DELIVERING DIGITAL TRANSFORMATION TOGETHER

HALF-YEAR FINANCIAL REPORT
AT 30 JUNE 2018

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AT 30 JUNE 2018

CONTENT

This document is a free translation into English of the original French "Rapport financier semestriel au 30 juin 2018", hereafter referred to as the "Half-year financial report at 30 June 2018". 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.

SOCIÉTÉ ANONYME WITH SHARE CAPITAL OF €20,547,701 – 326 820 065 RCS ANNECY
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1 BUSINESS REVIEW FOR THE SIX-MONTH PERIOD

1. Business activity during the first six months of the year

1.1. Consolidated income statement for first-half 2018(1)

	First-half 2018 IFRS15		First-half 2017 IFRS15	
(in millions of shares)	*€m*	*(%)*	*€m*	*(%)*
Revenue	**2,014.0**		**1,891.5**	
Staff costs	(1,235.6)		(1,174.9)	
Operating expenses	(624.4)		(570.1)	
Depreciation, amortisation and provisions	(21.2)		(4.9)	
Operating profit on business activity	**132.8**	**6.6%**	**141.6**	**7.5%**
Expenses related to stock options and related items	(22.1)		(17.0)	
Amortisation of allocated intangible assets	(11.6)		(10.9)	
Profit from recurring operations	**99.2**	**4.9%**	**113.7**	**6.0%**
Other operating income and expenses	(19.1)		(11.4)	
Operating profit	**80.0**	**4.0%**	**102.3**	**5.4%**
Cost of net financial debt	(3.7)		(3.5)	
Other financial income and expenses	(3.2)		(1.8)	
Tax expense	(34.9)		(30.7)	
Share of net profit of equity-accounted companies	1.3		1.0	
Net profit	**39.5**	**2.0%**	**67.2**	**3.6%**
Attributable to the Group	38.4	1.9%	65.9	3.5%
Non-controlling interests	1.1		1.3	
Weighted average number of shares in issue excluding treasury shares	20.16		20.20	
Basic earnings per share *(in euros)*	1.90		3.26	

In 2017, Sopra Steria achieved the targets that were set when the merger was completed in 2015 and the company has now embarked on the next phase of development, aimed at making its business model more robust by 2020. The goal is to raise operating margin on business activity to around 10% by 2020. Consulting, software and offer strengthening are the main strategic priorities for the 2018-2020 period:

- substantially expand a consulting business that possesses both digital expertise and business expertise to make it a force to be reckoned with, contributing 15% of total revenue;
- strengthen the Group's position in software, with banking software the priority, so that it generates 20% of total revenue;
- strengthen digital components of the offerings and accelerate the roll out of end-to-end solutions more extensively for the Group's strategically important key clients.

Achieving this business model by 2020 requires investments in human resources, offerings, and research and development. The full breadth of the Group's businesses will be affected. In 2018, Sopra Banking Software, the United Kingdom and digital are the top investment priorities.

Sopra Steria generated revenue of €2,014.0 million **in the first half of 2018** amid vibrant market conditions, representing total growth of 6.5%. Changes in scope had a positive impact of €38.7 million, while currency fluctuations had a negative impact of €16.9 million. At constant scope and exchange rates, revenue grew 5.3%. As a result of stronger seasonal effects than in 2017, operating profit on business activity was €132.8 million, or a margin of 6.6% (7.5% in H1 2017). EBITDA totalled €155.7 million, up 5.0% from €148.3 million in the same period of the previous year.

(1) Alternative performance measures are defined in the glossary on page 7 of this document.

