

## First-half 2014: Sopra turns in a solid performance

Paris, 25 July 2014 – At its meeting yesterday chaired by Pierre Pasquier, Sopra's Board of Directors approved its financial statements for first-half 2014. The Statutory Auditors conducted a limited review of the interim consolidated financial statements.

- Revenue represented total growth of 9.3% and organic growth of 4.5%
- At 7.2%, operating margin on business activity improved by 100 basis points
- Annual targets confirmed

Key income statement items (€m / %)					
	H1 2014		H1 2013		Change 2014/2013
Revenue	722.3		661.0		+ 4.5%
<i>organic growth</i> <sup>(1)</sup>					
Operating profit on business activity <sup>(2)</sup>	52.2	7.2%	41.3	6.2%	
Profit from recurring operations	48.4	6.7%	37.5	5.7%	
Operating profit	40.6	5.6%	63.6	9.6%	
Net profit - Group share	22.2	3.1%	50.2	7.6%	

Revenue for the first half of 2014 was €722.3 million, representing total growth of 9.3% and organic growth of 4.5%. Following an excellent first quarter, the Group maintained its strong start to the year, recording revenue of €363.9 million for the second quarter, i.e. total growth of 7.1% and organic growth of 4.7%.

Operating profit on business activity for the half-year period was €52.2 million, corresponding to a margin of 7.2%, a 100 basis point improvement over the first half of 2013.

Profit from recurring operations was €48.4 million, representing a margin of 6.7%, after €1.4 million in expenses relating to the bonus share allotment plan (PAGA) and stock options, as well as amortisation of allocated intangible assets in the amount of €2.4 million.

After other operating expenses, which came to €7.8 million in total, of which €4.6 million were attributable to the tie-up with Steria and €3.2 million arising from restructuring, operating profit came to €40.6 million, representing a margin of 5.6% (first-half 2013: 9.6%). It should be noted that in the first half of 2013, the Group recognised negative goodwill with respect to the acquisition of HR Access. Without that negative goodwill, last year's margin would have been 6.3%.

<sup>1</sup> Change calculated at constant exchange rates and group structure.

<sup>2</sup> Operating profit on business activity corresponds to profit from recurring operations before expenses related to the bonus share allotment plan, stock options and amortisation charges for allocated intangible assets.

Net financial items came out to an expense of €4.6 million. Total tax expense was €14.3 million.

The share of net profit from equity-accounted associates, corresponding to Sopra's 25.61% shareholding in Axway, was €0.5 million.

Net profit was €22.2 million, representing a net margin of 3.1%.

Vincent Paris, Chief Executive Officer, commented: *"Sopra turned in a solid performance for this first part of the year, highlighted by growth and improved profitability. The trust that our clients place in us enables the Group to move forward and outperform in an economic environment that remains very challenging. At this point in the year, we are in a position to confirm all our annual targets."*

### Comments on business activity for Consulting & Services

In France, first-half revenue amounted to €393.3 million, representing total growth of 3.2% and organic growth of 2.5%. Amidst a generally lacklustre economic environment, the Group saw its pace of growth pick up in the second quarter, buoyed by a high number of contracts renewed with key accounts. While budgets changed only marginally, Sopra generated growth by gaining market share. The public sector maintained its wait-and-see attitude, but demand from the financial services and manufacturing sectors was higher. Operating profit on business activity came in at €32.7 million, representing a margin of 8.3% for the period, compared with 7.5% in 2013.

In Europe, revenue was €129.9 million, representing total growth of 5.7% and organic growth of 4.4%. Operating profit on business activity totalled €2.7 million, representing a margin of 2.1% for first-half 2014, compared with 2.8% for the same period in the previous financial year. In Spain, Belgium and Switzerland, growth and profitability came in as hoped and the United Kingdom proved resilient, while adverse economic conditions weighed on the performance of the Group's Italian and German subsidiaries.

### Comments on business activity for Solutions

Sopra Banking Software generated first-half revenue of €120.7 million, representing total growth of 12.0% and organic growth of 1.6% for an operating margin of 6.1% (€7.4 million). These results reflect a strategy that reconciles, on the one hand, the investment effort needed to bring the subsidiary's offering to the market and, on the other, its target of double-digit profitability over the full year. While research and development costs and the deployment of sales teams held back profit margins in the first half of the year, a number of major projects involving substantial licence sales at the end of the year should allow the subsidiary to achieve its annual target of an operating margin of over 10%.

