2016

HALF-YEAR FINANCIAL REPORT

AT 30 JUNE 2016

Delivering Transformation. Together.

sopra steria

Société Anonyme with share capital of €20,476,543 – 326 820 065 RCS Annecy
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This document is a free translation into English of the original French "Rapport financier semestriel au 30 juin 2016", hereafter referred to as the "Half-year financial report at 30 June 2016". It is not a binding document. In the event of a conflict in interpretation, reference should be made to the French version, which is the authentic text.

1 Business review for the period ended 30 June 2016

1. Business activity during the first six months of 2016

1.1. Consolidated income statement for first-half 2016

	First-half 2016		First-half 2015 Reported	
	(€m)	*(%)*	*(€m)*	*(%)*
Revenue	**1,878.8**		**1,768.1**	
Staff costs	-1,150.8		-1,084.4	
Operating expenses	-572.9		-554.0	
Depreciation, amortisation and provisions	-20.9		-22.3	
Operating profit on business activity	**134.2**	**7.1%**	**107.4**	**6.1%**
Expenses related to stock options and related items	-10.2		-0.4	
Amortisation of allocated intangible assets	-10.1		-9.5	
Profit from recurring operations	**114.0**	**6.1%**	**97.5**	**5.5%**
Other operating income and expenses	-10.7		-31.4	
Operating profit	**103.2**	**5.5%**	**66.1**	**3.7%**
Cost of net financial debt	-3.8		-4.1	
Other financial income and expenses	-4.6		-7.7	
Income tax expense	-44.4		-25.2	
Share of net profit from equity-accounted companies	3.8		0.2	
Net profit	**54.2**	**2.9%**	**29.3**	**1.7%**
Attributable to Group	54.0	2.9%	26.9	1.5%
Minority interests	0.2		2.4	
Weighted average number of shares in issue excl. treasury shares (millions of shares)	20.01		19.73	
Basic earnings per share *(€)*	2.70		1.36	

Sopra Steria Group had a dynamic first half of 2016, with revenue of €1,878.8 million, up 6.3%. Growth at constant scope and exchange rates was 5.4%.

The Group's operating profit on business activity grew by 25.0% with respect to the first half of 2015, to €134.2 million, yielding a margin of 7.1% – up one point from the previous year.

Profit from recurring operations came to €114.0 million. This included a €10.2 million expense related to share-based payments following the implementation of an employee share ownership plan, as announced on 22 March 2016, involving both shares acquired by employees and matching employer contributions.

Operating profit was €103.2 million after a net expense of €10.7 million for other operating income and expenses.

These included €7.9 million in reorganisation and restructuring expenses, significantly less than in the first half of 2015 (€30.4 million).

The tax expense was €44.4 million for the half-year period, versus €25.2 million for the first half of 2015.

The share of profit of equity-accounted companies (mainly Axway) was €3.8 million (€0.2 million in first-half 2015).

After taking into account €0.2 million attributable to minority interests, the net profit attributable to the Group doubled, amounting to €54.0 million, equivalent to 2.9% of revenue (compared with 1.5% of revenue at 30 June 2015).

Basic net earnings per share also doubled, coming to €2.70 (€1.36 at 30 June 2015).

1.2. Performance by reporting unit

SOPRA STERIA: REVENUE BY REPORTING UNIT (€M/%) – FIRST-HALF 2016

	First-half 2016	First-half 2015 Restated*	First-half 2015	Organic growth	Total growth
France	778.8	711.1	666.2	+9.5%	+16.9%
United Kingdom	483.4	487.6	518.3	-0.9%	-6.7%
Other Europe	355.6	336.3	346.3	+5.7%	+2.7%
Sopra Banking Software	160.2	149.2	138.3	+7.4%	+15.8%
Other Solutions	100.7	99.0	99.0	+1.7%	+1.7%
SOPRA STERIA GROUP	**1,878.8**	**1,783.3**	**1,768.1**	**+5.4%**	**+6.3%**

* *Revenue at 2016 scope and exchange rates.*

SOPRA STERIA: REVENUE BY REPORTING UNIT (€M/%) – SECOND-QUARTER 2016

	Second-quarter 2016	Second-quarter 2015 Restated*	Second-quarter 2015	Organic growth	Total growth
France	391.1	351.0	332.9	+11.4%	+17.5%
United Kingdom	246.2	244.7	266.7	+0.6%	-7.7%
Other Europe	185.0	171.8	176.4	+7.7%	+4.9%
Sopra Banking Software	91.5	80.5	69.3	+13.7%	+32.0%
Other Solutions	51.8	50.8	50.8	+2.0%	+2.0%
SOPRA STERIA GROUP	**965.6**	**898.8**	**896.1**	**+7.4%**	**+7.8%**

* *Revenue at 2016 scope and exchange rates.*

SOPRA STERIA: PERFORMANCE BY REPORTING UNIT – FIRST-HALF 2016

	First-half 2016		First-half 2015	
	(€m)	(%)	(€m)	(%)
France				
Revenue	778.8		666.2	
Operating profit on business activity	66.8	8.6%	53.3	8.0%
Profit from recurring operations	59.5	7.6%	53.0	8.0%
Operating profit	54.6	7.0%	32.3	4.8%
of which C&SI (including CIMPA)				
Organic growth	*+11.5%*			
Revenue	*677.6*		*562.8*	
Operating profit on business activity	*66.3*	*9.8%*	*53.8*	*9.6%*
Profit from recurring operations	*59.5*	*8.8%*	*53.5*	*9.5%*
Operating profit	*57.0*	*8.4%*	*38.4*	*6.8%*
of which I2S				
Organic growth	*-2.1%*			
Revenue	*101.2*		*103.4*	
Operating profit on business activity	*0.5*	*0.5%*	*-0.5*	*-0.5%*
Profit from recurring operations	*0.0*	*0.0%*	*-0.5*	*-0.5%*
Operating profit	*-2.4*	*-2.4%*	*-6.1*	*-5.9%*
United Kingdom				
Revenue	483.4		518.3	
Operating profit on business activity	35.4	7.3%	33.3	6.4%
Profit from recurring operations	29.3	6.1%	26.9	5.2%
Operating profit	29.2	6.0%	25.2	4.9%
Other Europe				
Revenue	355.6		346.3	
Operating profit on business activity	15.8	4.4%	2.2	0.6%
Profit from recurring operations	13.9	3.9%	1.7	0.5%
Operating profit	11.1	3.1%	-4.9	-1.4%
Sopra Banking Software				
Revenue	160.2		138.3	
Operating profit on business activity	6.9	4.3%	9.9	7.2%
Profit from recurring operations	2.6	1.6%	7.2	5.2%
Operating profit	1.1	0.7%	7.2	5.2%
Other Solutions				
Revenue	100.7		99.0	
Operating profit on business activity	9.3	9.2%	8.7	8.8%
Profit from recurring operations	8.7	8.6%	8.7	8.8%
Operating profit	8.1	8.0%	6.4	6.5%

In **France**, first-half revenue came to €778.8 million, representing organic growth of 9.5%.