Profit from recurring operations came to €99.2 million. That includes a €22.1 million expense related to share-based payments (€17.0 million in the first half of 2017), as a result of the renewal, in 2018, of the We Share employee share ownership plan and of the long-term incentive plan set up for the Group's main managers. Operating profit was €80.0 million after a net expense of €19.1 million for other operating income and expenses (compared with a net expense of €11.4 million in first-half 2017), which included €18.0 million in reorganisation and restructuring expenses. Tax expense was €34.9 million in the half-year period, up from €30.8 million in the first half of 2017, representing a Group-wide effective tax rate of 47.8% (31.7% in the first half of 2017). An annual effective tax rate of around 30.5% is forecast. The share of profit of equity-accounted companies (Axway) was €1.3 million in the half-year period (€1.0 million in first-half 2017). The net profit attributable to the Group was €38.4 million after deducting €1.1 million in respect of non-controlling interests. The decline compared with the first half of 2017 (€65.9 million) was attributable to more unfavourable seasonal effects in the first half than in 2017; in particular, operating margin on business activity, share-based payments, reorganisation and restructuring costs, and tax expense were affected by this.

1.2. Performance by reporting unit

SOPRA STERIA: REVENUE BY REPORTING UNIT (€M/%) – FIRST-HALF 2018

	First-half 2018 IFRS15	First-half 2017 Restated*	First-half 2017 IFRS15	Organic growth	Total growth
France	849.1	817.4	801.8	+3.9%	+5.9%
United Kingdom	382.8	396.4	405.3	-3.4%	-5.6%
Other Europe	475.5	412.6	396.6	+15.2%	+19.9%
Sopra Banking Software	187.4	172.3	173.2	+8.7%	+8.2%
Other Solutions	119.2	114.6	114.6	+4.0%	+4.0%
SOPRA STERIA GROUP	**2,014.0**	**1,913.4**	**1,891.5**	**+5.3%**	**+6.5%**

* *Revenue at 2018 scope and exchange rates and after application of IFRS15*

SOPRA STERIA: REVENUE BY REPORTING UNIT (€M/%) – SECOND-QUARTER 2018

	Second-quarter 2018 IFRS15	Second-quarter 2017 Restated*	Second-quarter 2017 IFRS15	Organic growth	Total growth
France	422.8	398.8	391.2	+6.0%	+8.1%
United Kingdom	194.4	198.5	201.9	-2.0%	-3.7%
Other Europe	243.9	208.3	196.5	+17.1%	+24.2%
Sopra Banking Software	99.2	93.5	93.8	+6.2%	+5.8%
Other Solutions	61.8	58.5	58.5	+5.7%	+5.7%
SOPRA STERIA GROUP	**1,022.2**	**957.5**	**941.9**	**+6.8%**	**+8.5%**

* *Revenue at 2018 scope and exchange rates and after application of IFRS15*

SOPRA STERIA: PERFORMANCE BY REPORTING UNIT – FIRST-HALF 2018

	First-half 2018 IFRS15		First-half 2017 IFRS15	
	€m	(%)	€m	(%)
France				
Revenue	849.1		801.8	
Operating profit on business activity	76.0	9.0%	72.2	9.0%
Profit from recurring operations	60.5	7.1%	60.8	7.6%
Operating profit	56.1	6.6%	56.6	7.1%
United Kingdom				
Revenue	382.8		405.3	
Operating profit on business activity	17.1	4.5%	25.5	6.3%
Profit from recurring operations	10.5	2.7%	19.1	4.7%
Operating profit	2.2	0.6%	19.2	4.7%
Other Europe				
Revenue	475.5		396.6	
Operating profit on business activity	32.9	6.9%	26.9	6.8%
Profit from recurring operations	28.9	6.1%	24.2	6.1%
Operating profit	25.1	5.3%	19.8	5.0%
Sopra Banking Software				
Revenue	187.4		173.2	
Operating profit on business activity	(8.4)	(4.5%)	4.0	2.3%
Profit from recurring operations	(14.6)	(7.8%)	(1.8)	(1.0%)
Operating profit	(16.2)	(8.6%)	(3.3)	(1.9%)
Other Solutions				
Revenue	119.2		114.6	
Operating profit on business activity	15.1	12.7%	13.1	11.4%
Profit from recurring operations	13.9	11.7%	11.4	9.9%
Operating profit	12.8	10.8%	10.0	8.7%

In **France**, revenue came to €849.1 million, representing growth of 5.9%. Organic growth was 3.9% thanks to brisk business activity in the second quarter. Business was driven by consulting, up more than 14%, and by cybersecurity, up more than 30%. The best-performing vertical markets during the first half were banking and insurance, the public sector, defence, aeronautics and automotive. Operating profit on business activity rose 5.3% to €76 million. The operating margin of 9.0%, identical to that recorded in the first half of 2017, reflects the improved profitability of the IT infrastructure management business and unfavourable calendar effects, plus investment expenses in digital and a shift toward higher value offerings.