The "Other Solutions" division, which combines revenue generated by the Group's human resources and property management solutions, recorded half-year revenue of €78.4 million, representing total growth of 59.0% and organic growth of 22.3%. The margin of 12.0% validates the Group's strategy, which was recently reflected in the acquisition of HR Access Service (see press release dated 30 June 2014), aimed at developing ancillary services to complement its solutions offerings.

### Financial position

Equity was €361.7 million. Net debt at 30 June 2014 was €197.3 million.

Net bank debt, which excludes the profit-sharing liability of €27.1 million, was €170.2 million. Consequently, the net debt to equity ratio excluding employee profit sharing for the calculation of bank covenants came to 47.0%.

The Group's financial position therefore remains excellent and its debt is perfectly compliant with its banking covenants.

## Outlook

Today, Sopra is able to confirm the annual targets that were fixed within the framework of its independent enterprise project, namely:

- organic growth of between 3% and 5%,
- improvement in the operating margin on business activity,
- net debt at year-end of between €130 million and €160 million, taking into account the acquisition of HR Access Services and the subscription to the CS convertible bond issue.

## Offre Publique d'Échange (Public Exchange Offer) on Groupe Steria

The proposed tie-up between Sopra and Groupe Steria is making good progress: on 17 July 2014 the AMF confirmed the closing date for the public exchange offer (set at 30 July 2014) following the European Commission's decision on 14 July authorising the tie-up.

The shareholders of Groupe Steria have had, as of 26 June 2014 (opening date of the public exchange offer), the opportunity to tender their shares to the public exchange offer and thus to contribute to the creation of a European leader in digital transformation.

## Financial calendar

Friday, 25 July 2014 at 15:30: presentation of the interim financial statements at the Shangri-La Hotel in Paris.

Thursday, 30 October 2014 before market: publication of third-quarter revenue.

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**Consolidated income statement (€m)**

	H1 2014		H1 2013	
<b>Revenue</b>	<b>722.3</b>		<b>661.0</b>	
Staff costs - Employees	-498.8		-455.4	
Staff costs - Contractors	-48.3		-53.1	
Operating expenses	-112.7		-101.2	
Depreciation, amortisation and provisions	-10.3		-10.0	
<b>Operating profit on business activity</b>	<b>52.2</b>	<b>7.2%</b>	<b>41.3</b>	<b>6.2%</b>
Expenses related to stock options and related items	-1.4		-1.4	
Amortisation of allocated intangible assets	-2.4		-2.4	
<b>Profit from recurring operations</b>	<b>48.4</b>	<b>6.7%</b>	<b>37.5</b>	<b>5.7%</b>
Other operating income and expenses	-7.8		26.1	
<b>Operating profit</b>	<b>40.6</b>	<b>5.6%</b>	<b>63.6</b>	<b>9.6%</b>
Cost of net financial debt	-3.2		-2.4	
Other financial income and expenses	-1.4		-	
Income tax expense	-14.3		-13.4	
Share of net profit from equity-accounted companies	0.5		2.4	
<b>Net profit before profit from discontinued operations</b>	<b>22.2</b>	<b>3.1%</b>	<b>50.2</b>	<b>7.6%</b>
Profit net of tax from discontinued operations	-		-	
<b>Net profit</b>	<b>22.2</b>	<b>3.1%</b>	<b>50.2</b>	<b>7.6%</b>
Group share	22.2		50.2	
Minority interests	-		-	

**Simplified balance sheet (€m)**

	30/06 2014	31/12 2013
Goodwill	344.0	317.5
Allocated intangible assets	49.1	51.4
Other fixed assets	61.5	56.7
Equity-accounted investments	117.5	118.8
<b>Fixed assets</b>	<b>572.1</b>	<b>544.4</b>
Trade accounts receivable (net)	461.2	442.4
Other assets and liabilities	-474.3	-474.3
<b>Operating assets and liabilities</b>	<b>-13.1</b>	<b>-31.9</b>
<b>ASSETS + WCR</b>	<b>559.0</b>	<b>512.5</b>
Equity	361.7	357.9
Net financial debt	197.3	154.6
<b>CAPITAL INVESTED</b>	<b>559.0</b>	<b>512.5</b>

