;
- clauses stipulating early repayment in full in the event that there is a change of control in ownership of the Company.

The bank loan agreement also stipulates a number of circumstances in which the loan must be repaid in advance, in full or in part as applicable, or renegotiated with the banks:

- early repayment if all or a substantial number of the Company's assets are sold;
- repayment using proceeds from asset disposals (beyond a specified threshold);
- renegotiation of the financing terms and conditions in the event of financial market disruption (i.e. market disruption clause). This clause is only applicable if a minimum number of banks are unable to obtain refinancing on the capital market at the date on which the financing is requested, given interest rate fluctuations. The purpose of this clause is to find a replacement rate.

At 31 December 2022, the maturity schedule for the Group's financial debt was as follows:

(in millions of euros)	Carrying amount	Total contractual flows	Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years
Bond	251.9	268.6	4.7	4.5	4.6	133.6	121.3	-
Bank borrowings	56.7	64.4	2.7	60.1	0.7	0.7	0.1	-
NEU CP & MTN	195.0	196.3	186.3	10.0	-	-	-	-
Other sundry financial debt	4.6	4.9	0.1	4.7	-	-	-	-
Current bank overdrafts	-0.3	-0.3	-0.3	-	-	-	-	-
Financial debt	**507.9**	**533.8**	**193.4**	**79.3**	**5.3**	**134.3**	**121.4**	**-**
Cash equivalents	-13.5	-13.5	-13.5	-	-	-	-	-
Cash	-342.4	-342.4	-342.4	-	-	-	-	-
CONSOLIDATED NET FINANCIAL DEBT	**152.0**	**177.9**	**-162.5**	**79.3**	**5.3**	**134.3**	**121.4**	**-**

At 31 December 2022, the Group's gross borrowings broke down as follows by type of debt and currency:

	Currency of origin			
(in millions of euros)	Euro	Pound sterling	Other	Total
Bond	250.0	-	-	250.0
Bank borrowings	60.0	-	-	60.0
Short-term bank borrowings (<1 year)	-	-	-	-
NEU CP (commercial paper) & MTN	195.0	-	-	195.0
Other sundry financial debt	3.2	-	-	3.2
Bank overdrafts (cash liabilities)	-0.3	-	-	-0.3
GROSS FINANCIAL DEBT	**507.9**	**-**	**-**	**507.9**

At 31 December 2022, the Group's portfolio of investment securities broke down as follows:

(in millions of euros)	Short-term investments	Advances under the liquidity agreement	Total portfolio of investment securities
Net asset value	13.5	4.2	17.7
NET POSITION	**13.5**	**4.2**	**17.7**

Short-term investments are managed by the Group's Finance Department, and comply with internally defined principles of prudence.

At constant exchange rates relative to 31 December 2022, and taking into account short-term investments held at that date, a 50-basis-point decrease in floating rates would reduce annual financial income by €0.1 million.

12.5.2. Bank counterparty risk

All foreign currency and interest rate hedges are put in place with leading banks belonging to the Group's banking syndicate, with which market transaction agreements have been signed.

The majority of the Group's financial investments relate to the subsidiaries in India and the Sopra Steria Group parent company. Financial investments are carried out either via short-term bank deposits with banks mainly belonging to the banking syndicate, or via money-market instruments managed by leading financial institutions, which are themselves subsidiaries of banks mainly belonging to the syndicate. These investments are subject to approval by the Group, and comply with internally defined principles of prudence.

Thanks to these various measures, the Group considers that it has implemented a system that significantly reduces its bank counterparty risk in the current economic context. However, the Group remains subject to a residual risk which may affect its performance under certain conditions.

12.5.3. Interest rate risk

The Group's aim is to protect itself against interest rate fluctuations by hedging part of its floating-rate debt and investing its cash over periods of less than three months.

The derivatives used to hedge the debt are interest rate swap contracts or options, which may or may not be eligible for hedge accounting.

The eligible counterparties for interest rate hedging and investments are leading financial institutions which belong to the Sopra Steria banking syndicate. These financial instruments are managed by the Group's Finance Department.

All of the Group's interest rate hedges have been put in place through the parent company (Sopra Steria Group).

Most of the Group's debt is fixed-rate and includes €250 million in Euro PP bonds maturing in 2026 and 2027, the €60 million bilateral credit facility maturing in 2024, and €35 million in NEU MTN maturing in 2023. To hedge its floating-rate debt, the Group has interest rate hedges maturing in 2023 and 2025, the details of which are set out below:

	Fair value 31/12/2022					Maturity		
(in millions of euros)	Non -current assets	Current assets	Non -current liabilities	Current liabilities	Notional amount	<1 year	1 to 5 years	>5 years
Swap (cash flow hedge) in euros	-	-	-	-	-	-	-	-
Swap (cash flow hedge) in foreign currency	-	-	-	-	-	-	-	-
Options eligible for hedge accounting in euros	6.0	2.6	0.5	2.4	100.0	75.0	25.0	-
Options eligible for hedge accounting in foreign currency	-	-	-	-	-	-	-	-
Swaps not eligible for hedge accounting in euros	-	-	-	-	-	-	-	-
Options not eligible for hedge accounting in euros	-	-	-	-	-	-	-	-
TOTAL INTEREST RATE HEDGES	**6.0**	**2.6**	**0.5**	**2.4**	**100.0**	**75.0**	**25.0**	**-**

The remeasurement of these financial instruments in equity is recognised in *Other comprehensive income.*

The remeasurement of these financial instruments in profit or loss is recognised in *Other financial income and expenses*.

The profit or loss and equity impacts of the Group's interest rate hedging instruments are as follows:

	Balance sheet amounts					Changes in fair value			
							Profit or loss impact		
(in millions of euros)	31/12/2021	Changes in fair value	Changes in scope	Other changes	31/12/2022	Equity impact	Ineffective portion of cash flow hedges	Fair value hedges	Trading
Swap (cash flow hedge) in euros	-	-	-	-	-	-	-	-	-
Swap (cash flow hedge) in foreign currency	-	-	-	-	-	-	-	-	-
Options eligible for hedge accounting in euros	0.3	5.4	-	-	5.7	3.7	1.8	-	-
Options eligible for hedge accounting in foreign currency	-	-	-	-	-	-	-	-	-
Swaps not eligible for hedge accounting in euros	-	-	-	-	-	-	-	-	-
Options not eligible for hedge accounting in foreign currency	-	-	-	-	-	-	-	-	-
TOTAL PRE-TAX IMPACT	**0.3**	**5.4**	**-**	**-**	**5.7**	**3.7**	**1.8**	**-**	**-**

The sensitivity of the interest rate derivatives portfolio to a plus or minus 50-basis-point change in the euro yield curves at 31 December 2022 is as follows:

	-50 bp		+50 bp	
(in millions of euros)	**Equity impact**	**P&L impact (hedge ineffective-ness)**	**Equity impact**	**P&L impact (hedge ineffective-ness)**
Swaps (cash flow hedge) in euros		-		-
Swaps (cash flow hedge) in foreign currency	-	-	-	-
Swaps not eligible for hedge accounting	-	-	-	-
Options eligible for hedge accounting in euros	-0.8	-	0.8	-
Options eligible for hedge accounting in foreign currency	-	-	-	-
Options not eligible for hedge accounting in foreign currency	-	-	-	-
TOTAL	**-0.8**	**-**	**0.8**	**-**
Total impact	*-0.8*		*0.8*	

The total amount of gross borrowings subject to interest rate risk was €159.7 million. Interest rate hedges in force at 31 December 2022 reduced this exposure to €59.7 million.