In the **United Kingdom**, revenue posted an organic contraction of 3.4% to €382.8 million, with a less unfavourable second quarter (down 2.0%). The contraction reflected lower revenue at the SSCL joint venture, for which full-year revenue is expected to total around £140 million (as indicated in early 2017). Adjusted for SSCL, revenue in the United Kingdom was stable in a somewhat firmer business environment than in 2017. The initiatives launched in late 2017 (to refocus the business model on higher added-value services, reinforce the Group's presence in the private sector, invest in consulting and the Group's sales force, and cut costs) made progress as planned. Against this backdrop, operating margin on business activity stood at 4.5% (6.3% in the first half of 2017). Performance in the second half of 2018 should get a boost from renewed revenue growth and the initial benefits of the ongoing initiatives, making the operating margin on business activity comparable with the 7.6% recorded in the second half of 2017.

Revenue for the **Other Europe** reporting unit rose sharply to €475.5 million (organic growth of 15.2%). Almost all the region's countries enjoyed very robust growth, with a special mention for Germany, which again delivered strong sales trends and operational momentum. The region's operating profit on business activity rose 22.3% to €32.9 million, representing a margin of 6.9% (6.8% in the first half of 2017). That includes the impact of a negative one-day calendar effect in Germany.

Sopra Banking Software posted revenue of €187.4 million (note that Cassiopae's Property Management businesses were reclassified in **Other Solutions**). Growth at constant scope and exchange rates was 8.7%, with services revenue providing the main driving force. Licence sales, which are concentrated in the second part of the year, fell short of their 2017 level in the first half. Operating margin on business activity came to -4.5% in the first half of 2018, compared with 2.3% in the first half of 2017, as a result of the level of research and development costs (recognised in the income statement), which remained high. Another key development in the first half, aside from investments, was the go-live of some major projects, illustrating Sopra Banking Software's ability to take on and successfully execute major transformation projects:

- the Sopra Banking Platform for Payments went live at Transactis in France in March;
- the Sopra Banking Platform went live at Argenta in Belgium in April;
- amplitude Up went live for Attijariwafa Bank in Egypt in June;
- Cassiopae's specialised loan product for IDB (United States) and for certain Volkswagen dealerships participating in a pilot programme (France) went live.

The pipeline for licences likely to materialise in the second half remains healthy.

The **Other Solutions** (Human Resource Solutions and Property Management Solutions) reporting unit posted revenue of €119.2 million, representing organic growth of 4.0%. That includes Property Management Solutions-related revenue generated by Cassiopae. Human Resource Solutions benefited in particular from preparations to implement income tax withholding in 2019 in France. Operating margin on business activity came to 12.7%, up 1.3 points from its first-half 2017 level.

1.3. Workforce

At 30 June 2018, the Group's workforce totalled 42,779 people (41,661 at 31 December 2017), with 18.7% working in X-Shore zones.

1.4. Financial position

Sopra Steria's financial position at 30 June 2018 is robust in terms of both financial ratios and liquidity. Free cash flow for the first half of the year, traditionally a period of net cash outflows due to seasonal effects, amounted to a cash outflow of €114.3 million. Restated for the sale of receivables in late 2017[1], the net cash outflow totalled €77.3 million, a significant improvement on the previous year. Sopra Steria used €32 million less in cash during the first half of 2018 than in the same period of 2017. That improvement was achieved despite an increase of €8.1 million in restructuring-related outflows. It reflected a €54.5 million decrease in the working capital requirement by comparison with the first half of 2017, after restating for the sale of receivables.

Net financial debt stood at €662.4 million at the end of June 2018, or 1.8x 12 month rolling pro forma EBITDA compared with 1.9x at 30 June 2017 (with the bank covenant stipulating a maximum of 3x).