- Consulting & Systems Integration was particularly buoyant, with revenue of €677.6 million, representing organic growth of 11.5%. This momentum was driven in particular by the robust growth in strategic key accounts (up 13%) and in Consulting (up 22%). It was also due to lower levels of consultant downtime in early 2016 and to the three additional invoicing days in the second quarter. Above all, it reflected the Group's ability to position itself to respond to large-scale global requests for proposals, as illustrated by the signing of major deals. The highest-performing vertical markets were defence and transport. C&SI's growth was coupled with improved profitability: the operating margin on business activity came to 9.8% in first-half 2016 versus 9.6% in first-half 2015.
- I2S (Infrastructure & Security Services) recorded revenue of €101.2 million. In IT infrastructure management, which generated 90% of the entity's revenue, sales momentum improved, with a tighter focus on higher value-added projects. As such, negative growth in the second quarter was contained to 1.3% (versus negative growth of 4.5% in Q1 2016). Positive growth may resume in 2017. Cybersecurity continued to record strong revenue growth (up 6.3% in the half-year period). Regarding profitability, I2S continued to pursue its recovery plan in the first half of 2016. At 30 June 2016, the operating margin on business activity had improved as planned to 0.5%, versus -0.5% at 30 June 2015.

The **United Kingdom** posted first-half 2016 revenue of €483.4 million (26% of Group revenue), representing slightly negative growth of 0.9% at constant scope and exchange rates. In this region, 78% of the business is based on relatively non-cyclical multi-year contracts (for services such as business process outsourcing, IT infrastructure management and application management). The public sector – which generated 68% of the entity's revenue, half of which was through two joint ventures with the UK authorities – saw organic growth of 0.8% for the half-year period. Private-sector activities, which are currently being reorganised, were down 4.0%. The region's operating margin on business activity improved in the first half of 2016, and amounted to 7.3% (6.4% in first-half 2015).

Revenue for the **Other Europe** region was €355.6 million for first-half 2016, representing organic growth of 5.7%. Continuing the trend seen in the first quarter, nearly all countries posted growth. Spain, Italy and the Benelux (Belgium/Netherlands/Luxembourg) region were particularly buoyant, with organic growth of over 10%. The region's profitability improved substantially, with the operating margin on business activity reaching 4.4%, versus 0.6% in first-half 2015. Germany was a key driver of this recovery, with an operating margin on business activity of 3.4% in the first half of 2016, versus -4.5% for the same period in the previous year.

Sopra Banking Software posted revenue of €160.2 million for the first half of 2016, representing organic growth of 7.4%. The half-year period was marked by good momentum in services and a strong sales performance for the Platform and Amplitude products. An important milestone was reached in the renewal of La Banque Postale's IT system, with the first delivery of the account management module taking place a few months after the delivery of the lending module. Another highlight of second-quarter 2016 was the signing of a strategic partnership with Société Générale and La Banque Postale, through their joint subsidiary Transactis, to process European and international bank transfers and direct debits using the Sopra Banking Platform for Payments software solution. This partnership offers Sopra Banking Software new prospects in the field of payments. Lastly, the integration of Cassiopae proved promising, and added €14.4 million to revenue for the half-year period. Sopra Banking Software's operating margin on business activity came to 4.3% in the first six months of the year (7.2% in first-half 2015), reflecting the impact of investments in research and development (up €6 million with respect to the first half of 2015). In line with its 2017 roadmap, the entity will continue to target an annual operating margin on business activity of around 10%.

Other Solutions (HR and Real Estate solutions) posted revenue of €100.7 million for the first half of 2016, representing organic growth of 1.7%. The deferral of some contract signatures from the first to the second half of the year should lead to more buoyant second-half growth. In terms of profitability, a 0.4 point increase in operating margin on business activity was recorded which came to 9.2% (8.8% in first-half 2015).

1.3. Workforce

At 30 June 2016, the Group's total workforce consisted of 39,200 people (38,450 at 31 December 2015), with 16.9% working in X-Shore zones.

1.4. Financial position

Sopra Steria's financial position at 30 June 2016 was robust in terms of both financial ratios and liquidity.

Free cash flow for the first half of the year, which is traditionally a period of net cash outflows, improved with respect to the first half of 2015 (an outflow of €100.6 million versus an outflow of €163.2 million).

Net financial debt was €719.6 million at end-June 2016, equal to 2.2x EBITDA (the financial covenants stipulate a maximum of 3x).

At 30 June 2016, the Group had €1.6 billion in financing, of which €1 billion was available. The Group's bank facilities were renegotiated on 7 July 2016 for a period of five years (with extensions possible to 2022 and 2023).

2. Key events of the period

The Group made a number of acquisitions in first-half 2016

- Cassiopae, a developer of specialised finance and real estate management software, which posted revenue of €50 million in 2015 (consolidated from the second-quarter 2016).
- EchoSystems, a start-up that develops digital solutions for managing and operating real estate assets, which posted revenue of around €1 million in 2015 (consolidated from the second-quarter 2016).
- Acquisition of an 8.62% stake in Axway's share capital from Société Générale, bringing Sopra Steria's shareholding in Axway to 33.52%.

Appointment of a new Director

At the Combined General Meeting of 22 June 2016, the shareholders approved the appointment of Jessica Scale as a new Director for a two-year term expiring at the conclusion of the General Meeting at which the financial statements for the year ending 31 December 2017 are voted on.

3. Risk factors and related-party transactions

3.1. Risk factors

The risk factors are of the same nature as those presented in Chapter 1, Section 10 (pages 33 to 37) of the 2015 Registration Document, and have not undergone any significant changes. The amounts related to financial risks and market risk at 30 June 2016 are presented in Notes 14, 15 and 16 to the condensed consolidated interim financial statements in this report.

Economic uncertainty remains a factor, especially in the United Kingdom following the results of the 23 June 2016 referendum.

3.2. Related-party transactions

These transactions are discussed in Note 19 to the condensed consolidated interim financial statements.

4. Outlook

The Group confirms its targets for the full 2016 financial year:
- organic revenue growth of between 3% and 5%;
- an operating margin on business activity of more than 7.5%;
- a strong increase in free cash flow.

The targets for 2017 remain unchanged:
- revenue of between €3.8 billion and €4 billion;
- an operating margin on business activity of between 8% and 9%.

5. Subsequent events

On 1 July 2016, Sopra Steria acquired LASCE Associates, a consulting firm specialising in operational excellence for industry and logistics.

LASCE Associates, founded in 2003 in Paris and today employing more than 60 consultants, posted revenue of around €8 million for its 2015/2016 financial year (ended 31 May).

LASCE Associates will be consolidated with effect from 1 July 2016.

Appendix/Glossary

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

2 Condensed consolidated interim financial statements

Consolidated statement of net income

(in millions of euros)	Notes	First-half 2016	First-half 2015
Revenue	3	**1,878.8**	**1,768.1**
Staff costs	4	-1,150.8	-1,084.4
Purchases and external expenses		-560.2	-549.5
Taxes and duties		-19.2	-14.1
Depreciation, amortisation, provisions and impairment		-20.9	-22.3
Other current operating income and expenses		6.5	9.7
Operating profit on business activity		**134.2**	**107.4**
as % of revenue		*7.1%*	*6.1%*
Expenses related to stock options and related items		-10.2	-0.4
Amortisation of allocated intangible assets		-10.1	-9.6
Profit from recurring operations		**114.0**	**97.5**
as % of revenue		*6.1%*	*5.5%*
Other operating income and expenses	5	-10.7	-31.4
Operating profit		**103.2**	**66.1**
as % of revenue		*5.5%*	*3.7%*
Cost of net financial debt	6	-3.8	-4.1
Other financial income and expenses	6	-4.6	-7.7
Income tax expense	7	-44.4	-25.2
Net profit from associates	11	3.8	0.2
Net profit from continuing operations		**54.2**	**29.3**
Net profit from discontinued operations		-	-
Consolidated net profit		**54.2**	**29.3**
as % of revenue		*2.9%*	*1.7%*
Non-controlling interests	13	0.2	2.4
NET PROFIT ATTRIBUTABLE TO THE GROUP		**54.0**	**26.9**
as % of revenue		*2.9%*	*1.5%*
EARNINGS PER SHARE *(in euros)*			
Basic earnings per share	8	2.70	1.36
Fully diluted earnings per share	8	2.69	1.36