The Group's residual exposure to interest rate risk is as follows:

(in millions of euros)	**Rate**	**31/12/2022**	**Less than 1 year**	**1 to 2 years**	**2 to 3 years**	**3 to 4 years**	**4 to 5 years**	**More than 5 years**
Short-term investment securities	Fixed rate	-	-	-	-	-	-	-
	Floating rate	17.7	17.7	-	-	-	-	-
Cash and cash equivalents	Floating rate	338.2	338.2	-	-	-	-	-
	Fixed rate	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	Floating rate	**355.9**	**355.9**	-	-	-	-	-
Financial assets	**Total financial assets**	**355.9**	**355.9**	**-**	**-**	**-**	**-**	**-**
Bonds	Fixed rate	-250.0	-	-	-	-130.0	-120.0	-
Bank borrowings	Fixed rate	-60.0	-	-60.0	-	-	-	-
	Floating rate	-	-	-	-	-	-	-
NEU CP (commercial paper) & MTN	Fixed rate	-35.0	-35.0	-	-	-	-	-
	Floating rate	-160.0		-10.0	-	-	-	-
Other financial debt	Fixed rate	-3.2	-3.0	-2.5	1.1	1.1	0.2	-
	Floating rate	-	-	-	-	-	-	-
Current bank overdrafts	Floating rate	0.3	0.3	-	-	-	-	-
	Fixed rate	**-348.2**	**-38.0**	**-62.5**	**1.1**	**-128.9**	**-119.8**	**-**
	Floating rate	**-159.7**	**-149.7**	**-10.0**	**-**	**-**	**-**	**-**
Financial liabilities (gross exposure before hedging)	**Total financial liabilities**	**-507.9**	**-187.7**	**-72.5**	**1.1**	**-128.9**	**-119.8**	**-**
	FIXED RATE	**-348.2**	**-38.0**	**-62.5**	**1.1**	**-128.9**	**-119.8**	**-**
NET EXPOSURE BEFORE HEDGING	**FLOATING RATE**	**196.2**	**206.2**	**-10.0**	**-**	**-**	**-**	**-**
	Fixed-rate payer swaps in euros	-	-	-	-	-	-	-
	Fixed-rate payer swaps in foreign currency	-	-	-	-	-	-	-
Interest rate hedging instruments	Fixed-rate payer options	100.0	75.0	25.0	-	-	-	-
	FIXED RATE	**-448.2**	**-113.0**	**-87.5**	**1.1**	**-128.9**	**-119.8**	**-**
GROSS EXPOSURE AFTER HEDGING	**FLOATING RATE**	**-59.7**	**-74.7**	**15.0**	**-**	**-**	**-**	**-**
	FIXED RATE	**-448.2**	**-113.0**	**-87.5**	**1.1**	**-128.9**	**-119.8**	**-**
NET EXPOSURE AFTER HEDGING	**FLOATING RATE**	**296.2**	**281.2**	**15.0**	**-**	**-**	**-**	**-**

The fair value of interest rate hedging derivatives is measured using the following assumptions:

- level 1: Quoted data: 0%;
- level 2: Observable data: 100%;
- level 3: Internal models: 0%.

12.5.4. Foreign exchange risk

The Group is subject to three main types of risks linked to fluctuations in exchange rates:

- translation risk in the various financial statements making up the Group's consolidated financial statements for business conducted in countries with a functional currency other than the euro;
- transaction risk linked to purchases and sales of services, where the transaction currency is different from that of the country in which the service is recognised;
- financial foreign exchange risk arising from the Group's foreign-currency borrowings (risk arising from changes in the value of the financial debt denominated in pounds sterling).

As part of its general risk management policy, the Group systematically hedges against foreign currency transaction risks that constitute material risks for the Group as a whole.

Centralised management of foreign currency transaction risk is in place with the Group's main entities (apart from India). Sopra Steria Group acts as the centralising entity, granting exchange rate guarantees to subsidiaries and, after netting internal exposures, hedges the residual exposure through the use of derivatives.

Foreign exchange risk hedging mainly relates to transaction exposures involving the Group's production platforms in India, Poland and Tunisia, and certain commercial contracts denominated in US dollars and in Norwegian kroner. These hedges cover both invoiced items and future cash flows: changes in fair value corresponding to these hedges are taken to profit or loss for invoiced items and to equity for future cash flows.

The remeasurement through profit or loss of these financial instruments hedging balance sheet items is offset by the revaluation of foreign currency receivables over the period.

The Group's Finance Department provides hedging via futures or options entered into either on organised markets or over the counter with top-tier counterparties that are members of the banking syndicate.

The Group's policy is not to conduct speculative transactions on financial markets.

Finally, the structure of the Group's net financial debt, which includes a multi-currency notional cash pooling arrangement with borrowing positions in pounds sterling, provides a natural (if only partial) hedge against currency translation risk on net assets, recognised directly in the balance sheet. Similarly, in connection with an acquisition in Sweden, the Group entered into a hedging arrangement for the Swedish krona to cover its financing requirements for this entity.

The balance sheet value of the Group's foreign currency hedging instruments, and applicable notional amounts hedged, are as follows:

	Fair value							
	31/12/2022					Maturity		
(in millions of euros)	Non -current assets	Current assets	Non -current liabi -lities	Current liabi-lities	Notional amount	<1 year	1 to 5 years	>5 years
Fair value hedges								
Foreign currency forwards	-	4.2	-	0.4	115.6	115.6	-	-
Foreign currency options	-	-	-	-	-	-	-	-
Cash flow hedges								
Foreign currency forwards	1.3	2.0	3.2	0.5	243.9	72.7	171.2	-
Foreign currency options	0.2	0.6	-	0.1	15.7	13.6	2.1	-
Instruments not designated for hedging*	**-**	**-**	**-**	**-**	**7.1**	**6.0**	**1.1**	**-**
TOTAL FOREIGN CURRENCY HEDGES	**1.4**	**6.7**	**3.2**	**1.1**	**382.3**	**207.9**	**174.4**	**-**

** The Group hedges the foreign exchange transaction risk but chooses in certain cases not to apply hedge accounting.*

The remeasurement of these financial instruments in profit or loss is recognised in *Other current operating income and expenses*, with the exception of the time value and the impact of financial instruments not eligible for hedge accounting, which are recognised in *Other financial income and expenses.*

The profit or loss and equity impacts of the Group's foreign currency hedging instruments are as follows:

(in millions of euros)	Balance sheet amounts					Changes in fair value			
							Profit or loss impact		
	31/12/2021	Changes in fair value	Changes in scope	Other changes	31/12/2022	Equity impact	Ineffective portion of cash flow hedges	Fair value hedges	Trading
Fair value hedges									
Foreign currency forwards	3.7	-	-	-	3.7	-	-	-	-
Foreign currency options	-	-	-	-	-	-	-	-	-
Cash flow hedges									
Foreign currency forwards	3.1	-3.6	-	-	-0.5	-3.6	-	-	-
Foreign currency options	-0.3	0.9	-	-	0.6	0.6	-	0.3	-
Instruments not designated for hedging	**-**	**-**	**-**	**-**	**-0.1**	**-**	**-**	**-**	**-**
TOTAL PRE-TAX IMPACT	**6.5**	**-2.7**	**-**	**-**	**3.8**	**-3.0**	**-**	**0.4**	**-**

Exposure to foreign exchange risk is as follows:

COMMERCIAL TRANSACTIONS

(in millions of euros)	GBP	NOK	EUR	INR	TND	USD	SEK	PLN	Other	TOTAL
Assets	38.9	-	77.7	-	1.3	10.5	-	-	4.1	132.5
Liabilities	1.4	-	11.6	-	6.3	8.0	-	-	21.8	49.1
Foreign currency commitments	-	-	-	-	-	-	-	-	-	-
Net position before hedging	**37.6**	**-**	**66.1**	**-**	**-5.0**	**2.4**	**-**	**-**	**-17.7**	**83.4**
Hedging instruments	99.3	16.6	186.0	-	-11.7	-2.8	-	-43.1	-	244.3
NET POSITION AFTER HEDGING	**-61.7**	**-16.7**	**-119.9**	**-**	**6.8**	**5.2**	**-**	**43.1**	**-17.7**	**-160.9**

FINANCING INCLUDING CURRENT ACCOUNT

(in millions of euros)	GBP	NOK	EUR	INR	TND	USD	SEK	PLN	Other	TOTAL
Assets	295.3	58.9	-	15.4	1.0	1.0	-	0.7	33.2	405.3
Liabilities	17.4	-	-10.3	-	-	7.0	16.8	-	16.5	47.5
Foreign currency commitments	-	-	-	-	-	-	-	-	-	-
Net position before hedging	**277.8**	**58.9**	**10.3**	**15.4**	**1.0**	**-6.1**	**-16.8**	**0.7**	**16.7**	**357.8**
Hedging instruments*	297.5	-	-	-	-	-	-17.8	-	-	279.7
NET POSITION AFTER HEDGING	**-19.7**	**58.9**	**10.3**	**15.4**	**1.0**	**-6.1**	**1.0**	**0.7**	**16.7**	**78.1**