2. Key events of the period

The Group announced the following acquisitions in the first half of 2018:

- BLUECARAT in Germany (2017 revenue: €33 million), consolidated from 1 May 2018;
- O.R. System (2017 revenue: €2 million), consolidated from 1 April 2018.

In addition, Sopra Steria acquired a stake of approximately 10% in Sentryo, an innovative industrial cybersecurity startup.

(1) €37.0 million in trade receivables were sold in December 2017 and deconsolidated from the year-end 2017 working capital requirement

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 9.1 (pages 35 to 42) of the 2017 Registration Document, and have not undergone any significant changes.

A description of the main risks can be found in the 2017 Registration Document filed with the French Financial Markets Authority (*Autorité des Marchés Financiers,* AMF) on 13 April 2017, available on our website: https://www.soprasteria.com/

Section 9.1 lists the main business risk factors with different sections for each risk, presenting risk descriptions and the risk mitigation measures and process in place.

Within the risk factors:

- section 9.1.1 presents the strategic risks, particularly those relating to the ability to attract and retain talent, development of markets and competition and digital transformation;
- section 9.1.2 presents the operational risk factors, i.e. risks relating to project implementation and service continuity;
- section 9.1.3 lists the environmental risks;
- section 9.1.4 lists the financial risks;
- section 9.1.5 presents the main legal risks.

The amounts related to financial risks at 30 June 2018 are presented in Note 11 and in Note 5.3 to the condensed consolidated interim financial statements in this report (respectively 25 to 26 and pages 30 to 32).

As of the date this report was published, no material risks other than those mentioned in the 2017 Registration Document had been identified for the second half of 2018.

3.2. Related-party transactions

These transactions are discussed in Note 14 to the condensed consolidated interim financial statements in this report (page 35).

4. Outlook

As a reminder, the Group's targets for the 2018 financial year are as follows:

- organic revenue growth of between 3% and 5%;
- slight improvement in operating margin on business activity;
- free cash flow in excess of €170 million (€133 million including the 2017 sale of trade receivables).

5. Events subsequent to the period-end, 30 June 2018

- On 5 July 2018, Sopra Steria finalised the acquisition of it-economics, a German consulting firm. The plan to acquire it- economics was announced in a press release on 15 May 2018. it-economics will be included in Sopra Steria's scope of consolidation from 1 July 2018.

Appendix/Glossary

- **Restated revenue:** Revenue for the prior year, adjusted for the consolidation scope and exchange rates of the current year.
- **Organic revenue growth:** Increase in revenue between the period under review and restated revenue for the same prior-year period.
- **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 the operating profit on business activity.
- **Operating profit on business activity:** This measure, as defined in the Registration Document, is equal to profit from recurring operations adjusted to exclude the 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.
- **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.

2 CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Consolidated statement of net income

(in millions of euros)	Notes	First-half 2018	First-half 2017
Revenue	*4.1*	**2,014.0**	**1,891.5**
Staff costs	*5.1*	(1,235.6)	(1,174.9)
Purchases and external expenses		(606.2)	(558.7)
Taxes and duties		(17.5)	(19.5)
Depreciation, amortisation, provisions and impairment		(21.2)	(4.9)
Other current operating income and expenses		(0.8)	8.1
Operating profit on business activity		**132.8**	**141.6**
as % of revenue		*6.6%*	*7.5%*
Expenses related to stock options and related items	*5.4*	(22.1)	(17.0)
Amortisation of allocated intangible assets		(11.6)	(10.9)
Profit from recurring operations		**99.2**	**113.7**
as % of revenue		*4.9%*	*6.0%*
Other operating income and expenses	*4.2*	(19.1)	(11.4)
Operating profit		**80.0**	**102.3**
as % of revenue		*4.0%*	*5.4%*
Cost of net financial debt	*11.1.1*	(3.7)	(3.5)
Other financial income and expenses	*11.1.2*	(3.2)	(1.8)
Tax expense	*6*	(34.9)	(30.7)
Net profit from associates	*9.1*	1.3	1.0
Net profit from continuing operations		**39.5**	**67.2**
Net profit from discontinued operations		-	-
Consolidated net profit		**39.5**	**67.2**
as % of revenue		*2.0%*	*3.6%*
Non-controlling interests	*13.1.4*	1.1	(1.3)
NET PROFIT ATTRIBUTABLE TO THE GROUP		**38.4**	**65.9**
as % of revenue		*1.9%*	*3.5%*
EARNINGS PER SHARE *(in euros)*	*Notes*		
Basic earnings per share	*13.2*	1.90	3.26
Diluted earnings per share	*13.2*	1.90	3.26

