

2018 Full-year results

- Revenue up 6.9% to €4,095.3 million
- Organic growth of 4.9% over the full year, and 5.5% in the 4th quarter
- Operating margin on business activity of 7.5%, in line with the guidance given in the press release of 19 October 2018
- Net profit attributable to the Group of €125.1 million (vs €172.5 million in 2017) including higher tax expense as a result of non-recurring items
- Strong cash generation that lifted free cash flow to €173.1 million¹ (vs €111.4 million in 2017)

Paris, 22 February 2019 – At its meeting on 21 February 2019 chaired by Pierre Pasquier, Sopra Steria's Board of Directors conducted an in-depth review of the consolidated financial statements² for the financial year ended 31 December 2018.

Sopra Steria: 2018 Full-year results

		2018		2017	
		IFRS 15		IFRS 15	
Key income statement items					
Revenue	€m	4,095.3		3,831.1	
Total growth		+ 6.9%			
Organic growth		+ 4.9%			
Operating profit on business activity	€m / %	307.9	7.5%	330.7	8.6%
Profit from recurring operations	€m / %	260.8	6.4%	287.7	7.5%
Operating profit	€m / %	226.6	5.5%	262.6	6.9%
Net profit attributable to the Group	€m / %	125.1	3.1%	172.5	4.5%
Weighted average number of shares in issue excl. treasury shares	m	20.18		20.21	
Basic earnings per share	€	6.20		8.53	
Recurring earnings per share	€	7.43		9.34	
Key balance sheet items					
		31/12/2018		31/12/2017	
Net financial debt	€m	620.9		510.1	
Equity attributable to the Group	€m	1,296.2		1,206.5	

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

¹ Cash flow calculated excluding the sale of trade receivables leading to their deconsolidation (€37.0 million sold in December 2017)

² Audit procedures have been carried out on the financial statements. The Statutory Auditors' report is in the process of being issued.

Comments on financial year 2018

2018 was a year of major progress, with enhancements to Sopra Steria's business model, investments in innovation and several key acquisitions. Delivery issues affected results, indicating that the transformation initiatives launched within the Group need to accelerate and be guided by a reinforcement of internal governance. The necessary decisions have been taken and are being implemented. This will help the Group pursue its medium-term strategy.

Organic revenue growth was strong, continuing the trends recorded in the previous three financial years. This performance reflects new client needs arising from digital transformation-related challenges as well as Sopra Steria's adeptly positioned offering and profile. The Group consolidated its position right at the core of its major clients' transformations by investing in digital centres of expertise and in internal component development and assembly platforms. It also cemented its cloud computing partnerships with Microsoft, Google and Amazon Web Services.

The drive to **increase the value added** provided by its offerings made further progress with the expansion in the consulting business to 10% of the Group's revenue (7.5% in 2017).

Some **initial signs of encouragement** were recorded as a result of the far-reaching transformation programme launched in the United Kingdom. Adjustments were made to human resources, and trends in revenue and operating profitability picked up in the second half.

Substantial progress was made with building Sopra Banking Software's business model. La Banque Postale's Platform product was delivered on schedule as per the roadmap. Major transformation projects were completed, with the start-up of the Platform product for Transactis and Argenta, Amplitude Up for Attijariwafa Bank in Egypt and for KCB Bank in Kenya, and Cassiopae for the Inter-American Development Bank (IDB) in the United States. The acquisition of Apak also established an unrivalled global position in the asset finance software market.

Action taken to improve the **management of the client payment cycle** started to deliver benefits, leading to a structural uplift in the conversion rate of its earnings into cash flow.

Sopra Steria's policy of **sustainable growth** gained recognition. In January 2019, CDP ranked the Group's environmental performance in Category A for the second year in a row, and the Group's corporate responsibility performance achieved EcoVadis' Gold advanced level.

Details of the Group's 2018 operating performance (IFRS 15)

Sopra Steria generated 2018 revenue of €4,095.3 million, an overall increase of 6.9%. Changes in scope had a positive impact of €89.4 million, and currency fluctuations had a negative impact of €18.1 million. The Group's organic revenue growth was 4.9% year-on-year. Organic revenue growth in the fourth quarter was particularly upbeat at 5.5%.

Operating profit on business activity came to €307.9 million (vs €330.7 million in 2017), and the margin came to 7.5%, in line with the guidance issued on 19 October 2018.