** Net investment hedge in foreign currency.*

TOTAL (MARKET POSITIONS + FINANCING)

(in millions of euros)	GBP	NOK	EUR	INR	TND	USD	SEK	PLN	Other	TOTAL
Assets	334.2	58.9	77.7	15.4	2.3	11.4	0.0	0.7	37.3	537.8
Liabilities	18.8	0.0	1.3	0.0	6.3	15.1	16.8	0.0	38.3	96.6
Foreign currency commitments	-	-	-	-	-	-	-	-	-	-
Net position before hedging	**315.4**	**58.9**	**76.4**	**15.4**	**-4.0**	**-3.6**	**-16.8**	**0.7**	**-1.0**	**441.3**
Hedging instruments	396.8	16.6	186.0	-	-11.7	-2.8	-17.8	-43.1	-	524.0
NET POSITION AFTER HEDGING	**-81.4**	**42.2**	**-109.6**	**15.4**	**7.7**	**-0.9**	**1.0**	**43.8**	**-1.0**	**-82.8**

SENSITIVITY ANALYSIS

(in millions of euros)	GBP	NOK	EUR	INR	TND	USD	SEK	PLN	Other	TOTAL
Currency change assumption (appreciation)	5%	5%	5%	5%	5%	5%	5%	5%	5%	
NET PROFIT IMPACT	**0.2**	**-**	**0.5**	**-**	**-0.2**	**-0.1**	**-**	**0.1**	**-0.4**	**0.2**
EQUITY IMPACT	**-4.3**	**2.2**	**-6.0**	**0.8**	**0.5**	**-**	**-**	**2.1**	**0.3**	**-4.3**

12.5.5. Equity risk

The Group does not hold any investments in equities or any significant equity interests in listed companies other than Axway Software shares accounted for under the equity method (see Note 10) and the shares in CS Group (see Note 7.1.1).

At 31 December 2022, the value of treasury shares was €68.6 million.

Given the limited number of treasury shares it holds (1.69% of the share capital), the Group is not materially exposed to equity risk. Furthermore, since the value of treasury shares is deducted from equity, changes in the share price have no impact on the consolidated income statement.

NOTE 13 CASH FLOWS

13.1. Change in net financial debt

(in millions of euros)	31/12/2021	Proceeds from/ (Payments on)	Changes in scope	Translation adjustments	Other movements	31/12/2022
Bonds excluding accrued interest	250.0	-	-	-	-	250.0
Bank borrowings excluding accrued interest	148.1	-88.1	-	-	-	60.0
Other sundry financial debt excluding current accounts and accrued interest	145.0	54.7	-	-0.1	-	199.6
Financial debt in the cash flow statement	**543.1**	**-33.4**	**-**	**-0.1**	**-**	**509.6**
Current accounts	-	0.6	0.7	-1.2	-	-
Accrued interest on financial debt	0.9	-2.3	-	-	-	-1.4
Financial debt excluding current bank overdrafts	**544.0**	**-35.1**	**0.7**	**-1.4**	**-**	**508.2**
Current bank overdrafts	-0.2	16.5	-	-12.9	-3.0	0.3
Short-term investment securities	25.2	-11.3	-	-0.4	-	13.5
Cash and cash equivalents	191.9	134.7	4.1	8.6	3.0	342.4
Net cash in the cash flow statement	**216.9**	**139.9**	**4.1**	**-4.7**	**-**	**356.2**
NET FINANCIAL DEBT	**327.1**	**-175.0**	**-3.5**	**3.4**	**-**	**152.0**
Change in net financial debt			**-175.1**			

The breakdown provided in the *Change in net financial debt* table explains the purposes of the new borrowings and repayments of existing borrowings recognised in the cash flow statement.

The change in net financial debt is broken down into indicators. *Net cash from operating activities* is based on *Operating profit on business activity*, after deducting the depreciation, amortisation and the provisions it includes, which gives *EBITDA*, and other non-cash items adjusted for tax paid, restructuring and integration costs, and the change in the working capital requirement. It differs from *Net cash from operating activities* as shown in the consolidated cash flow statement presented in the financial statements on page 6, in that this caption includes the cash impact of *Other financial income and expenses* (see Note 12.1.2).

Free cash flow is defined as net cash from operating activities adjusted for the impact of purchases (net of disposals) of property, plant and equipment and intangible assets during the period; lease payments; all financial income and expenses payable or receivable (except those related to lease liabilities); and additional contributions paid to cover any deficits in certain defined-benefit pension plans.

Adjusted for net cash generated by financing activities and the impact of exchange rate fluctuations on net debt, this explains the change in net financial debt.

(in millions of euros)	Financial year 2022	Financial year 2021
Operating profit on business activity	**453.1**	**379.2**
Depreciation, amortisation and provisions (excluding allocated intangible assets)	144.4	173.2
EBITDA	**597.5**	**552.3**
Non-cash items	0.8	-5.2
Tax paid	-87.8	-77.3
Impairment of current assets	4.6	4.3
Change in current operating WCR	6.1	23.2
Non-recurring costs, including reorganisation and restructuring costs	-17.8	-36.6
Net cash flow from operating activities	**503.4**	**460.7**
Purchase of property, plant and equipment and intangible assets	-94.2	-54.6
Proceeds from sale of property, plant and equipment and intangible assets	0.1	0.2
Net change from investing activities involving property, plant and equipment and intangible assets	**-94.1**	**-54.4**
Lease payments	-94.5	-105.8
Net interest (excluding interest on lease liabilities)	-8.6	-6.3
Additional contributions related to defined-benefit pension plans	-18.9	-29.8
Free cash flow	**287.2**	**264.4**
Impact of changes in scope	-13.8	-102.3
Impact of payments relating to non-current financial assets	-10.3	-4.4
Impact of receipts relating to non-current financial assets	1.6	2.9
Dividends paid	-71.6	-46.3
Dividends received	2.8	2.8
Capital increases	-	-
Purchase and sale of treasury shares	-17.5	-16.2
Other cash flows relating to investing activities	-	-
Net cash flow	**178.5**	**100.8**
Impact of changes in foreign exchange rates	-3.4	-2.3
Impact of changes in accounting policies (IFRS 16)	-	-
CHANGE IN NET FINANCIAL DEBT	**175.1**	**98.5**
Cash and cash equivalents – Beginning of period	216.9	245.0
Non-current financial debt – Beginning of period	-448.4	-564.5
Current financial debt – Beginning of period	-95.6	-106.0
Net financial debt – Beginning of period	**-327.1**	**-425.6**
Cash and cash equivalents – End of period	356.2	216.9
Non-current financial debt – End of period	-320.1	-448.4
Current financial debt – End of period	-188.0	-95.6
Net financial debt – End of period	**-152.0**	**-327.1**
CHANGE IN NET FINANCIAL DEBT	**175.1**	**98.5**

Free cash flow came to €287.2 million (€264.4 million in 2021). This performance was mainly due to a significant improvement in *EBITDA* following strict management of the working capital requirement.

Outflows related to acquisitions of companies, recognised within *Impact of changes in scope*, totalled €13.8 million. Those that took place in 2022 are described in Note 2.1. They break down as follows:

(in millions of euros)	Financial year 2022	Financial year 2021
Cost of acquisitions paid (excluding earn-outs)	-17.3	-98.7
Net debt/(Net cash) of acquired companies	4.2	-3.5
Earn-outs	-	-
Disposal price for shares sold in consolidated equity investments	0.1	-
Cash transferred out/ Deconsolidated entities	-0.7	-
TOTAL	**-13.8**	**-102.3**

In 2021, they mainly included the acquisitions of EVA Group, EGGS Design and Labs, and the exercise of the put option for Tecfit shares.

As a result of these effects, net financial debt at 31 December 2022 decreased to €152.0 million, compared with €327.1 million at 31 December 2021.