Consolidated statement of comprehensive income

(in millions of euros)	Notes	First-half 2016	First-half 2015
Consolidated net profit		**54.2**	**29.3**
Other comprehensive income:			
Actuarial gains and losses on pension plans	*16*	-175.8	10.3
Tax impact		35.4	-4.6
Subtotal of items recognised in equity and not reclassifiable to profit or loss		**-140.5**	**5.7**
Translation adjustments		-81.7	82.9
Change in net investment hedges		18.7	-15.9
Tax impact on net investment hedges		-6.4	6.0
Change in cash flow hedges		1.0	0.9
Tax impact on cash flow hedges		-0.4	-0.4
Related to associates		1.8	3.3
Subtotal of items recognised in equity and reclassifiable to profit or loss		**-67.0**	**76.7**
Other comprehensive income, total net of tax		**-207.5**	**82.4**
COMPREHENSIVE INCOME		**-153.3**	**111.7**
Non-controlling interests		-7.0	6.5
Attributable to Group		**-146.3**	**105.2**

Consolidated statement of financial position

Assets *(in millions of euros)*	Notes	30/06/2016	31/12/2015
Goodwill	10	1,571.9	1,586.9
Intangible assets		193.5	214.0
Property, plant and equipment		117.9	118.5
Equity-accounted investments	11	192.6	154.4
Other non-current financial assets		101.5	77.7
Retirement benefits and similar obligations	16	5.1	7.9
Deferred tax assets		167.9	142.7
Non-current assets		**2,350.4**	**2,302.1**
Trade accounts receivable	12	1,118.1	1,099.8
Other current assets		224.1	191.6
Cash and cash equivalents	14	176.3	222.7
Current assets		**1,518.5**	**1,514.0**
Assets held for sale		4.9	5.1
TOTAL ASSETS		**3,873.8**	**3,821.3**

Liabilities and equity *(in millions of euros)*	Notes	30/06/2016	31/12/2015
Share capital		20.5	20.4
Share premium		530.3	528.3
Consolidated reserves and other reserves		402.0	561.3
Profit for the period		54.0	84.4
Equity attributable to the Group		**1,006.7**	**1,194.4**
Non-controlling interests		**34.0**	**38.7**
TOTAL EQUITY	13	**1,040.7**	**1,233.1**
Financial debt – long-term portion	14	433.8	437.8
Deferred tax liabilities		15.6	15.8
Retirement benefits and similar obligations	16	452.7	317.3
Non-current provisions	17	51.7	38.6
Other non-current liabilities	18	88.3	86.4
Non-current liabilities		**1,042.1**	**895.9**
Financial debt – short-term portion	14	462.1	315.7
Current provisions	17	71.8	88.2
Trade payables		252.0	257.5
Other current liabilities		1,005.2	1,030.9
Current liabilities		**1,790.9**	**1,692.2**
Liabilities held for sale		0.1	0.1
TOTAL LIABILITIES		**2,833.1**	**2,588.2**
TOTAL LIABILITIES AND EQUITY		**3,873.8**	**3,821.3**

Consolidated statement of changes in equity

(in millions of euros)	Share capital	Capital reserves	Treasury shares	Consolidated reserves and retained earnings	Other compre-hensive income	Total attribu-table to Group	Minority interests	Total
At 31/12/2014	**20.4**	**658.6**	**-33.6**	**460.9**	**-49.1**	**1,057.1**	**29.7**	**1,086.8**
Reduction of the share issue premium	-	-118.8	-	118.8	-	-	-	-
Share-based payments	-	-	-	-0.5	-	-0.5	-	-0.5
Transactions in treasury shares	-	-	-21.8	0.1	-	-21.7	-	-21.7
Ordinary dividends	-	-	-	-38.7	-	-38.7	-	-38.7
Put option on minority interests	-	-	-	-20.2	-	-20.2	-0.8	-21.0
Other movements	-	-12.4	-	13.1	-	0.7	-	0.7
Shareholder transactions	**-**	**-131.2**	**-21.8**	**72.6**	**-**	**-80.4**	**-0.7**	**-81.2**
Net profit for the period	-	-	-	26.9	-	26.9	2.4	29.3
Other comprehensive income	-	-	-	0.1	78.3	78.3	4.1	82.4
Comprehensive income for the period	**-**	**-**	**-**	**27.0**	**78.3**	**105.2**	**6.5**	**111.7**
At 30/06/2015	**20.4**	**527.4**	**-55.4**	**560.4**	**29.1**	**1,081.9**	**35.5**	**1,117.3**
Share capital transactions	0.1	1.0	-	-	-	1.0	1.4	2.4
Share-based payments	-	-	-	1.4	-	1.4	-	1.4
Transactions in treasury shares	-	-	0.5	-1.3	-	-0.8	-	-0.8
Ordinary dividends	-	-	-	1.2	-	1.2	-	1.2
Put option on minority interests	-	-	-	-2.8	-	-2.8	0.1	-2.7
Other movements	-	-	-	-0.3	-	-0.3	-	-0.3
Shareholder transactions	**0.1**	**1.0**	**0.5**	**-1.9**	**-**	**-0.3**	**1.5**	**1.2**
Net profit for the period	-	-	-	57.5	-	57.5	2.7	60.3
Other comprehensive income	-	-	-	-0.1	55.4	55.4	-1.1	54.3
Comprehensive income for the period	**-**	**-**	**-**	**57.5**	**55.4**	**112.9**	**1.7**	**114.6**
At 31/12/2015	**20.4**	**528.3**	**-54.9**	**616.0**	**84.6**	**1,194.4**	**38.7**	**1,233.1**
Share capital transactions	-	2.0	-	-	-	2.0	-	2.0
Share-based payments	-	-	-	8.0	-	8.0	-	8.0
Transactions in treasury shares	-	-	14.6	-5.3	-	9.3	-	9.3
Ordinary dividends	-	-	-	-34.8	-	-34.8	-	-34.8
Put option on minority interests	-	-	-	-22.6	-	-22.6	2.4	-20.2
Other movements	-	-	-	-3.4	-	-3.4	-	-3.4
Shareholder transactions	**-**	**2.0**	**14.6**	**-58.0**	**-**	**-41.5**	**2.4**	**-39.1**
Net profit for the period	-	-	-	54.0	-	54.0	0.2	54.2
Other comprehensive income	-	-	-	-	-200.2	-200.2	-7.3	-207.5
Comprehensive income/loss for the period	**-**	**-**	**-**	**54.0**	**-200.2**	**-146.3**	**-7.0**	**-153.3**
AT 30/06/2016	**20.5**	**530.3**	**-40.4**	**612.0**	**-115.7**	**1,006.7**	**34.0**	**1,040.7**