In **France**, revenue came to €1,699.5 million. Organic revenue growth was 4.7% over the full year and accelerated in the fourth quarter (6.5%). Business was driven by consulting, up more than 14%, and by cybersecurity, up more than 30%. The IT infrastructure management activities also moved back onto a growth trajectory. The best-performing vertical markets were insurance, defence, aeronautics and social (including France's Pôle Emploi network of job centres and its CNAM national health insurance fund). The operating margin on business activity was 9.1% (8.6% in 2017).

In the **United Kingdom**, revenue was almost stable at €783.1 million (-0.1% organically compared with 2017). Organic revenue growth of the last two quarters (3rd and 4th quarter) was positive after six quarters of contraction. Efforts to rebuild in financial services commenced, with new clients already contributing more than half of revenue. The operating margin on business activity contracted to 5.7% (vs 6.9% in 2017), but there was a clear turnaround in the second half of the year, with the margin picking up to 7.0% from 4.5% in the first half. This turnaround was driven by a return to normal in the performance of the SSCL joint venture and the initial benefits from the transformation plan.



Revenue for the **Other Europe** reporting unit rose sharply to around €1 billion on the back of organic growth of 14.4%. Revenue in Germany grew by 27.3% (organic growth of 13.4%) to almost €400 million if the contributions from BLUECARAT and IT Economics are included over the full year. Almost all the countries in this reporting unit recorded a very brisk pace of growth. The operating margin on business activity was 8.1%, identical to its level in the previous year.

Sopra Banking Software's revenue totalled €373.7 million, down 3.6% mainly due to an adjustment of the percentage of completion method on certain projects following delivery issues and lower licence revenue (see press release of 19 October 2018). As a result, the full-year operating margin on business activity slipped to -3.6% in 2018 (vs 9.5% in 2017). For the short term, measures to increase delivery capabilities have been introduced to achieve a gradual improvement in the situation in 2019. From a longer-term perspective, the strategy has been reaffirmed, as the confidence in Sopra Banking Software's ability to address financial transformation-related challenges by rolling out its digital platform.

The **Other Solutions** reporting unit posted revenue of €241.8 million, representing organic growth of 2.7%. It strengthened its position in the French market for dedicated human resources solutions. The unit now processes the monthly payroll for around 800,000 employees, representing an increase of more than 10% over the year. It also received a boost from preparations for the introduction of income tax withholding in France. Development in property management solutions continued to make progress with the increasing maturity of the new data-driven technologies. The reporting unit's operating margin on business activity came to 16.7% of revenue, up 1.8 points compared to 2017.

Comments on 2018 net profit (under IFRS 15)

Profit from recurring operations totalled €260.8 million. That includes a €22.8 million expense related to share-based payments (vs €21.2 million in 2017) as a result of the extension during 2018 of the We Share employee share ownership plan and of the long-term incentive plan for the Group's senior managers.

Operating profit was €226.6 million after a net expense of €34.2 million for other operating income and expenses (compared with a net expense of €25.1 million in 2017), which included €30.0 million in reorganisation and restructuring expenses.

Tax expense came to €82.0 million, versus €73.9 million in 2017, representing a Group effective tax rate of 39.6%, with non-recurring items accounting for around €15 million.

The **share of profit of equity-accounted companies** (mainly Axway) was €3.6 million in the financial year (vs €1.7 million in 2017).

The **net profit attributable to the Group** was €125.1 million (vs €172.5 million in 2017) after €3.6 million in **minority interests**.

Basic earnings per share came to €6.20 compared with €8.53 the previous year.

Financial position at 31 December 2018

Sopra Steria's financial position at 31 December 2018 was robust in terms of both financial ratios and liquidity.

Free cash flow amounted to €173.1 million³, a significant improvement from €111.4 million³ in the previous year. It implies a conversion rate⁴ of operating profit on business activity into free cash flow of 50% (vs 41% in 2017). This performance reflected a 7-day reduction in the average payment period of trade receivables.

Cash outflows related to external growth and net financial investments amounted to €173.5 million.

Net financial debt at 31 December 2018 totalled €620.9 million, or 1.68x 2018 EBITDA on a 12-month rolling basis (with the bank covenant stipulating a maximum of 3x).

³ Cash flow calculated excluding the sale of trade receivables leading to their deconsolidation (€37.0 million sold in December 2017)

⁴ Restated for sales of receivables and other non-recurring items



Proposed dividend in respect of financial year 2018

At the next Annual General Meeting of Shareholders, Sopra Steria will propose the payment of a dividend⁵ of €1.85 per share (€2.40 per share in respect of financial year 2017).