13.2. Reconciliation of WCR with the cash flow statement

The impact of the components of the operating working capital requirement shown on the balance sheet on cash generation can be broken down as follows:

(in millions of euros)	31/12/2022	31/12/2021	Net change	Of which: Items not included in WCR	Of which: WCR items	Change in WCR items without cash impact		Impact on cash flow statement
						Foreign exchange	Other	
Other non-current financial assets	52.6	40.5	12.1	4.5	7.6	-0.2	0.1	-7.8
■ Other loans and receivables	45.2	37.6	7.6	-	7.6	-0.2	0.1	-7.8
■ Other non-current financial assets	7.4	2.9	4.5	4.5	-	-	-	-
Non-current assets	**52.6**	**40.5**	**12.1**	**4.5**	**7.6**	**-0.2**	**0.1**	**-7.8**
Trade receivables and related accounts	1,104.2	1,020.1	84.1	-	84.1	-12.8	1.3	-95.7
■ Trade receivables	707.4	650.3	57.2	-	57.2	-6.1	0.2	-63.0
■ Accrued income	396.7	369.8	26.9	-	26.9	-6.8	1.0	-32.6
Other current receivables	410.6	447.9	-37.3	19.0	-56.2	-4.2	-1.4	50.6
Current assets	**1,514.8**	**1,468.0**	**46.8**	**19.0**	**27.9**	**-17.1**	**-0.1**	**-45.1**
Non-current assets classified as held for sale	-	-	-	-	-	-.	-	-
TOTAL ASSETS	**1,567.4**	**1,508.4**	**58.9**	**23.5**	**35.5**	**-17.3**	**-0.1**	**-52.8**
Retirement benefits and similar obligations – Liabilities	-14.1	-11.6	-2.5	-	-2.5	0.4	-4.4	-1.5
■ Other long-term employee benefits	-14.1	-11.6	-2.5	-	-2.5	0.4	-4.4	-1.5
Other non-current liabilities	-15.5	-15.8	0.3	0.5	-0.1	0.3	0.8	1.2
Non-current liabilities	**-29.6**	**-27.4**	**-2.1**	**0.5**	**-2.6**	**0.6**	**-3.6**	**-0.4**
Trade payables	-318.2	-328.9	10.6	-	10.6	1.7	2.5	-6.5
Advances and payments on account received for orders	-18.2	-27.9	9.7	-	9.7	0.1	-	-9.6
Deferred income on client projects	-400.9	-390.5	-10.4	-	-10.4	6.0	-0.6	15.8
Other current liabilities	-1,043.9	-935.2	-108.7	-8.5	-100.2	15.7	-45.4	70.6
Current liabilities	**-1,781.2**	**-1,682.5**	**-98.7**	**-8.5**	**-90.3**	**23.5**	**-43.4**	**70.3**
Liabilities related to non-current assets classified as held for sale	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	**-1,810.8**	**-1,709.9**	**-100.9**	**-8.0**	**-92.9**	**24.1**	**-47.1**	**69.9**
TOTAL WCR	**-243.4**	**-201.5**	**-41.9**	**15.5**	**-57.4**	**6.8**	**-47.1**	**17.1**

13.3. Other cash flows in the consolidated cash flow statement

Beyond the changes presented in the *Change in net financial debt* table, the consolidated cash flow statement presented on page 6 was affected by movements related to financing activities. Inflows and outflows relating to financial debt mainly consist of the change in NEU CP (up €40 million in 2022) and an €88.0 million repayment in respect of the amount remaining due on the previous amortising syndicated loan (see Note 12.3.2).

NOTE 14 EQUITY AND EARNINGS PER SHARE

14.1. Equity

The consolidated statement of changes in equity is presented on page 5.

14.1.1. Changes in share capital

At 31 December 2022, Sopra Steria Group had a share capital of €20,547,701, the same as at 31 December 2021. It is represented by 20,547,701 fully paid-up shares with a par value of €1 each.

14.1.2. Transactions in treasury shares

At 31 December 2022, the value of treasury shares recognised as a deduction from consolidated equity was €68.6 million, consisting of 348,222 shares, including 236,957 shares held by UK trusts falling within the consolidation scope and 111,265 shares acquired by Sopra Steria Group, 20,442 of which were acquired under the liquidity agreement and the rest of which were acquired to make any potential share-based payments. This value also includes €14.8 million relating to the Group's commitment to acquire shares on the market for its free performance share plans (see Note 5.4.1).

All of the Sopra Steria Group shares held by the parent company or any of its subsidiaries are recognised at their acquisition cost, deducted from consolidated equity.

14.1.3. Dividends

At Sopra Steria Group's General Meeting of 1 June 2022, the shareholders resolved to distribute an ordinary dividend of €65.8 million in respect of financial year 2021, equating to €3.20 per share. The dividend was paid on 8 June 2022 for a total of €65.1 million, net of the dividend on treasury shares.

The dividend paid in 2021 in respect of financial year 2020 was €41.1 million, equating to €2.00 per share.

14.1.4. Accumulated translation reserves

In line with the principles described in Note 1.4.2.b, accumulated translation reserves include the gains or losses arising on translation from the functional currencies of the Group's entities to the presentation currency as well as the currency hedging effects of net investments in foreign operations. Movements are recorded in *Other comprehensive income.* Accumulated translation reserves also reflect the translation effects of gains or losses on disposals of foreign operations.

At 31 December 2022, accumulated translation reserves by currency were as follows:

(in millions of euros)	31/12/2022	31/12/2021
Swiss franc	12.8	10.4
Pound sterling	-92.2	-60.6
Indian rupee	-7.9	-2.5
Norwegian krone	-26.0	-18.6
Polish zloty	-0.7	-0.6
Singapore dollar	-0.5	-0.1
Tunisian dinar	-3.6	-3.6
US dollar	-0.4	-0.1
Other currencies	10.7	7.3
ACCUMULATED TRANSLATION RESERVES (ATTRIBUTABLE TO THE GROUP)	**-107.7**	**-68.4**

The "Other currencies" category mainly includes the accumulated translation reserves of associates, and chiefly Axway Software, in the amount of €12.5 million (€7.9 million at 31 December 2021).

14.1.5. Non-controlling interests

The contributions to the income statement and balance sheet of non-controlling interests mainly come from joint ventures formed with the UK authorities in the United Kingdom: NHS SBS, 50%-owned by the UK Department of Health, and SSCL, 25%-owned by the Cabinet Office. The Group has 50% and 75% control, respectively. They also relate to Sopra Financial Technology GmbH, acquired in 2019.

The Group has granted the Cabinet Office a put option to sell the shares it holds in SSCL.

Due to the accounting treatment of the put option granted in respect of SSCL shares, the amount of non-controlling interests on the balance sheet mainly relates to the UK Department of Health's share in the net assets of NHS SBS (€40.1 million), and the share of the German banking network Sparda's cooperative banks in Sopra Financial Technology GmbH (€2.9 million).

In the income statement, amounts attributable to non-controlling interests mainly comprised €9.0 million for SSCL, €4.5 million for NHS SBS and -€12.3 million for Sopra Financial Technology GmbH.

Summary financial information for SSCL, NHS SBS and Sopra Financial Technology GmbH is as follows:

(in millions of euros)	31/12/2022		
	SSCL	NHS SBS	SFT
Non-current assets	14.1	28.1	90.0
Current assets	251.1	87.5	20.7
Non-current liabilities	3.2	7.3	55.8
Current liabilities	121.0	28.0	46.8
Revenue	337.4	118.4	160.5
Net profit	36.2	9.1	-25.2

Non-controlling interests arise where a portion of equity ownership in a subsidiary is not attributable directly or indirectly to the parent company.

When non-controlling interests have an option to sell their investment to the Group, a financial liability is recorded in *Other non-current liabilities* (see Note 7.4) for the present value of the option's estimated exercise price. The offset of the financial liability generated by these commitments is deducted from:

- the corresponding amount of non-controlling interests initially; and
- the Group's share of consolidated reserves for the remainder.

Subsequent changes in this put option arising from changes in estimates or relating to the unwinding of discount are offset against the corresponding non-controlling interests and the remainder is deducted from the Group's share of consolidated reserves.