Consolidated statement of comprehensive income

(in millions of euros)	Notes	First-half 2018	First-half 2017
Consolidated net profit		**39.5**	**67.2**
Other comprehensive income:			
Actuarial gains and losses on pension plans	*5.3*	88.4	18.3
Tax impact		(14.8)	(3.9)
Related to associates		-	-
Subtotal of items recognised in equity and not reclassifiable to profit or loss		**73.6**	**14.5**
Translation differences		(1.5)	(26.2)
Change in net investment hedges		(1.8)	4.3
Tax impact on net investment hedges		0.5	(1.5)
Change in cash flow hedges		(4.6)	0.4
Tax impact on cash flow hedges		1.5	(0.1)
Change in the value of available-for-sale securities		4.2	-
Related to associates		1.7	(7.6)
Subtotal of items recognised in equity and reclassifiable to profit or loss		**-**	**(30.7)**
Other comprehensive income, total net of tax		**73.6**	**(16.2)**
COMPREHENSIVE INCOME		**113.1**	**51.0**
Non-controlling interests		3.1	(0.7)
Attributable to the Group		**110.0**	**51.7**

Consolidated statement of financial position

ASSETS *(in millions of euros)*	Notes	30/06/2018	31/12/2017
Goodwill	*8.1*	1,598.4	1,590.6
Intangible assets		185.2	190.2
Property, plant and equipment		135.4	128.9
Equity-accounted investments	*9.2*	192.2	189.1
Other non-current financial assets	*7.1*	34.1	28.6
Retirement benefits and similar obligations	*5.3*	2.1	4.3
Deferred tax assets		98.7	115.1
Non-current assets		**2,246.3**	**2,246.8**
Trade accounts receivable	*7.2*	1,155.6	1,147.1
Other current assets		300.9	246.3
Cash and cash equivalents	*11.2*	129.7	162.4
Current assets		**1,586.2**	**1,555.8**
Assets held for sale		-	-
TOTAL ASSETS		**3,832.5**	**3,802.6**

LIABILITIES AND EQUITY *(in millions of euros)*	Notes	30/06/2018	31/12/2017
Share capital		20.5	20.5
Share premium		531.5	531.5
Consolidated reserves and other reserves		671.3	481.9
Profit for the period		38.4	172.5
Equity attributable to the Group		**1,261.7**	**1,206.5**
Non-controlling interests		**33.7**	**30.7**
TOTAL EQUITY	*13.1*	**1,295.4**	**1,237.2**
Non-current financial debt	*11.2*	526.8	398.9
Deferred tax liabilities		15.5	16.0
Retirement benefits and similar obligations	*5.3*	276.4	378.1
Non-current provisions	*10.1*	54.0	56.2
Other non-current liabilities	*7.4*	69.3	65.2
Non-current liabilities		**942.0**	**914.5**
Current financial debt	*11.2*	265.4	273.6
Current provisions	*10.1*	12.1	16.6
Trade payables		272.0	268.8
Other current liabilities		1,045.7	1,092.0
Current liabilities		**1,595.1**	**1,650.9**
Liabilities held for sale		-	-
TOTAL LIABILITIES		**2,537.1**	**2,565.4**
TOTAL LIABILITIES AND EQUITY		**3,832.5**	**3,802.6**