Workforce

At 31 December 2018, the Group's workforce totalled 44,114 people (41,661 at 31 December 2017), with 18,7% working in X-Shore zones.

Medium-term ambitions

The Group has reaffirmed its strategy through its independent, value-creating corporate plan based on expansion, added value and differentiation, particularly through its software business. With this in mind, and with the market being driven by digital transformation, Sopra Steria is confident in its ability to steadily and continually improve its performance. The Group is targeting annual organic revenue growth of between 4% and 6%, an operating margin on business activity of around 10%, and free cash flow of between 5% and 7% of revenue.

2019 objectives (IFRS 16)

The Group's objectives for the 2019 financial year are:

- Organic revenue growth of between 4% and 6%
- Slight improvement in operating margin on business activity
- Free cash flow in excess of €150 million

Impact of the change in accounting standards (adoption of IFRS 16 from 1 January 2019)

The method used to account for leases changed with effect from 1 January 2019. Under the new standard, all leases are recognised on the balance sheet.

Sopra Steria uses lease financing for properties (85%), IT and similar equipment (8%) and vehicles (7%).

The anticipated impact at 1 January 2019 is as follows: insignificant impact on free cash flow, marginally positive on operating profit on business activity, virtually neutral on net profit, positive impact on EBITDA of around €90 million, recognition of a lease liability of around €300 million and of an associated asset for approximately the same amount.

2018 annual results presentation meeting

The annual results for 2018 will be presented to analysts and investors in French on 22 February 2019 at 9:00 a.m. CET, at the Shangri-La Hotel in Paris.

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

- Register for the French-language webcast: <https://edge.media-server.com/m6/p/59se4spz>
- Register for the English-language webcast: <https://edge.media-server.com/m6/p/59se4spz/lan/en>

Or by phone:

- French-language phone number: +33 (0)1 70 71 01 59 PIN: 19160777#
- English-language phone number: +44 (0)207 194 37 59 PIN: 18963249#

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

Next financial release

Friday, 26 April 2019 (before market open): first-quarter 2019 revenue.

⁵ Annual General Meeting of Shareholders to be held on Wednesday, 12 June 2019. The ex-dividend date will be 2 July 2019, and the dividend will be payable as from 4 July 2019.



Glossary

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

Disclaimer

This presentation contains forward-looking information subject to certain risks and uncertainties that may affect the Group's future growth and financial results. Readers are reminded that licence agreements, which often represent investments for clients, are signed in greater numbers in the second half of the year, with varying impacts on end-of-year performance. Actual outcomes and results may differ from those described in this document due to operational risks and uncertainties. More detailed information on the potential risks that may affect the Group's financial results can be found in the 2017 Registration Document filed with the Autorité des Marchés Financiers (AMF) on 13 April 2018 (see pages 35 and following in particular). Sopra Steria does not undertake any obligation to update the forward-looking information contained in this document beyond what is required by current laws and regulations. The distribution of this document in certain countries may be subject to the laws and regulations in force. Persons physically present in countries where this document is released, published or distributed should inquire as to any applicable restrictions and should comply with those restrictions.

About Sopra Steria

Sopra Steria, a European leader in digital transformation, provides one of the most comprehensive portfolios of offerings on the market, spanning consulting, systems integration, industry-specific solutions, infrastructure management and business process services. It provides end-to-end solutions to address the core business needs of large companies and organisations, helping them remain competitive and grow. Combining added value with innovative high-performance services, Sopra Steria excels in guiding its clients through their transformation projects to help them make the most of digital technology. With more than 44,000 employees in more than 20 countries, Sopra Steria generated revenue of €4.1 billion in 2018.