14.1.6. Capital management objectives, policy and procedures

The Company's capital is solely composed of the items disclosed in the balance sheet. There are no financial liabilities considered to be components of capital and, conversely, there are no equity components not considered to be part of the Company's capital.

The Company is not subject to any external constraints on its capital.

Treasury shares are detailed in Note 14.1.2.

The only potentially dilutive instruments are the free shares granted under Sopra Steria's free performance share plans (see Note 5.4.1).

14.2. Earnings per share

	Financial year 2022	Financial year 2021
Net profit attributable to the Group (in millions of euros) (a)	247.8	187.7
Weighted average number of ordinary shares outstanding (b)	20,547,701	20,547,701
Weighted average number of treasury shares (c)	283,129	307,582
Weighted average number of shares outstanding excluding treasury shares (d) = (b) - (c)	20,264,572	20,240,119
BASIC EARNINGS PER SHARE (IN EUROS) (A/D)	**12.23**	**9.27**

	Financial year 2022	Financial year 2021
Net profit attributable to the Group (in millions of euros) (a)	247.8	187.7
Weighted average number of shares outstanding excluding treasury shares (d)	20,264,572	20,240,119
Dilutive effect of instruments that give rise to potential ordinary shares (e)	167,192	186,320
Theoretical weighted average number of equity instruments (f) = (d) + (e)	20,431,764	20,426,439
DILUTED EARNINGS PER SHARE (IN EUROS) (A / F)	**12.13**	**9.19**

The method used to calculate earnings per share is set out below.

Treasury shares are detailed in Note 14.1.2.

Potentially dilutive instruments are presented in Note 5.4.

Earnings per share as stated in the income statement are calculated on the basis of the Group's share in the net profit as follows:

- basic earnings per share are based on the weighted average number of shares outstanding during the financial year, calculated according to the dates when the funds arising from cash share issues were received and, in respect of shares issued for contributions in kind via equity, the date on which the corresponding new Group companies were consolidated for the first time;
- diluted earnings per share are calculated by adjusting the Group's share of net profit and the weighted average number of shares outstanding for the dilutive effect of share subscription option plans in force at the financial year-end and free share plans. The treasury stock method is applied on the basis of the average share price for the year.

NOTE 15 RELATED-PARTY TRANSACTIONS

15.1. Transactions with equity-accounted associates and non-consolidated entities

(in millions of euros)	31/12/2022	31/12/2021
Transactions between Sopra Steria Group and the Axway Software Group		
Sales of goods and services	0.1	0.2
Purchases of goods and services	-2.2	-2.9
Operating receivables	-	-
Operating payables	-0.5	-1.1
Financial income	-	-
Financial receivables (current account)	-	-
Transactions between Sopra Steria Group subsidiaries and the Axway Software Group		
Sales of goods and services	9.4	7.3
Purchases of goods and services	-3.0	-2.9
Operating receivables	1.5	1.1
Operating payables	-2,8	-1.2
Financial income	-	-
Financial receivables (current account)	-	-
Transactions between Sopra Steria Group and holding company Sopra GMT		
Sales of goods and services	0.2	0.2
Purchases of goods and services	-1.5	-1.3
Operating receivables	-	-
Operating payables	-0.2	-0.4
Financial income	-	-
Financial receivables (current account)	-	-

15.2. Subsidiaries and equity interests

Transactions and balances between Sopra Steria Group and its subsidiaries were eliminated in full on consolidation, since all of the subsidiaries are fully consolidated.

Non-consolidated equity investments are all recognised within *Non-consolidated securities* (see Note 7.1.1).

NOTE 16 OFF-BALANCE SHEET COMMITMENTS

16.1. Commitments given related to current operations

(in millions of euros)	31/12/2022	31/12/2021
Bank guarantees for project completion	15.8	16.9
Other guarantees	4.2	4.2
TOTAL	**20.0**	**21.1**

Under the IT service contracts it enters into with its clients, the Group may, if formally requested by its clients, provide bank guarantees in respect of the performance of obligations undertaken in these contracts. The amount of these guarantees was €15.8 million at 31 December 2022 (€16.9 million at 31 December 2021). To date, no use has ever been made of any such guarantee.

In addition, the Group is not exposed under its leases to future cash outflows, which were not taken into account in the measurement of its lease liabilities at 31 December 2022. At 31 December 2021, lease commitments not yet recognised in the balance sheet came to €66.4 million.

16.2. Commitments received

(in millions of euros)	31/12/2022	31/12/2021
Unused credit facilities	1,150.0	950.0
Unused current bank overdrafts	161.5	161.4
Other commitments received	-	0.9
TOTAL	**1,311.5**	**1,112.3**

As part of a cash pooling arrangement set up in 2012 between the entities of the Group and BMG (Bank Mendes Gans), Sopra Steria Group acts as guarantor for the amounts borrowed by its subsidiaries.

NOTE 17 SUBSEQUENT EVENTS

The conditions precedent for the acquisitions of CS Group and Tobania described in Note 2.2 were met after 31 December 2022, respectively on 28 February and on 2 March 2023.

No other subsequent events occurred after the end of financial year 2022.

NOTE 18 LIST OF GROUP COMPANIES

Company	Country	% control	% held	Consolidation method
France				
Sopra Steria Group	France	-	-	Parent company
Sopra Steria Infrastructure & Security Services	France	100.00%	100.00%	FC
XYZ 12 2016	France	100.00%	100.00%	FC
SSG 1	France	100.00%	100.00%	FC
CIMPA SAS	France	100.00%	100.00%	FC
CIMPA GmbH	Germany	100.00%	100.00%	FC
CIMPA Ltd	United Kingdom	100.00%	100.00%	FC
CIMPA PLM España SL	Spain	100.00%	100.00%	FC
Sopra Steria Polska	Poland	100.00%	100.00%	FC
Sopra Steria Group – Morocco branch	Morocco	100.00%	100.00%	FC
2MoRO SAS	France	100.00%	100.00%	FC
Galitt	France	100.00%	100.00%	FC
Soft-Maint Tunisie	Tunisia	100.00%	100.00%	FC
Sopra Steria Réassurance	Luxembourg	100.00%	100.00%	FC
BSSI North America Inc.	United States	100.00%	100.00%	FC
EVA Group Asia Pacific Pte	Singapore	100.00%	100.00%	FC
EVA Group HK Ltd	Hong Kong	100.00%	100.00%	FC
Eva Group Canada Think It Efficient	Canada	100.00%	100.00%	FC
Eva Maroc Solutions	Morocco	100.00%	100.00%	FC
United Kingdom				
Sopra Group Holding Ltd	United Kingdom	100.00%	100.00%	FC
Sopra Steria Ltd	United Kingdom	100.00%	100.00%	FC
Sopra Steria Services Ltd	United Kingdom	100.00%	100.00%	FC
Caboodle Solutions Ltd	United Kingdom	100.00%	100.00%	FC
ASL Information Services Limited	United Kingdom	100.00%	100.00%	FC
FI Group Limited	United Kingdom	100.00%	100.00%	FC
Steria BSP Ltd	United Kingdom	100.00%	100.00%	FC
NHS Shared Employee Services Limited	United Kingdom	100.00%	75.50%	FC
NHS Shared Business Services Ltd	United Kingdom	50.00%	50.00%	FC
Sopra Steria UK Corporate Ltd	United Kingdom	100.00%	100.00%	FC
Shared Services Connected Ltd (SSCL)	United Kingdom	75.00%	75.00%	FC
First Banking Systems	United Kingdom	100.00%	100.00%	FC
Firth Solutions Ltd	United Kingdom	100.00%	100.00%	FC
FI Academy Ltd	United Kingdom	100.00%	100.00%	FC
FI Kernel Ltd	United Kingdom	100.00%	100.00%	FC
Steria Employee Trustee Company Ltd	United Kingdom	100.00%	100.00%	FC
Steria Employee Trustee Cie Ltd	United Kingdom	100.00%	100.00%	FC
Xansa 2004 Employee Benefit Trust	United Kingdom	100.00%	100.00%	FC
Zansa Ltd	United Kingdom	100.00%	100.00%	FC
CXpartners	United Kingdom	100.00%	100.00%	FC
Sopra Steria Financial Services Ltd	United Kingdom	100.00%	100.00%	FC
Graffica Ltd	United Kingdom	100.00%	100.00%	FC
Xansa Cyprus (No. 1) Ltd	Cyprus	100.00%	100.00%	FC
Xansa Cyprus (No. 2) Ltd	Cyprus	100.00%	100.00%	FC
Sopra Steria India Ltd	India	100.00%	100.00%	FC
Sopra Steria Asia Pte Ltd	Singapore	100.00%	100.00%	FC
Other Europe				
Sopra Steria SE	Germany	100.00%	100.00%	FC
ISS Software GmbH	Germany	100.00%	100.00%	FC
Sopra Steria Services GmbH	Germany	100.00%	100.00%	FC
Sopra Financial Technology GmbH	Germany	51.00%	51.00%	FC
it-economics GmbH	Germany	100.00%	100.00%	FC
it-economics Bulgaria EOOD	Bulgaria	100.00%	100.00%	FC