**Net debt (€m)**

	30/06 2014	30/06 2013
<b>Net debt at beginning of period (A)</b>	<b>-154.6</b>	<b>-204.1</b>
Cash from operations before cost of net debt and tax	52.9	39.9
Income taxes paid	-13.5	-15.4
Change in working capital requirements	-49.4	-50.9
<b>Net cash used in operating activities</b>	<b>-10.0</b>	<b>-26.4</b>
Net cash used in investing activities	-11.0	-8.3
Net interest paid	-3.2	-2.4
<b>Available net cash flow</b>	<b>-24.2</b>	<b>-37.1</b>
Impact of changes in scope	-20.3	44.2
Financial investments	-	-0.9
Dividends	-	-20.2
Dividends collected from equity-accounted associates	2.1	1.9
Capital increases in cash	-	0.1
Other changes	-1.1	0.5
<b>Total net change for the period (B)</b>	<b>-43.5</b>	<b>-11.6</b>
Impact of changes in foreign exchange rates (C)	0.8	-0.6
<b>Net debt at period-end (A+B+C)</b>	<b>-197.3</b>	<b>-216.2</b>

**Performance by region in first-half 2014 (€m / %)**

	Revenue	Operating profit on business activity	Operating margin on business activity	Total growth	Organic growth
<b>France</b>	<b>393.3</b>	<b>32.7</b>	<b>8.3%</b>	<b>3.2%</b>	<b>2.5%</b>
<b>Europe (excluding France)</b>	<b>129.9</b>	<b>2.7</b>	<b>2.1%</b>	<b>5.7%</b>	<b>4.4%</b>
United Kingdom	43.6	2.3	5.3%	3.1%	-0.5%
Spain	44.3	2.1	4.7%	17.2%	17.2%
Italy	20.9	-0.4	-1.9%	-8.3%	-8.3%
Other countries <sup>(3)</sup>	21.1	-1.3	-6.2%	5.5%	5.5%
<b>Sopra Banking Software</b>	<b>120.7</b>	<b>7.4</b>	<b>6.1%</b>	<b>12.0%</b>	<b>1.6%</b>
<b>Other Solutions</b>	<b>78.4</b>	<b>9.4</b>	<b>12.0%</b>	<b>59.0%</b>	<b>22.3%</b>
<b>Sopra Group</b>	<b>722.3</b>	<b>52.2</b>	<b>7.2%</b>	<b>9.3%</b>	<b>4.5%</b>

<sup>3</sup> Others countries: Germany, Belgium, Switzerland

## Changes in equity (€m)

	€m
<b>Position at 31 December 2013</b>	<b>357.9</b>
Net profit - Group share	22.2
Distribution in cash (ordinary)	- 22.6
Acquisition or disposal of treasury shares	- 0.6
Share-based payments	2.1
Actuarial differences	- 2.3
Change in financial instruments	0.3
Translation adjustments	4.5
Other movements	0.2
<b>Position at 30 June 2014</b>	<b>361.7</b>

## Revenue breakdown by business segment (%)

	H1 2014	2013
Financial Services	36%	33%
Services/Transport/Utilities	20%	20%
Public Sector	17%	16%
Manufacturing	14%	16%
Telecoms & Media	8%	10%
Retail	5%	5%
<b>Total</b>	<b>100%</b>	<b>100%</b>

## Staff Changes

	H1 2014	2013
Staff - France	10,765	10,230
Staff - International	6,395	6,060
<b>Total</b>	<b>17,160</b>	<b>16,290</b>
Staff at beginning of period	16,290	14,310
Integration of acquired companies	130	900
Net additions to staff	740	1,080
<b>Total</b>	<b>17,160</b>	<b>16,290</b>

## Revenue breakdown by region (%)

	H1 2014	2013
France	66%	67%
Europe & rest of world	34%	33%
<b>Total</b>	<b>100%</b>	<b>100%</b>

## Revenue breakdown by offering (%)

	H1 2014	2013
Consulting & Integration	72%	76%
Software development	28%	24%
<b>Total</b>	<b>100%</b>	<b>100%</b>