Consolidated statement of changes in equity

(in millions of euros)	Share capital	Share premium	Treasury shares	Consolidated reserves and retained earnings	Other comprehensive income	Total attributable to Group	Non-controlling interests	Total
AS AT 31/12/16	**20.5**	**531.4**	**(38.9)**	**698.7**	**(144.0)**	**1,067.7**	**30.6**	**1,098.3**
Share capital transactions	-	0.2	-	-	-	0.2	-	0.2
Share-based payments	-	-	-	14.2	-	14.2	-	14.3
Transactions in treasury shares	-	-	3.4	(8.6)	-	(5.1)	-	(5.1)
Ordinary dividends	-	-	-	(45.1)	-	(45.1)	-	(45.1)
Changes in scope	-	-	-	-	-	-	-	-
Put option on minority interests	-	-	-	(2.7)	-	(2.7)	0.3	(2.4)
Other movements	-	-	-	1.6	-	1.6	(0.1)	1.5
Shareholder transactions	**-**	**0.2**	**3.4**	**(40.6)**	**-**	**(36.9)**	**0.2**	**(36.7)**
Net profit for the period	-	-	-	65.9	-	65.9	1.3	67.2
Other comprehensive income	-	-	-	-	(14.2)	(14.2)	(1.9)	(16.2)
Comprehensive income for the period	**-**	**-**	**-**	**65.9**	**(14.2)**	**51.7**	**(0.7)**	**51.0**
AS AT 30/06/17	**20.5**	**531.6**	**(35.5)**	**724.1**	**(158.2)**	**1,082.5**	**30.2**	**1,112.6**
Share capital transactions	-	(0.1)	-	-	-	(0.1)	-	(0.1)
Share-based payments	-	-	-	3.3	-	3.3	-	3.3
Transactions in treasury shares	-	-	(5.0)	0.3	-	(4.6)	-	(4.6)
Ordinary dividends	-	-	-	0.7	-	0.7	-	0.7
Changes in scope	-	-	-	(0.2)	-	(0.2)	1.7	1.5
Put option on minority interests	-	-	-	(2.6)	-	(2.6)	(2.9)	(5.5)
Other movements	-	-	-	(1.3)	-	(1.4)	0.1	(1.2)
Shareholder transactions	**-**	**(0.1)**	**(5.0)**	**0.2**	**-**	**(5.0)**	**(1.0)**	**(6.0)**
Net profit for the period	-	-	-	106.6	-	106.6	1.4	107.9
Other comprehensive income	-	-	-	-	22.4	22.4	0.2	22.6
Comprehensive income for the period	**-**	**-**	**-**	**106.6**	**22.4**	**128.9**	**1.6**	**130.5**
AS AT 31/12/17	**20.5**	**531.5**	**(40.4)**	**830.8**	**(135.9)**	**1,206.5**	**30.7**	**1,237.2**
Share capital transactions	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	18.0	-	18.0	0.1	18.1
Transactions in treasury shares	-	-	(4.2)	(16.4)	-	(20.6)	-	(20.6)
Ordinary dividends	-	-	-	(49.3)	-	(49.3)	-	(49.3)
Changes in scope	-	-	-	-	-	-	1.1	1.1
Put option on minority interests	-	-	-	(3.1)	-	(3.1)	(1.3)	(4.3)
Other movements	-	-	-	1.2	(1.0)	0.2	-	0.2
Shareholder transactions	**-**	**-**	**(4.2)**	**(49.6)**	**(1.0)**	**(54.8)**	**(0.1)**	**(54.9)**
Net profit for the period	-	-	-	38.4	-	38.4	1.1	39.5
Other comprehensive income	-	-	-	-	71.6	71.6	2.0	73.6
Comprehensive income for the period	**-**	**-**	**-**	**38.4**	**71.6**	**110.0**	**3.1**	**113.1**
AS AT 30/06/18	**20.5**	**531.5**	**(40.6)**	**819.6**	**(65.3)**	**1,261.7**	**33.7**	**1,295.4**