Company	Country	% control	% held	Consolidation method
Sopra Steria Benelux	Belgium	100.00%	100.00%	FC
Sopra Steria Benelux – Luxembourg branch	Luxembourg	100.00%	100.00%	FC
Sopra Steria Benelux – Netherlands branch	Netherlands	100.00%	100.00%	FC
Sopra Steria PSF Luxembourg	Luxembourg	100.00%	100.00%	FC
Sopra Steria AG	Switzerland	100.00%	100.00%	FC
Sopra Steria Group SpA	Italy	100.00%	100.00%	FC
Sopra Steria España SAU	Spain	100.00%	100.00%	FC
Sopra Steria Euskadi SL	Spain	100.00%	100.00%	FC
Sopra Steria A/S	Denmark	100.00%	100.00%	FC
Sopra Steria AS	Norway	100.00%	100.00%	FC
Sopra Steria AB	Sweden	100.00%	100.00%	FC
Sopra Steria Sweden AB	Sweden	100.00%	100.00%	FC
Sopra Steria Holding AB	Sweden	100.00%	100.00%	FC
Bexor LLC	Russia	100.00%	100.00%	FC
Eggs Garage AS Norway	Norway	100.00%	100.00%	FC
Eggs Design AS Norway	Norway	100.00%	100.00%	FC
Eggs Design ApS Denmark	Denmark	100.00%	100.00%	FC
Sopra Banking Software				
Sopra Banking Software	France	100.00%	100.00%	FC
Sopra Steria Services	France	100.00%	100.00%	FC
SBS South Korea branch	South Korea	100.00%	100.00%	NC
O.R. System Polska	Poland	100.00%	100.00%	NC
Sopra Financial Solutions Iberia SL	Spain	100.00%	100.00%	FC
Sopra Banking Software Ltd	United Kingdom	100.00%	100.00%	FC
Field Solutions Ltd	United Kingdom	100.00%	100.00%	FC
Cassiopae Ltd	United Kingdom	100.00%	100.00%	FC
Apak Group Ltd	United Kingdom	100.00%	100.00%	FC
Sopra Banking Software US	United States	100.00%	100.00%	FC
Sopra Banking Software Belgium	Belgium	100.00%	100.00%	FC
Sopra Banking Software – Iceland branch	Iceland	100.00%	100.00%	FC
Sopra Banking Software Luxembourg	Luxembourg	100.00%	100.00%	FC
Sopra Banking Software Netherlands BV	Netherlands	100.00%	100.00%	FC
Sopra Banking Software GmbH	Germany	100.00%	100.00%	FC
Sopra Banking Software Solutions India Private Ltd	India	99.90%	99.90%	FC
Sopra Banking Software Singapore Pte Ltd	Singapore	100.00%	100.00%	FC
Beijing Sopra Science and Technology Ltd	China	100.00%	100.00%	FC
Sopra Banking Software Morocco	Morocco	100.00%	100.00%	FC
Steria Medshore SAS	Morocco	100.00%	100.00%	FC
Sopra Banking Software Morocco Sarl	Morocco	100.00%	100.00%	FC
Sopra Banking Software Tunisia	Tunisia	100.00%	100.00%	FC
Sopra Software Cameroun	Cameroon	95.00%	95.00%	FC
Sopra Banking Software Brasil Ltda	Brazil	100.00%	100.00%	FC
Sopra Banking Gabon	Gabon	100.00%	100.00%	FC
Sopra Banking Côte d'Ivoire	Côte d'Ivoire	100.00%	100.00%	FC
Sopra Banking Software Sénégal	Senegal	100.00%	100.00%	FC
SAMIC	Monaco	99.60%	99.60%	FC
SAB Méditerranée	Lebanon	98.00%	98.00%	FC
SAB Tunisie	Tunisia	99.99%	99.99%	FC
SAB Atlas	Morocco	100.00%	100.00%	FC
SAB Pacifique	Polynesia	100.00%	100.00%	FC
Sopra Financial Solutions FZCO	Dubaï	100.00%	100.00%	FC
Sopra Banking Software Ireland Limited	Ireland	100.00%	100.00%	FC
Other Solutions				
Sopra HR Software	France	100.00%	100.00%	FC
Sopra HR Software Ltd	United Kingdom	100.00%	100.00%	FC
Sopra HR Software SPRL	Belgium	100.00%	100.00%	FC
Sopra HR Software Sarl	Luxembourg	100.00%	100.00%	FC
Sopra HR Software GmbH	Germany	100.00%	100.00%	FC
Sopra HR Software Sarl	Switzerland	100.00%	100.00%	FC

Company	Country	% control	% held	Consolidation method
Sopra HR Software Srl	Italy	100.00%	100.00%	FC
Sopra HR Software SL	Spain	100.00%	100.00%	FC
Sopra HR Software Sarl	Tunisia	100.00%	100.00%	FC
Sopra HR Software Sarl	Morocco	100.00%	100.00%	FC
Holocare AS	Norway	66.67%	66.67%	EM
Celescan Ltd	United Kingdom	50.00%	50.00%	EM
Axway Software	France	31.96%	31.96%	EM

FC: Fully consolidated.
EM: Equity method.
NC: Non-consolidated (non-consolidated companies are not considered significant).

The Group does not directly or indirectly control any special-purpose entities.

NOTE 19 STATUTORY AUDITORS' FEES

	Mazars network		Nexia network	
(in millions of euros excl. VAT)	**2022**	**2021**	**2022**	**2021**
Certification of the parent company and consolidated financial statements				
Sopra Steria Group	0.5	0.5	0.3	0.3
Fully consolidated subsidiaries	1.7	1.6	0.7	0.7
Subtotal	**2.2**	**2.1**	**1.0**	**1.0**
Services other than the certification of the accounts*				
Sopra Steria Group	0.1	0.2	-	-
Fully consolidated subsidiaries	0.2	0.3	0.1	-
Subtotal	**0.3**	**0.4**	**0.1**	**0.1**
TOTAL STATUTORY AUDITORS' FEES	**2.5**	**2.5**	**1.1**	**1.0**

** These services mainly relate to services performed in connection with the acquisition of entities (due diligence).*

Statutory Auditors' report on the consolidated financial statements

Financial year ended 31 December 2022

To the General Meeting of Sopra Steria Group SA,

Opinion

In compliance with the engagement entrusted to us by the shareholders at your General Meeting, we have audited the accompanying consolidated financial statements of Sopra Steria Group SA for the financial year ended 31 December 2022.

We certify that the consolidated financial statements are, with respect to IFRS as adopted in the European Union, true and fair and provide an accurate view of the results of your Company's operations for the financial year under review and of the financial position and assets and liabilities, at the end of the financial year, of the group formed by the persons and entities included in the scope of consolidation.

The opinion expressed above is consistent with our report to the Audit Committee.

Basis for opinion

AUDIT FRAMEWORK

We performed our audit in accordance with the professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the section of this report entitled "Responsibilities of the Statutory Auditors relating to the audit of the consolidated financial statements".