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

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

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Annexes

Sopra Steria: Impact on revenue of changes in scope and exchange rates – FY 2018

€m	2018	2017	Growth
	IFRS 15		
Revenue		3,845.4	
Impact of IFRS 15		-14.2	
Revenue under IFRS 15	4,095.3	3,831.1	+ 6.9%
Changes in exchange rates		-18.1	
Revenue at constant exchange rates	4,095.3	3,813.0	+ 7.4%
Changes in scope		89.4	
Revenue at constant scope and exchange rates	4,095.3	3,902.5	+ 4.9%

Sopra Steria: Changes in exchange rates – FY 2018

For €1 / %	Average rate	Average rate	Change
	2018	2017	
Pound sterling	0.8847	0.8767	- 0.9%
Norwegian krone	9.5975	9.3270	- 2.8%
Swedish krona	10.2583	9.6351	- 6.1%
Danish krone	7.4532	7.4386	- 0.2%
Swiss franc	1.1550	1.1117	- 3.7%

Sopra Steria: Revenue by reporting unit (€m / %) – FY 2018

	2018	2017	2017	Organic	Total
	IFRS 15	Restated*	IFRS 15	growth	growth
France	1,699.5	1,623.5	1,597.7	+ 4.7%	+ 6.4%
United Kingdom	783.1	784.1	791.5	- 0.1%	- 1.1%
Other Europe	997.1	871.7	824.7	+ 14.4%	+ 20.9%
Sopra Banking Software	373.7	387.7	381.7	- 3.6%	- 2.1%
Other Solutions	241.8	235.5	235.5	+ 2.7%	+ 2.7%
Sopra Steria Group	4,095.3	3,902.5	3,831.1	+ 4.9%	+ 6.9%

* Revenue at 2018 scope and exchange rates and after application of IFRS 15

Sopra Steria: Revenue by reporting unit (€m / %) – Q4 2018

	Q4 2018	Q4 2017	Q4 2017	Organic	Total
	IFRS 15	Restated*	IFRS 15	growth	growth
France	458.1	430.0	426.5	+ 6.5%	+ 7.4%
United Kingdom	209.1	202.9	202.9	+ 3.0%	+ 3.0%
Other Europe	279.7	246.2	232.4	+ 13.6%	+ 20.4%
Sopra Banking Software	113.8	124.6	118.0	- 8.6%	- 3.5%
Other Solutions	69.2	67.5	67.5	+ 2.4%	+ 2.4%
Sopra Steria Group	1,129.9	1,071.3	1,047.4	+ 5.5%	+ 7.9%

* Revenue at 2018 scope and exchange rates and after application of IFRS 15



Sopra Steria: Performance by reporting unit – FY 2018

	2018		2017	
	IFRS 15		IFRS 15	
	€m	%	€m	%
France				
Revenue	1,699.5		1,597.7	
Operating profit on business activity	155.4	9.1%	138.1	8.6%
Profit from recurring operations	139.2	8.2%	123.8	7.8%
Operating profit	131.8	7.8%	111.4	7.0%
United Kingdom				
Revenue	783.1		791.6	
Operating profit on business activity	45.0	5.7%	54.7	6.9%
Profit from recurring operations	32.6	4.2%	42.7	5.4%
Operating profit	18.7	2.4%	38.9	4.9%
Other Europe				
Revenue	997.1		824.7	
Operating profit on business activity	80.4	8.1%	66.5	8.1%
Profit from recurring operations	74.9	7.5%	62.2	7.5%
Operating profit	68.5	6.9%	56.0	6.8%
Sopra Banking Software				
Revenue	373.7		381.7	
Operating profit on business activity	-13.3	-3.6%	36.3	9.5%
Profit from recurring operations	-24.2	-6.5%	26.2	6.9%
Operating profit	-28.9	-7.7%	22.2	5.8%
Other Solutions				
Revenue	241.8		235.5	
Operating profit on business activity	40.4	16.7%	35.1	14.9%
Profit from recurring operations	38.4	15.9%	32.9	14.0%
Operating profit	36.5	15.1%	30.4	12.9%

Sopra Steria: Consolidated income statement – FY 2018

	2018		2017	
	IFRS 15		IFRS 15	
	€m	%	€m	%
Revenue	4,095.3		3,831.1	
Staff costs	-2,441.5		-2,331.1	
Operating expenses	-1,290.7		-1,147.9	
Depreciation, amortisation and provisions	-55.2		-21.4	
Operating profit on business activity	307.9	7.5%	330.7	8.6%
Expenses related to stock options and related items	-22.8		-21.2	
Amortisation of allocated intangible assets	-24.3		-21.8	
Profit from recurring operations	260.8	6.4%	287.7	7.5%
Other operating income and expenses	-34.2		-25.1	
Operating profit	226.6	5.5%	262.6	6.9%
Cost of net financial debt	-7.8		-6.8	
Other financial income and expenses	-11.7		-8.5	
Tax expense	-82.0		-73.9	
Share of net profit from equity-accounted companies	3.6		1.7	
Net profit	128.7	3.1%	175.1	4.6%
Attributable to the Group	125.1	3.1%	172.5	4.5%
Non-controlling interests	3.6		2.6	
Weighted average number of shares in issue excl. treasury shares (m)	20.18		20.21	
Basic earnings per share (€)	6.20		8.53	