Consolidated cash flow statement

(in millions of euros)	First-half 2016	First-half 2015
Consolidated net profit (including non-controlling interests)	**54.2**	**29.3**
Net increase in depreciation, amortisation and provisions	31.6	45.9
Unrealised gains and losses related to changes in fair value	-	-2.7
Share-based payment expense	10.2	0.4
Gains and losses on disposal	0.1	0.3
Share of net profit of equity-accounted companies	-3.8	-0.2
Cash from operations after cost of net debt and tax	**92.2**	**73.0**
Cost of net financial debt	3.8	4.1
Dividends from non-consolidated securities	-0.2	-
Income tax expense	44.4	25.2
Cash from operations before cost of net debt and tax (A)	**140.2**	**102.2**
Tax paid (B)	-33.0	-6.1
Changes in operating working capital requirement (including liabilities related to employee benefits) (C)	-172.9	-226.0
Net cash from/used in operating activities (D) = (A+B+C)	**-65.7**	**-129.9**
Purchase of tangible and intangible fixed assets	-20.2	-17.7
Proceeds from sale of tangible and intangible fixed assets	0.1	0.1
Cash impact of changes in scope	-91.2	-
Dividends received (equity-accounted companies, non-consolidated securities)	0.2	-
Proceeds from/Payments on loans and advances granted	-0.1	3.4
Net interest received	0.5	1.1
Net cash from/used in investing activities (E)	**-110.6**	**-13.2**
Proceeds on the exercise of stock options	2.0	-
Purchase and sale of treasury shares	9.3	-22.6
Proceeds from/Payments on borrowings	85.6	124.3
Net interest paid (including finance leases)	-1.4	-0.9
Additional contributions related to defined-benefit pension plans	-10.8	-10.4
Other cash flows relating to financing activities	0.3	-
Net cash from/used in financing activities (F)	**84.9**	**90.4**
Effect of foreign exchange rate changes (G)	-17.0	23.6
NET CHANGE IN CASH AND CASH EQUIVALENTS (D+E+F+G)	**-108.5**	**-29.1**
Opening cash position (1)	217.5	198.8
Closing cash position (1)	109.0	169.6

(1) See Note 14.

Notes to the condensed consolidated financial statements

ACCOUNTING PRINCIPLES AND POLICIES

NOTES TO THE CONSOLIDATED STATEMENT OF NET INCOME

NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

OTHER INFORMATION

ACCOUNTING PRINCIPLES AND POLICIES

Note 1 Overview of main accounting policies

The consolidated financial statements for the six-month period ended 30 June 2016 were approved by the Board of Directors at its meeting on 27 July 2016.

1.1. Basis of preparation

The consolidated financial statements for the period ended 30 June 2016 were prepared in accordance with IAS 34 *Interim Financial Reporting*, part of the International Financial Reporting Standards (IFRSs) published by the International Accounting Standards Board (IASB) as adopted in the European Union and available online at http://ec.europa.eu/finance/company-reporting/ifrs-financial-statements/index_en.htm.

The accounting policies and calculation methods used to prepare the condensed consolidated financial statements for the six-month period ended 30 June 2016 were the same as those used in the consolidated financial statements for the year ended 31 December 2015 and described in Chapter 4, Note 1 of the 2015 Registration Document filed on 22 April 2016 with the *Autorité des Marchés Financiers* under no. D.16-0385, available online at www.soprasteria.com.

1.2. Application of new standards and interpretations

New standards, amendments to existing standards and interpretations required for accounting periods starting on or after 1 January 2016 had no material impact on the financial statements. These mainly included:

- *Disclosure Initiative* (Amendments to IAS 1);
- *Clarification of Acceptable Methods of Depreciation and Amortisation* (Amendments to IAS 16 and IAS 38);
- *Defined Benefit Plans: Employee Contributions* (Amendments to IAS 19);
- *Accounting for Acquisitions of Interests in Joint Operations* (Amendments to IFRS 11);
- *Annual Improvements to IFRSs 2010-2012 Cycle* including IFRS 2 *Share-based Payment*: Definition of "vesting conditions", IFRS 3 *Business Combinations:* Accounting for contingent consideration in a business combination, and IFRS 8 *Operating Segments*: Aggregation of operating segments;
- *Annual Improvements to IFRSs 2012-2014 Cycle* including IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*: Change in methods of disposal, and IAS 19 *Employee Benefits* – Discount rate: regional market issue.

The Group has not opted for early application of the following IASB publications, which are pending adoption by the European Union and were authorised for early application at 30 June 2016:

- *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (Amendments to IFRS 10 and IAS 28);
- *Recognition of Deferred Tax Assets for Unrealised Losses* (Amendments to IAS 12);
- *Disclosure Initiative* (Amendments to IAS 7).

The Group has chosen not to opt for early application of IASB publications that have not yet been adopted by the European Union and which were not authorised for early application at 30 June 2016.

The Group is currently working on identifying the issues and impacts related to the application of IFRS 15 *Revenue from Contracts with Customers* and IFRS 16 *Leases*.

1.3. Material judgments and estimates

The preparation of the interim financial statements entails the use of estimates and assumptions in measuring certain consolidated assets and liabilities as well as certain income statement items. Management is also required to exercise judgment in the application of the Group's 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:

- measurement of the recoverable amount of intangible assets and property, plant and equipment, and goodwill in particular;
- measurement of retirement benefit obligations;
- revenue recognition;
- measurement of deferred tax assets;
- amounts payable to non-controlling interests;
- provisions for contingencies.

Note 2 Scope of consolidation

2.1. Changes in scope

- **CIMPA** – The entities of the CIMPA group were included in Sopra Steria Group's scope on 1 October 2015.

  No change in the fair value of the assets acquired and liabilities assumed has been recorded since 31 December 2015.
- **Cassiopae** – On 24 February 2016, Sopra Steria announced a business combination with Cassiopae, a leading developer of specialised finance and real estate management software. Through its subsidiary Sopra Banking Software, Sopra Steria acquired 75% of KSEOP, Cassiopae's holding company.

  The following table presents the companies within the Cassiopae group, along with Sopra Steria Group's percent control and percent held:

Company	Country	% control	% held	Consolidation method
KSEOP Holding SAS	France	75.00%	75.00%	FC
Cassiopae SAS	France	75.00%	75.00%	FC
ITI SAS	France	75.00%	75.00%	FC
Cassiopae Real Estate SA	France	75.00%	75.00%	FC
Cassiopae Real Estate Paris SAS	France	75.00%	75.00%	FC
Field Solutions Ltd	United Kingdom	75.00%	75.00%	FC
Cassiopae Ltd	United Kingdom	75.00%	75.00%	FC
Cassiopae GmbH	Germany	75.00%	75.00%	FC
Cassiopae India PLC	India	75.00%	75.00%	FC
Cassiopae MEA	Tunisia	45.00%	33.75%	EM
Cassiopae US Inc.	United States	75.00%	75.00%	FC
Cassiopae Holding Ltd	Brazil	75.00%	75.00%	FC
Cassiopae Software Ltd	Brazil	75.00%	75.00%	FC

FC: Fully consolidated.
EM: Equity method.

Cassiopae was consolidated in Sopra Steria's accounts with effect from 1 April 2016.

The identification of the assets acquired and liabilities assumed is under way. The measurement period runs until 31 March 2017.