INDEPENDENCE

We performed our audit in accordance with the independence rules provided by the French Commercial Code and the French Code of Ethics for Statutory Auditors for the period from 1 January 2022 to the date our report was issued, and in particular we have not provided any services prohibited by Article 5, paragraph 1 of Regulation (EU) No. 537/2014.

Justification of our assessments – Key audit matters

In accordance with the requirements of Articles L. 823-9 and R. 823-7 of the French Commercial Code relating to the justification of our assessments, we bring to your attention the key audit matters relating to the risks of material misstatement which, according to our professional judgment, were most significant for the audit of the consolidated financial statements for the financial year, as well as our responses to those risks.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our opinion thereon. We do not provide a separate opinion on specific items of the consolidated financial statements.

REVENUE RECOGNITION ON FIXED-PRICE CONTRACTS

(Note 4.1 to the consolidated financial statements)

Risk identified

Sopra Steria Group, one of Europe's key players in digital transformation, offers end-to-end, high-value-added services comprising consulting and systems integration, development of industry- and technology-specific solutions, IT infrastructure management, cybersecurity and business process services (BPS).

The Group's revenue to 31 December 2022 totalled €5.1 billion, a significant portion of which related to fixed-price contracts. Fixed-price contracts are characterised by commitments relating to the price, the end result and the deadline.

As presented in Note 4.1 to the consolidated financial statements, revenue from services performed under fixed-price contracts is recognised over time (and not at a specific point in time) using the percentage-of-completion method in the following two situations:

- the services are performed in the customer's environment or enhance a customer's asset. The customer obtains control as the asset is created or developed ;
- the contract provides for the development of highly specific assets in the Group's environment (e.g. solutions) prior to implementation in the customer's infrastructure. The contract also provides for settlement of the value of such services in the event of termination for convenience (where the customer is entitled to do so). The Group has no alternative use for the asset created and has an enforceable right to payment for performance completed to date.

Revenue and profit generated over time from these services is recognised on the basis of a qualified estimate of the level of completion, measured as the difference between the contract value and the amount required to cover the total number of person-days remaining to be performed.

We considered the recognition of revenue on fixed-price contracts as a key audit matter due to its significance in the Group's financial statements and the level of judgment and estimation required by management to determine the revenue and income on completion from these contracts.

Our response

We familiarised ourselves with the internal control procedures implemented by the Group and tested the key controls relating to determining income from fixed-price contracts.

For a sample of contracts deemed material due to their financial impact and risk profile:

- we reconciled contractual data, including any contractual changes resulting from additional requests and contractual claims, with management and accounting data;
- we talked to management and project managers in order to assess the reasonable nature of the estimates made by management and corroborate the estimated amount allocated to cover the total number of person-days remaining to be performed, particularly in comparison with prior estimates and by reviewing correspondence with the client and assessing whether this has been translated correctly into the accounts. In performing this work we drew on experience acquired in previous financial years relating to similar contracts;
- for contracts subject to claims, we talked to the Group's legal department and reviewed correspondence with the client in order to assess the estimates made by management.

We also used substantive checks on a sample of trade receivables and accrued income in order to assess management's estimates relating to the prospect of recovering these receivables.

VALUATION AND IMPAIRMENT OF GOODWILL

(Notes 8.1.1 and 8.1.2 to the consolidated financial statements)

Risk identified

As at 31 December 2022, the net value of goodwill in the Group's consolidated financial statements was €1,943.9 million, equal to 39.43% of total assets.

As set in out in Notes 8.1.1 and 8.1.2 to the consolidated financial statements, goodwill is allocated to cash-generating units (CGUs) for the purposes of impairment tests. The Group's segmentation into CGUs is consistent with the operating structure of its businesses, its management and reporting system, and its segment reporting. Impairment tests are performed whenever there is an indication of impairment, and in any event at the balance sheet date of 31 December. These tests consist in comparing the CGU's carrying amount with its recoverable amount, which corresponds to the higher of (i) its fair value less costs of disposal and (ii) its value in use.

An impairment loss is recognised whenever the recoverable amount of goodwill is lower than the carrying amount the weighted average cost of capital.

To determine the value in use of the CGU, management primarily uses the discounted cash flow (DCF) method, which involves the use of key assumptions relating to each asset category, including in particular the perpetual growth rate and the discount rate based on the weighted average cost of capital.

Determining the recoverable amount of goodwill, which represents a particularly significant amount relative to total assets, is primarily based on management's judgment, in particular as regards the perpetual growth rate used to forecast cash flows and the discount rate applied. We therefore considered the valuation of goodwill and the implementation of impairment testing to be a key audit matter.

Our response

Our work consisted primarily of:

- reviewing the compliance of the methodology used by the Group with applicable accounting standards;
- assessing whether the allocation of assets to CGUs is exhaustive and complies with applicable accounting standards;
- assessing the reasonable nature of assumptions used to determine future cash flows in relation to operating data, with regard to the business and financial context for the Group's operations, and their consistency with the most recent estimates presented to the Board of Directors within the framework of budgetary processes;
- assessing, with the help of our valuation experts, the consistency of the perpetual growth rate and the weighted average unit cost of capital in all components;
- analysing the sensitivity of the value in use determined by management to a change in the main assumptions made, particularly for the following CGUs: France, UK, Banking, Italy, Benelux, Switzerland, Germany, Nordics, Spain, SFT and HR.

Lastly, we verified that Notes 2.1 and 8.1 to the consolidated financial statements provided appropriate information.

VALUATION AND IMPAIRMENT OF EQUITY-ACCOUNTED INVESTMENTS

(Note 10.2 to the consolidated financial statements)

Risk identified

As at 31 December 2022, the net value of equity-accounted investments in the Group's consolidated financial statements was €183.5 million, equal to 3.7% of total assets. These equity interests mainly correspond to the Group's stake in Axway Software in the amount of €181.7 million.

As explained in Note 10.2 to the consolidated financial statements, impairment tests are performed whenever there is an indication of impairment, and in any event at the balance sheet date of 31 December. These tests consist in comparing the carrying amount of equity-accounted investments with their recoverable amount, which corresponds to the higher of (i) their fair value less costs of disposal and (ii) their value in use:

- as Axway Software's shares are listed, their fair value less costs of disposal is equal to market price less costs to sell ;
- to determine the value in use of equity-accounted investments, management primarily uses the discounted cash flow (DCF) method, which involves the use of key assumptions relating to each asset category, including in particular the perpetual growth rate and the discount rate based on the weighted average cost of capital.

An impairment loss is recognised whenever the recoverable amount of equity-accounted investments is lower than their carrying amount.

Determining the recoverable amount of equity-accounted investments is primarily based on management's judgment, in particular as regards the perpetual growth rate used to forecast cash flows and the discount rate applied. We therefore considered the valuation of equity-accounted investments and the implementation of impairment testing to be a key audit matter.

Our response

Our work consisted primarily of:

- reviewing the compliance of the methodology used by the Group with applicable accounting standards;
- assessing the reasonable nature of assumptions used to determine future cash flows in relation to operating data, with regard to the business and financial context for the Group's operations, and their consistency with the most recent estimates presented to the Board of Directors within the framework of budgetary processes;
- assessing, with the help of our valuation experts, the consistency of the perpetual growth rate and the weighted average unit cost of capital in all components;
- analysing the sensitivity of the value in use determined by management to a change in the main assumptions made.

Lastly, we verified that Note 10.2 to the consolidated financial statements provided appropriate information.

POST-EMPLOYMENT BENEFIT OBLIGATIONS

(Note 5.3.1 to the consolidated financial statements)

Risk identified

Post-employment benefits mainly concern the Group's obligations towards its employees to provide retirement bonuses in France and defined-benefit pension plans in the United Kingdom, Germany and other European countries (Belgium and Norway). The actuarial value of accumulated benefits as at 31 December 2022 was €137.7 million.

The net liability in respect of retirement benefits and similar obligations was calculated at the balance sheet date based on the most recent valuations available. Since these liabilities are covered by plan assets with a fair value of €1,194.2 million, the net liability at 31 December 2022 totalled €151.8 million. The most significant plan assets concern the United Kingdom and France.

Valuing pension plan assets and liabilities, as well as the actuarial cost for the financial year, requires a high level of judgment by management to determine appropriate assumptions to be made, such as the discount rate, inflation, future pay rises, staff turnover and mortality tables.