Sopra Steria: Change in net financial debt (€m) – FY 2018

	2018	2017
Operating profit on business activity	307.9	330.7
Depreciation, amortisation and provisions (excl. allocated intangible assets)	55.8	25.2
EBITDA	363.7	355.9
Non-cash items	-8.1	-1.6
Tax paid	-63.4	-63.9
Change in operating working capital requirement	-23.1	-20.2
Reorganisation and restructuring costs	-39.2	-29.6
Net cash flow from operating activities	229.8	240.6
Change relating to investing activities	-61.8	-62.3
Net interest	-8.4	-9.0
Additional contributions related to defined-benefit pension plans	-23.4	-21.0
Free cash flow*	136.1	148.4
Impact of changes in scope	-168.8	-96.0
Financial investments	-4.7	-2.8
Dividends paid	-48.7	-44.5
Dividends received from equity-accounted companies	1.4	2.8
Capital increases in cash	0.0	0.1
Purchase and sale of treasury shares	-23.4	-1.3
Impact of changes in foreign exchange rates	-2.6	-10.7
Other changes	-0.0	-0.0
Change in net financial debt	-110.8	-4.1
<i>* Free cash flow after restating for the sale of trade receivables in 2017 for €37 million</i>	<i>173.1</i>	<i>111.4</i>
Net financial debt at beginning of period	-510.1	-506.0
Net financial debt at end of period	-620.9	-510.1

Sopra Steria: Simplified balance sheet (€m) – 31/12/2018

	31/12/2018 IFRS 15	31/12/2017 IFRS 15
Goodwill	1,708.5	1,590.6
Allocated intangible assets	183.0	161.5
Other fixed assets	234.9	179.7
Equity-accounted investments	195.1	189.1
Fixed assets	2,321.5	2,120.9
Net deferred tax	79.6	99.1
Trade accounts receivable (net)	1,091.8	1,147.1
Other assets and liabilities	-1,153.1	-1,188.1
Working capital requirement (WCR)	-61.3	-41.0
Assets + WCR	2,339.8	2,179.0
Equity	1,329.2	1,237.2
Provisions for post-employment benefits	308.3	358.9
Provisions for contingencies and losses	81.5	72.8
Net financial debt	620.9	510.1
Capital invested	2,339.8	2,179.0

Sopra Steria: Workforce breakdown – 31/12/2018

	31/12/2018	31/12/2017
France	19,013	18,649
United Kingdom	6,407	6,181
Other Europe	10,095	8,777
Rest of the World	344	281
X-Shore	8,255	7,773
Total	44,114	41,661



Impact of IFRS 15 on the income statement (€m)

Income statement	2017	2017
	before IFRS 15	after IFRS 15
Revenue	3,845.4	3,831.1
Operating expenses	-3,515.6	-3,500.4
Operating profit on business activity	329.8	330.7
Profit from recurring operations	286.8	287.7
Operating profit	261.7	262.6
Other financial income and expenses	-9.8	-8.5
Tax expense	-73.5	-73.9
Net profit from continuing operations	173.3	175.1
Consolidated net profit	173.3	175.1
Attributable to the Group	171.4	172.5
Non-controlling interests	1.8	2.6

Impact of IFRS 15 on the balance sheet (€m)

Balance sheet	2017	2017
	before IFRS 15	after IFRS 15
Deferred tax assets	115.4	115.1
Non-current assets	2,247.1	2,246.8
Trade accounts receivable	1,137.8	1,147.1
Other current assets	256.4	246.3
Current assets	1,556.6	1,555.8
Total assets	3,803.8	3,802.6
Consolidated reserves and other reserves	484.7	481.9
Profit for the year	171.4	172.5
Equity attributable to the Group	1,208.2	1,206.5
Non-controlling interests	31.8	30.7
Total equity	1,240.0	1,237.2
Deferred tax liabilities	16.8	16.0
Non-current liabilities	915.3	914.5
Other current liabilities	1,089.6	1,092.0
Current liabilities	1,648.5	1,650.9
Total liabilities	2,563.8	2,565.4
Total liabilities and equity	3,803.8	3,802.6