The provisional goodwill related to this acquisition was determined based on the following:

(in millions of euros)	Cassiopae
Total assets acquired	**42.3**
Total liabilities assumed	**55.9**
TOTAL NET ASSETS ACQUIRED (NET LIABILITIES ASSUMED)	**-13.7**
Minority interests	-3.4
PURCHASE PRICE	**51.4**
GOODWILL	**61.7**

In addition, Sopra Steria made an irrevocable commitment to the other shareholders of KSEOP (Cassiopae's holding company), through a shareholders' agreement, to acquire their shares. This took the form of a put option which was granted for a period of eight years from the acquisition date. It is exercisable primarily at each anniversary of the signing of the shareholders' agreement. It gave rise to the recognition of a €14.4 million liability.

The costs charged to profit and loss for this acquisition are €0.9 million, included in *Other operating income and expenses.*

Cassiopae is included in Sopra Banking Software's business portfolio, and is part of the Sopra Banking Software operating segment and cash-generating unit.

- **Axway** – On 31 May 2016, Sopra Steria Group acquired the stake held by Geninfo (Société Générale group) in Axway, amounting to 1,793,625 shares (8.62% of the share capital).

  This transaction was completed as an over-the-counter block sale at the price of €21.50 per share for a total amount of €38.6 million.

  Sopra Steria Group's shareholding in Axway grew to 33.52% of the share capital (35.79% of the voting rights).

  Following this transaction, Sopra Steria Group has a significant influence in Axway. This transaction resulted in the recognition of €9.2 million in additional goodwill, determined as follows:

(in millions of euros)	
Purchase price paid	38.6
Total net assets acquired/net liabilities assumed	29.4
Goodwill	**9.2**

  This goodwill is taken into account in the equity value.

- No other material changes in the scope of consolidation were recognised in the first half of 2016.

2.2. Consolidated and equity-accounted entities in the first half of 2016

The list of consolidated and equity-accounted entities in the first half of 2016 is the same as the one presented on pages 137 and 138 of the 2015 Registration Document, with the exception of the addition of the companies in the Cassiopae group (see Note 2.1) and the acquisition of additional Axway shares.

NOTES TO THE CONSOLIDATED STATEMENT OF NET INCOME

Note 3 Revenue

By reporting unit

(in millions of euros)	First-half 2016		First-half 2015	
France	778.8	*41.5%*	666.2	*37.7%*
United Kingdom	483.4	*25.7%*	518.3	*29.3%*
Other Europe	355.6	*18.9%*	346.3	*19.6%*
Sopra Banking Software	160.2	*8.5%*	138.3	*7.8%*
Other Solutions	100.7	*5.4%*	99.0	*5.6%*
TOTAL REVENUE	**1,878.8**	**100.0%**	**1,768.1**	**100.0%**

Note 4 Staff costs

4.1. Breakdown

(in millions of euros)	First-half 2016	First-half 2015
Salaries	-865.0	-815.4
Employee-related expenses	-274.8	-263.1
Net expense for post-employment and similar benefit obligations	-11.0	-5.9
TOTAL	**-1,150.8**	**-1,084.4**

4.2. Workforce

Workforce at period-end	First-half 2016	First-half 2015
France	18,223	17,037
International	20,977	20,089
TOTAL	**39,200**	**37,126**

Note 5 Other operating income and expenses

(in millions of euros)	First-half 2016	First-half 2015
Expenses arising from business combinations (fees, commissions, etc.)	-1.0	-0.9
Net restructuring and reorganisation costs	-7.9	-30.4
■ *of which integration and reorganisation of business lines*	*-0.8*	*-15.7*
■ *of which separation costs*	*-7.1*	*-14.7*
Other operating expenses	-1.8	-0.1
Total other operating expenses	**-10.7**	**-31.4**
Other operating income	-	-
Total other operating income	**-**	**-**
TOTAL	**-10.7**	**-31.4**

In the first half of 2016, the Group recognised one-off costs incurred in adapting its resources, mostly in France and Germany, in line with the measures in place at 31 December 2015.

Note 6 Financial income and expenses

6.1. Cost of net financial debt

(in millions of euros)	First-half 2016	First-half 2015
Interest income	4.8	5.6
Income from cash and cash equivalents	**4.8**	**5.6**
Interest charges	-7.7	-8.6
Gains/losses on hedges of gross financial debt	-0.9	-1.1
Cost of gross financial debt	**-8.6**	**-9.6**
COST OF NET FINANCIAL DEBT	**-3.8**	**-4.1**

The average cost of borrowings after hedging was 1.97% for the first half of 2016, compared with 2.20% for the first half of 2015.

6.2. Other financial income and expenses

(in millions of euros)	First-half 2016	First-half 2015
Foreign exchange gains and losses	**1.1**	**-0.6**
Other financial income	**0.7**	**0.6**
Discounts granted	-0.3	-0.4
Net interest expense on retirement benefit obligations	-4.0	-5.7
Interest on employee profit-sharing liability	-0.4	-0.5
Expense on unwinding of discounted non-current liabilities	-0.4	-0.5
Change in the value of derivatives	-0.8	-0.5
Other financial expenses	-0.5	-0.1
Total other financial expenses	**-6.4**	**-7.6**
TOTAL OTHER FINANCIAL INCOME AND EXPENSES	**-4.6**	**-7.7**

Note 7 Tax expense

(in millions of euros)	First-half 2016	First-half 2015
Current tax	-36.7	-26.5
Deferred tax	-7.7	1.3
TOTAL	**-44.4**	**-25.2**

In the first half of 2016, the Group's effective tax rate was 46.8%, compared with an effective tax rate of 46.3% recognised in the first half of 2015. This rate is not representative of the full-year tax rate due to one-off impacts (for information, at 31 December 2015 it stood at 36.4%).

Note 8 Earnings per share

	First-half 2016	First-half 2015
Net profit attributable to the Group *(in millions of euros)* (a)	54.0	26.9
Weighted average number of ordinary shares in issue (b)	20,449,524	20,371,789
Weighted average number of treasury shares (c)	442,434	640,380
Weighted average number of shares in issue excluding treasury shares (d) = (b) - (c)	20,007,090	19,731,409
BASIC EARNINGS PER SHARE *(in euros)* **(a/d)**	**2.70**	**1.36**

	First-half 2016	First-half 2015
Net profit attributable to the Group *(in millions of euros)* (a)	54.0	26.9
Weighted average number of shares in issue excluding treasury shares (d)	20,007,090	19,731,409
Dilutive effect of instruments that give rise to potential ordinary shares (e)	47,726	69,996
Theoretical weighted average number of equity instruments (f) = (d) + (e)	20,054,816	19,801,405
FULLY DILUTED EARNINGS PER SHARE *(in euros)* **(a/f)**	**2.69**	**1.36**

The method used to calculate earnings per share is set out in Note 1.24 of the 2015 Registration Document.

Transactions in treasury shares that took place during the first half of 2016 are detailed in Note 13.5.

The only diluting instruments are stock options, the free shares granted under the Sopra plan of 19 June 2012 and the free shares granted under Steria's legacy free performance share allotment plans.