The change in some of these assumptions may have a material impact on determining the net liability recognised as well as on the Group's profit.

In view of the amounts represented by these obligations and associated plan assets, as well as the technical skill required to evaluate these amounts, we considered this type of post-employment benefit obligations to be a key audit matter.

Our response

We familiarised ourselves with the process for valuing post-employment benefit obligations implemented by the Group. A review of actuarial assumptions was performed by:

- assessing the discount rate and inflation in order to evaluate their consistency with market conditions;
- assessing the reasonable nature of assumptions relating to pay rises, staff turnover and mortality in order to evaluate their consistency with the specific characteristics of each plan and, where applicable, with national and sector benchmarks;
- reviewing calculations made by the Group's external actuaries.

As regards plan assets, we also assessed whether the assumptions made by management to value these assets and the documentation provided by management to justify the recognition of a net plan asset were appropriate.

Lastly, we verified the appropriateness of the information provided in Note 5.3.1 to the consolidated financial statements.

Specific verifications

We also performed the specific verifications in accordance with professional standards applicable in France and required by law in relation to the information on the Group contained in the Management Report of the Board of Directors.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

We certify that the consolidated statement of non-financial performance in accordance with Article L. 225-102-1 of the French Commercial Code is provided in the information relating to the Group in the Management Report, it being understood that in accordance with Article L. 823-10 of the French Commercial Code, the information contained in this declaration has not been the subject of our verifications of sincerity or of consistency with the consolidated financial statements, and must be reported by an independent third party.

Report on other legal and regulatory requirements

FORMAT OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS INTENDED TO BE INCLUDED IN THE ANNUAL FINANCIAL REPORT

We have also verified, in accordance with the professional standard applicable in France concerning the procedures performed by the Statutory Auditor relating to the parent company and consolidated financial statements presented in the European Single Electronic Format, that the presentation of the consolidated financial statements intended to be included in the Annual Financial Report mentioned in Article L. 451-1-2, I of the French Monetary and Financial Code (*Code monétaire et financier*), prepared under the responsibility of the Chief Executive Officer, complies with this format as defined in Commission Delegated Regulation (EU) 2019/815 of 17 December 2018. With regard to the consolidated financial statements, our work includes verifying that the tagging of these financial statements complies with the format defined in the aforementioned regulation.

Based on the work we have performed, we conclude that the presentation of the consolidated financial statements intended to be included in the Annual Financial Report complies, in all material respects, with the European Single Electronic Format.

Due to technical limitations involved in the microdata tags of the consolidated financial statements in accordance with the European Single Electronic Format for reporting, the content of certain tags in the notes to the consolidated financial statements may not be displayed identically to the consolidated financial statements attached to this report.

Furthermore, we have no responsibility to verify that the consolidated financial statements that will ultimately be included by your Company in the Annual Financial Report filed with the AMF correspond to those on which we have performed our work.

APPOINTMENT OF STATUTORY AUDITORS

Mazars was appointed Statutory Auditor of Sopra Steria Group SA by the shareholders at the General Meeting of 1 June 2000, and ACA Nexia by the shareholders at the General Meeting of 30 June 1986.

As at 31 December 2022, Mazars was in its 23rd consecutive year as Statutory Auditor and ACA Nexia in its 19th consecutive year as Statutory Auditor, respectively 23 years and 19 years since the Company's shares were first listed for trading on a regulated market.

Responsibilities of management and of those responsible for corporate governance relating to the consolidated financial statements

It is management's responsibility to prepare consolidated financial statements that provide an accurate view, in accordance with IFRS as adopted in the European Union, and to implement the internal controls it deems necessary to prepare consolidated financial statements free of material misstatement, whether due to fraud or error.

When preparing the consolidated financial statements, it is management's responsibility to assess the Company's ability to continue as a going concern, to provide in these statements, where appropriate, information relating to the going concern principle, and to apply the going concern principle, unless the Company will be dissolved or cease operations.

The Audit Committee is responsible for monitoring the process of preparing the financial information and the effectiveness of the internal control and risk management systems, and, where appropriate, the internal audit system, as regards procedures relating to the preparation and treatment of accounting and financial information.

The consolidated financial statements were approved by the Board of Directors.

Responsibilities of the Statutory Auditors relating to the audit of the consolidated financial statements

AUDIT AIM AND APPROACH

It is our responsibility to prepare a report on the consolidated financial statements. Our aim is to obtain reasonable assurance that the consolidated financial statements taken as a whole are free of material misstatement. Reasonable assurance corresponds to a high level of assurance, although this does not guarantee that an audit performed in accordance with professional standards systematically allows for all material misstatements to be detected. Misstatements may be due to fraud or error and are considered material when it can reasonably be expected that they may, taken individually or combined, influence the financial decisions of users made on the basis of the financial statements.

As specified in Article L. 823-10-1 of the French Commercial Code, our assignment of certifying the financial statements does not consist of guaranteeing the viability or quality of your Company's management.

Within the framework of an audit performed in accordance with professional standards applicable in France, the Statutory Auditor uses its professional judgment throughout the audit process. In addition:

- it identifies and assesses the risk of the consolidated financial statements containing material misstatements, whether due to fraud or error, defines and implements audit procedures in light of these risks, and collects evidence that it deems sufficient and appropriate to form a basis for its opinion. The risk of failure to detect a material misstatement due to fraud is higher than in the case of a material misstatement due to error, as fraud may involve collusion, falsification, deliberate omissions, false statements or circumvention of internal control procedures;
- it familiarises itself with internal controls relevant for the audit in order to define appropriate audit procedures under the circumstances, and not with the aim of expressing an opinion on the effectiveness of internal control procedures;
- it assesses the appropriateness of accounting policies used and the reasonable nature of accounting estimates made by management, as well as associated information provided in the consolidated financial statements;
- it assesses the appropriateness of management's application of the going concern principle and, depending on the evidence collected, whether or not any material uncertainty exists relating to events or circumstances that may call into question the Company's ability to continue as a going concern. This assessment relies on evidence collected up to the date of its report, noting that subsequent circumstances or events may call into question the continuity of operations. If it concludes that a material uncertainty exists, it shall draw readers' attention to the information provided in the consolidated financial statements relating to this uncertainty or, if this information is not provided or is not relevant, it shall give a qualified certification or refuse to certify the financial statements;
- it assesses the overall presentation of the consolidated financial statements and evaluates whether the consolidated financial statements reflect underlying transactions and events in a way that gives a true and fair view;

as regards financial information from persons or entities within the scope of consolidation, it collects information that it deems sufficient and appropriate to express an opinion on the consolidated financial statements. It is responsible for the management, supervision and performance of the audit of the consolidated financial statements as well as the opinion expressed on these financial statements.

REPORT TO THE AUDIT COMMITTEE

We send a report to the Audit Committee setting out in particular the scope of our audit work and the programme of works carried out, as well as the conclusions of our work. We also bring to its attention, if applicable, any significant weaknesses in internal control procedures that we have identified as regards procedures relating to the preparation and treatment of accounting and financial information.

The information provided in the report to the Audit Committee includes risks of material misstatement, which we deem to have been the most significant for our audit of the consolidated financial statements for the financial year and which therefore constitute key audit matters, which it is our duty to describe in this report.

We also provide the Audit Committee with the declaration required by Article 6 of Regulation (EU) No. 537-2014 attesting to our independence within the meaning of applicable regulations in France as set out in particular by Articles L. 822-10 to L. 822-14 of the French Commercial Code and in the French Code of Ethics for Statutory Auditors. If applicable, we shall discuss with the Audit Committee the risks to our independence and safeguarding measures implemented.

The Statutory Auditors
Paris and Courbevoie, 2 March 2023
French original signed by

ACA Nexia	**Mazars**	
Sandrine Gimat	Alain Chavance	Jérôme Neyret

This is a free translation into English of the Statutory (1) Auditors' report on the consolidated financial statements of the Company issued in French. It is provided solely for the convenience of English-speaking users. This Statutory Auditors' report includes information required under European regulations and French law, such as information about the appointment of the Statutory Auditors and the verification of information concerning the Group presented in the Management Report. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.