Note 9 Segment information

9.1. Revenue by geographic area

(in millions of euros)	France	United Kingdom	Other European countries	Other zones	Total
First-half 2015	796.1	529.8	399.2	43.0	1,768.1
First-half 2016	**916.2**	**504.4**	**419.6**	**38.6**	**1,878.8**

9.2. Results by reporting unit

a. France

(in millions of euros)	First-half 2016		First-half 2015	
Revenue	778.8		666.2	
Operating profit on business activity	66.8	*8.6%*	53.3	*8.0%*
Profit from recurring operations	59.5	*7.6%*	53.0	*8.0%*
Operating profit	54.6	*7.0%*	32.2	*4.8%*

b. United Kingdom

(in millions of euros)	First-half 2016		First-half 2015	
Revenue	483.4		518.3	
Operating profit on business activity	35.4	*7.3%*	33.3	*6.4%*
Profit from recurring operations	29.3	*6.1%*	26.9	*5.2%*
Operating profit	29.2	*6.0%*	25.2	*4.9%*

c. Other Europe

(in millions of euros)	First-half 2016		First-half 2015	
Revenue	355.6		346.3	
Operating profit on business activity	15.8	*4.4%*	2.2	*0.6%*
Profit from recurring operations	13.9	*3.9%*	1.7	*0.5%*
Operating profit	11.1	*3.1%*	-4.9	*-1.4%*

d. Sopra Banking Software

(in millions of euros)	First-half 2016		First-half 2015	
Revenue	160.2		138.3	
Operating profit on business activity	6.9	*4.3%*	9.9	*7.2%*
Profit from recurring operations	2.6	*1.6%*	7.2	*5.2%*
Operating profit	1.1	*0.7%*	7.2	*5.2%*

e. Other Solutions

(in millions of euros)	First-half 2016		First-half 2015	
Revenue	100.7		99.0	
Operating profit on business activity	9.3	*9.2%*	8.7	*8.8%*
Profit from recurring operations	8.7	*8.6%*	8.7	*8.8%*
Operating profit	8.1	*8.0%*	6.4	*6.5%*

f. Not allocated

(in millions of euros)	First-half 2016		First-half 2015	
Revenue	-		-	
Operating profit on business activity	-		-	
Profit from recurring operations	-		-	
Operating profit	-0.9		-	

g. Group

(in millions of euros)	First-half 2016		First-half 2015	
Revenue	1,878.8		1,768.1	
Operating profit on business activity	134.2	*7.1%*	107.4	*6.1%*
Profit from recurring operations	114.0	*6.1%*	97.5	*5.5%*
Operating profit	103.2	*5.5%*	66.1	*3.7%*

NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Note 10 Goodwill

10.1. Statement of changes in goodwill

Movements in the first half of 2016 were as follows:

(in millions of euros)	Gross value	Impairment	Net carrying amount
31 December 2015	**1,671.9**	**85.0**	**1,586.9**
Acquisitions: Cassiopae [1]	61.7	-	61.7
Impairment	-	-	-
Translation adjustments	-80.4	-3.7	-76.7
30 JUNE 2016	**1,653.2**	**81.3**	**1,571.9**

(1) See Note 2.1.

10.2. Goodwill by Cash Generating Unit (CGU)

The net carrying amounts of goodwill by CGU are as follows:

(in millions of euros)	30/06/2016	31/12/2015
France	451.1	451.2
United Kingdom	614.8	692.3
Other Europe [1]	265.6	262.8
Sopra Banking Software	227.9	168.1
Other Solutions	12.5	12.5
TOTAL	**1,571.9**	**1,586.9**

(1) Other Europe is the total of the following CGUs, tested separately: Germany, Scandinavia, Spain, Italy, Switzerland, Belgium and Luxembourg.

10.3. Impairment testing

The Group performs impairment tests annually or where there is an indication of impairment.

There were no indications of impairment at 30 June 2016. No impairment tests were performed.

Note 11 Equity-accounted investments

(in millions of euros)	30/06/2016	31/12/2015
Axway	190.3	152.7
Diamis	1.7	1.7
Cassiopae MEA	0.5	-
TOTAL	**192.6**	**154.4**

Changes in the Axway holding over the first half of 2016 were as follows:

(in millions of euros)	Gross value of Axway shares	Impairment of Axway shares	Net carrying amount of Axway shares
31 December 2015	**152.7**	**-**	**152.7**
Share capital transactions	0.1	-	0.1
Dividends paid	-2.8	-	-2.8
Net profit	3.7	-	3.7
Translation adjustments	-1.7	-	-1.7
Changes in shareholding	38.4	-	38.4
Other movements	-0.1	-	-0.1
30 JUNE 2016	**190.3**	**-**	**190.3**

There were no indications of impairment of equity-accounted investments at 30 June 2016.

Profit for the first half of 2016 also includes profit from Cassiopae MEA, which amounted to €0.1 million, and from Diamis for the remainder.

The change in the Axway stake reflects the acquisition of an additional €38.6 million holding described in Note 2.1 and the dilution from the exercise of share options.

Note 12 Trade accounts receivable

(in millions of euros)	30/06/2016	31/12/2015
Trade accounts receivable – gross value	547.1	689.2
Accrued income	581.6	419.7
Impairment of trade accounts receivable	-10.5	-9.2
TOTAL	**1,118.1**	**1,099.8**

In June 2016 the Group completed a sale of trade receivables in France for a value of €48.5 million. Part of the transfer was made with recourse for an amount of €23.5 million; these receivables are still recognised on the balance sheet. The remaining part was made without recourse for an amount of €25.0 million.

Cassiopae also engages in factoring in France. The receivables transferred amount to €3.6 million and have not been derecognised.

Note 13 Equity

13.1. Changes in the share capital

Sopra Steria Group had share capital of €20,476,543 at 30 June 2016, compared with €20,446,723 at 31 December 2015, represented by 20,476,543 fully paid-up shares with a par value of €1 each.

Movements in the first half of 2016 consisted of the exercise of share subscription options.

13.2. Share subscription option plan

A total of 29,820 share subscription options were exercised in the first half of 2016: 29,820 shares were created, corresponding to a €2.0 million increase in the issue premium.

No new options were granted during the first half of 2016.

The expense recognised in the first half of 2016 for the cost of services rendered by the grantees of stock options was nil.

13.3. Free share allotment plan

On 24 June 2016, the Group implemented a free share plan. Awards under this plan are subject to performance conditions regarding revenue growth, operating profit on business activity and free cash flow for the financial years 2016, 2017 and 2018. They are also conditional on continuing employment.

No expenses were recognised under the plan in the first half of 2016.

The expense recognized in the first half of 2016 for the cost of services rendered during the vesting periods of the other plans was €0.1 million.

13.4. Employee share ownership plan

As part of its Sopra Steria 2020 corporate plan, the Group introduced an employee share ownership scheme, known as We Share, under which employees fulfilling certain conditions were able to purchase Sopra Steria Group shares from 7 to 19 April 2016 inclusive.

The main features of the scheme were as follows:

- open to all eligible employees;
- contributions invested via the FCPE (mutual fund) in Sopra Steria Group shares (performance follows changes in the share price as it increases or decreases);
- matching employer contribution of one free Sopra Steria Group share for each share purchased;
- investment starting at the price of one share with a maximum investment of €3,000;
- any dividends attached to scheme shares are reinvested in the FCPE;
- tax advantages through the Group Savings Plan (*Plan d'Épargne Groupe* or PEG in French);
- no withdrawals for five years except in certain cases.

When the subscription period ended, 96,525 shares had been subscribed for by employees and matched by employer contributions of another 96,525 shares. Sopra Steria Group treasury shares were used to make the matching contributions.

An expense of €10.0 million, including €7.9 million in IFRS 2 charges, was recognised in profit from recurring operations.

The fair value of the free shares was measured according to the reference price (€102.66, the average closing price during the subscription period from 7 to 19 April 2016), with a 20% discount for the five-year holding period.

13.5. Transactions in treasury shares

At 30 June 2016, the value of treasury shares recognised as a deduction from consolidated equity was €40.4 million (versus €54.9 million at 31 December 2015), consisting of 440,695 shares, of which 319,317 were held by UK trusts falling within the consolidation scope.

96,525 Sopra Steria Group treasury shares were allocated to employees as matching contributions under the We Share plan. 96,525 shares were transferred to them.

All transactions in treasury shares are taken directly to equity.

13.6. Dividends

At Sopra Steria Group's Combined General Meeting of 22 June 2016, the shareholders resolved to distribute an ordinary dividend of €1.70 per share, equating to a total of €34.8 million, for the 2015 financial year. The dividend was paid on 7 July 2016.

13.7. Non-controlling interests

Non-controlling interests with an impact on the income statement and balance sheet are related mainly to the joint ventures formed in the United Kingdom with the UK authorities (NHS SBS, 50%-owned by the UK Department of Health, and SSCL, 25%-owned by the Cabinet Office) and the companies in the newly acquired Cassiopae subgroup (see Note 2.1). The Group has granted the Cabinet Office a put option to sell its shares in SSCL. Likewise, the Group has granted a put option to the other Cassiopae shareholders. Owing to the accounting treatment of the put options (see Note 1.25 to the consolidated financial statements in Chapter 4 of the 2015 Registration Document), the amount of the non-controlling interests on the balance sheet mainly reflects the UK Department of Health's share in the net assets of NHS SBS, i.e. €32.8 million. In the income statement, the amounts attributable to non-controlling interests came to (-)€0.9 million for SSCL, €1.2 million for NHS SBS and (-)€0.1 million for the Chinese subsidiary Sopra Steria Wenhao, 51%-owned by the Group.

Note 14 Financial debt – Net financial debt

(in millions of euros)	Current	Non-current	30/06/2016	31/12/2015
Bonds	9.8	185.2	195.0	192.3
Bank borrowings	28.5	240.1	268.6	274.1
Finance lease liabilities	5.7	8.2	13.9	13.2
Other sundry financial debt	350.8	0.3	351.2	268.6
Current bank overdrafts	67.2	-	67.2	5.2
FINANCIAL DEBT	**462.1**	**433.8**	**895.8**	**753.5**
Investment securities	-129.3	-	-129.3	-132.7
Cash	-47.0	-	-47.0	-90.0
NET FINANCIAL DEBT	**285.8**	**433.8**	**719.6**	**530.8**

14.1. Short-term investment securities and cash

Marketable securities and other short-term investments include liquid money-market holdings and short-term deposits. The risk of a change in value on these investments is negligible.

Indian entities account for €129.2 million of net cash. If that cash is repatriated in the form of dividends, a withholding tax will apply (to date estimated at 20%); a provision has been recognised for this withholding.

A portion of NHS SBS' cash at bank and in hand is used to grant advances to its production platform clients to facilitate their migration. The amount of these advances for the period ended 30 June 2016 was €9.2 million.

14.2. Financial debt

Commercial paper outstanding at 30 June 2016 was €323.7 million. The increase in commercial paper outstanding and bank overdrafts was the main cause of the change in other sundry financial debt.

Exchange rate fluctuations contributed €5.2 million to the decrease in net financial debt.

The terms of the syndicated loan and the bond issue include financial covenants.

Compliance is required with two financial ratios calculated every six months using the published consolidated financial statements on a rolling 12-month basis:

- the leverage ratio, equal to net financial debt/EBITDA;
- the interest coverage ratio, equal to EBITDA/cost of net financial debt.

The leverage ratio (net financial debt/EBITDA) must not exceed 3.0 at any reporting date.

Net financial debt is defined on a consolidated basis as all financial loans and similar borrowings (excluding inter-company liabilities), less available cash and cash equivalents.

EBITDA is equal to operating profit on business activity adding back depreciation and amortisation and current provisions, on a rolling 12-month basis.

The interest coverage ratio (EBITDA/cost of net financial debt) must not fall below 5.0 at any reporting date.

The cost of net financial debt is also determined on a rolling 12-month basis.

The above financial covenants were complied with at 30 June 2016.

The Group has:

- bank lines of credit for a total euro equivalent of €1,381.1 million (27.8% drawn at 30 June 2016). These floating-rate bank lines are hedged for interest rate risk;
- a fixed-rate bond issue of €180 million, fully drawn;
- a commercial paper programme of up to €500 million (€323.7 million drawn) paying floating rates and issued at a discount.

Note 15 Financial instruments and interest rate and foreign exchange risk management

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

The Group also hedges against interest rate fluctuations by swapping part of its floating-rate debt for fixed rates.

15.1. Management of interest rate risk

At 30 June 2016, the Group had taken out a number of interest rate swaps. The notional amount of those swaps is €438 million and their fair value is (-)€3.1 million.

Interest rate derivatives are designated as cash flow hedges.

The total amount of gross borrowings subject to interest rate risk is €693.9 million.

Interest rate hedges in force at 30 June 2016 reduced this exposure.

15.2. Management of foreign exchange risk

Foreign exchange risk hedging mainly relates to GBP/INR and EUR/PLN hedges on the Group's production platforms in India and Poland and certain commercial contracts denominated in US dollars. Foreign currency derivatives are classified as cash flow hedges, fair value hedges or held for trading.

Their fair value at 30 June 2016 was €9.1 million for a total notional amount of €97 million.

Note 16 Retirement benefits and similar obligations

Retirement benefits and similar obligations are broken down as follows:

(in millions of euros)	30/06/2016	31/12/2015
Post-employment benefits	430.6	282.6
Other long-term employee benefits	17.0	26.8
TOTAL	**447.6**	**309.4**

Post-employment benefits arise mainly from the Group's obligations towards its employees to provide retirement bonuses, mostly in France but also in Italy and Poland, and defined-benefit pension plans in the United Kingdom, Germany and other European countries (Belgium, Norway).

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 as at the close of the preceding year. A review of actuarial assumptions was performed to take into account any half-year changes or one-off impacts. The market value of plan assets was reviewed as at the closing date.

Changes in the net liabilities of the main post-employment benefit plans during the first half of 2016 are presented below:

(in millions of euros)	Defined-benefit pension funds – United Kingdom	Lump-sum retirement benefits – France	Defined-benefit pension funds – Germany	Other	Total
Net liability at 31 December 2015	**151.9**	**87.7**	**40.1**	**2.9**	**282.6**
Net expense recognised in the income statement	4.0	3.5	-0.1	0.2	7.6
■ *of which operating charges for service cost*	*1.5*	*3.5*	*0.1*	*0.2*	*5.3*
■ *of which operating reversals for paid benefits*	-	*-1.0*	*-0.6*	-	*-1.6*
■ *of which net interest expense*	*2.5*	*1.1*	*0.4*	-	*4.0*
Net charge recognised in equity	152.3	18.2	5.3	-	175.8
■ *of which return on plan assets*	*-62.9*	-	-	*-0.2*	*-63.0*
■ *of which experience adjustments*	*-11.6*	*1.7*	-	*-0.3*	*-10.2*
■ *of which effect of changes in financial assumptions*	*226.7*	*16.5*	*5.3*	*0.5*	*249.0*
Contributions	-12.2	-	-	-0.3	-12.5
■ *of which employer contributions*	*-12.2*	-	-	*-0.3*	*-12.5*
■ *of which employee contributions*	-	-	-	-	-
Exchange differences	-25.3	-	-	-	-25.3
Changes in scope	-	2.4	-	-	2.4
NET LIABILITY AT 30 JUNE 2016	**270.7**	**111.8**	**45.3**	**2.8**	**430.6**

The actuarial assumptions used to measure these liabilities are as follows at 30 June 2016:

	United Kingdom	France	Germany	Other
Discount rate	2.94%	1.31%	1.09% to 2.15%	1.20% to 2.70%
Rate of inflation or salary increase	2.72%	2% to 2.50%	2% to 2.50%	2% to 3.50%

And at 31 December 2015:

	United Kingdom	France	Germany	Other
Discount rate	3.87%	2.41%	2.07% to 2.15%	1.30% to 3%
Rate of inflation or salary increase	3.01%	2% to 2.50%	2% to 2.50%	2% to 3.50%

Note 17 Provisions for contingencies and losses

(in millions of euros)	01/01/2016	Changes in scope	Charges	Reversals (used)	Reversals (not used)	Other	Translation adjustments	30/06/2016	Non-current portion	Current portion
Provisions for disputes	18.4	-	4.1	-1.5	-0.6	-0.2	-0.7	19.6	0.8	18.9
Provisions for guarantees	0.8	-	-	-	-0.3	-	-	0.5	0.3	0.2
Provisions for losses on contracts	12.5	0.2	4.1	-5.1	-	-0.3	-1.1	10.4	-	10.4
Provisions for taxes	21.5	-	10.0	-0.4	-	-	-	31.1	31.1	-
Provisions for restructuring	24.6	-	4.5	-9.1	-0.4	-	-0.2	19.5	6.6	12.8
Other provisions for contingencies	48.9	0.2	4.0	-3.6	-3.5	-	-3.6	42.4	12.9	29.5
TOTAL	**126.8**	**0.4**	**26.7**	**-19.7**	**-4.7**	**-0.4**	**-5.6**	**123.4**	**51.7**	**71.8**

Some provisions for disputes are recognised to cover employee disputes and severance pay (mainly in France), and the rest are for client disputes (mainly in the United Kingdom and Germany).

The main provisions for losses on contracts relate to projects in the United Kingdom.

Provisions for restructuring were recognised mostly to reflect the following: in France, the reorganisation of business premises resulting from the Sopra-Steria merger (€9.8 million) and the cost of transforming the Infrastructure Management business (€3.4 million); and costs relating to the continuation of one-off restructuring initiatives in the first half of 2016, mostly in Germany (€4.4 million) and Denmark (€0.6 million).

Other provisions for contingencies covered costs relating to premises and their renovation (€8.7 million, mostly in the United Kingdom), risks relating to clients and projects (€13.0 million, mostly in the United Kingdom and France), and contract, tax and employee risks (which were the same as those recognised at 31 December 2015).

Provisions for taxes cover tax risks in France, relating in particular to the R&D tax credit and withholdings applied by foreign clients. Additional provisions for taxes were recognised in the first half of the year for the risks associated with ongoing audits.

Note 18 Other non-current liabilities

(in millions of euros)	30/06/2016	31/12/2015
Advances granted by the UK Department of Health to NHS SBS	11.7	24.0
Put option granted to the Cabinet Office in respect of SSCL	53.9	58.1
Put option granted to Cassiopae shareholders	14.4	-
Other liabilities – portion due in more than one year	3.3	1.6
Derivatives	5.0	2.7
TOTAL	**88.3**	**86.4**

Other liabilities include advances received by NHS SBS from the UK Department of Health totalling €11.7 million. These advances are subsequently made available to new clients to assist with their migration to the new operational platform under the terms of operating agreements.

Under the agreement signed with the UK government to transform its back-office functions, the Group granted the Cabinet Office a put option to sell the shares it holds in the joint venture SSCL that was set up for this purpose. This right may be exercised between 1 January 2022 and 31 December 2023. Accordingly, the Group recognised a non-current liability in the amount of €53.9 million at 30 June 2016.

In connection with the acquisition of Cassiopae (see Note 2.1), the Group has issued put options to the other shareholders in the subgroup. Accordingly, the Group recognised a non-current liability of €14.4 million at 30 June 2016.

At 30 June 2016, derivatives consisted of interest rate and foreign exchange hedges.

OTHER INFORMATION

Note 19 Related-party transactions

Agreements entered into with parties related to Sopra Steria Group were identified in the 2015 Sopra Steria Registration Document filed with the AMF on 22 April 2016, in Note 31, *Related-party transactions*.

Other than those set out in the 2015 Registration Document, no new agreements were entered into with parties related to Sopra Steria Group during the first half of 2016.

Note 20 Off balance sheet commitments and contingent liabilities

The Group's off balance sheet commitments are those granted or received by Sopra Steria Group and its subsidiaries. They have not undergone any material change relative to 31 December 2015.

The contingent liabilities described in Note 2.1 in the 2015 Registration Document did not change during the first half of 2016.

Note 21 Subsequent events

On 1 July 2016, Sopra Steria acquired LASCE Associates, a consulting firm specialising in operational excellence for industry and logistics.

LASCE Associates, founded in 2003 in Paris and today employing more than 60 consultants, posted revenue of around €8 million for its 2015/2016 financial year (ended 31 May).

LASCE Associates will be consolidated with effect from 1 July 2016.

Statutory Auditors' report on the interim financial information

To the shareholders,

In compliance with the assignment entrusted to us at your General Meetings and in accordance with Article L. 451-1-2 III of the French Monetary and Financial Code, we have performed:

- a limited review of Sopra Steria Group's condensed consolidated interim financial statements for the period from 1 January 2016 to 30 June 2016, enclosed with this report;
- the verification of the information provided in the business review for the six-month period.

These condensed consolidated interim financial statements were prepared under the responsibility of the Board of Directors. Our role is to issue a conclusion on the financial statements based on our limited review.

I – CONCLUSION ON THE FINANCIAL STATEMENTS

We conducted our limited review in accordance with the auditing standards generally accepted in France.

A limited review consists essentially of inquiries with the management personnel responsible for financial and accounting matters, and of analytical procedures. The work performed is lesser in scope than a full audit conducted in accordance with the auditing standards generally accepted in France. Consequently, a limited review provides only moderate assurance that the financial statements taken as a whole are free from material misstatement, as opposed to the higher level of assurance provided by an audit.

Based on our limited review, nothing has come to our attention that might cause us to believe that the accompanying condensed consolidated interim financial statements were not prepared, in all material respects, in accordance with IAS 34 as adopted by the European Union for interim financial reporting.

II – SPECIFIC VERIFICATION

We also verified the disclosures provided in the business review for the six-month period on the condensed consolidated interim financial statements that were the focus of our limited review.

We have no comments as to the fairness of those disclosures and their consistency with the condensed consolidated interim financial statements.

Paris and Courbevoie, 1 September 2016,

The Statutory Auditors

Auditeurs & Conseils Associés	**Mazars**
Olivier Juramie	Bruno Pouget

Statement by the person responsible for the half-year financial report

I declare that, to the best of my knowledge, the financial statements presented in the half-year financial report have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and profit or loss of Sopra Steria Group, and that the half-year business review gives a fair view of the main events that occurred in the first six months of the financial year and their impact on the interim financial statements, the main transactions between related parties and the main risks and uncertainties for the remaining six months of the financial year.

Paris, the 7th September 2016

Vincent Paris

Chief Executive Officer

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