Consolidated cash flow statement

(in millions of euros)	Notes	First-half 2018	First-half 2017
Consolidated net profit (including non-controlling interests)		**39.5**	**67.2**
Net increase in depreciation, amortisation and provisions		36.3	21.8
Unrealised gains and losses related to changes in fair value		(0.7)	2.5
Share-based payment expense	*5.4*	18.1	17.0
Gains and losses on disposal		0.1	(6.8)
Share of net profit/(loss) of equity-accounted companies	*9.1*	(1.3)	(1.0)
Cost of net financial debt	*11.1.1*	3.7	3.5
Dividends from non-consolidated securities		-	-
Tax expense	*6*	34.9	30.7
Cash from operations before change in working capital requirement (A)		**130.6**	**135.0**
Tax paid (B)		(34.9)	(23.7)
Change in operating working capital requirement (C)		(169.4)	(186.9)
Net cash from/(used in) operating activities (D) = (A+B+C)		**(73.8)**	**(75.7)**
Purchase of tangible and intangible fixed assets	*12.2*	(25.7)	(22.8)
Proceeds from sale of tangible and intangible fixed assets		0.1	2.0
Purchase of financial assets		(1.5)	(0.1)
Proceeds from sale of financial assets		-	0.1
Cash impact of changes in scope		(15.4)	(26.6)
Dividends received (equity-accounted companies, non-consolidated securities)		-	2.8
Proceeds from/(Payments on) loans and advances granted		(0.8)	(2.1)
Net interest received		0.1	-
Net cash from/(used in) investing activities (E)		**(43.3)**	**(46.7)**
Proceeds on the exercise of stock options		-	0.2
Purchase and sale of treasury shares	*12.2*	(18.3)	(1.0)
Proceeds from/(Payments on) borrowings		109.0	96.5
Net interest paid		0.3	1.0
Additional contributions related to defined-benefit pension plans	*12.2*	(11.2)	(8.8)
Other cash flows relating to financing activities		-	1.2
Net cash from/(used in) financing activities (F)		**79.7**	**89.1**
Impact of changes in foreign exchange rates (G)		**(2.0)**	**(7.7)**
NET CHANGE IN CASH AND CASH EQUIVALENTS (D+E+F+G)		**(39.3)**	**(41.0)**
Opening cash position		155.9	261.7
Closing cash position		116.7	220.8

Notes to the condensed consolidated financial statements

NOTE 1 OVERVIEW OF MAIN ACCOUNTING POLICIES

The Group's consolidated financial statements for the six-month period ended 30 June 2018 were approved by the Board of Directors at its meeting held on 26 July 2018.

1.1. Basis of preparation

The consolidated financial statements for the period ended 30 June 2018 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 used to prepare the condensed consolidated financial statements for the six-month period ended 30 June 2018 were the same as those used in the consolidated financial statements for the year ended 31 December 2017 described in Chapter 4, Note 1 of the 2017 Registration Document filed on 13 April 2018 with the *Autorité des Marchés Financiers* under No. D.18-0329, available online at http://www.soprasteria.com.

1.2. Application of new standards and interpretations

The new standards, amendments to existing standards and interpretations required for accounting periods beginning on or after 1 January 2018 are as follows:

- IFRS 15 *"Revenue from contracts with customers"* (including amendments and clarifications);
- IFRS 9 *"Financial instruments"*;
- IFRIC 22 *"Foreign Currency Transactions and Advance Consideration"*;
- amendments to IFRS 2 *"Share-based Payment"*.

The application of IFRS 15 *"Revenue from contracts with customers"* and IFRS 9 *"Financial Instruments"* is described in Notes 1.2.1 and 1.2.2, respectively.

IFRIC 22 *"Foreign Currency Transactions and Advance Consideration"* and amendments to IFRS 2 *"Share-based payment"* had no impact on the financial statements.

The Group has not opted for early application of standards, amendments and interpretations published by the IASB and adopted by the European Union, but whose mandatory effective date was later than 1 January 2018. This mainly includes IFRS 16 "Leases", which must be applied for reporting periods beginning on or after 1 January 2019. Its implementation within the Group is described in Note 1.2.3.

1.2.1. Application of IFRS 15 "Revenue from Contracts with Customers"

IFRS 15 was published by the IASB on 28 May 2014 and adopted by the European Union on 29 October 2016. It replaces IAS 18 "*Revenue*" and IAS 11 "*Construction Contracts*".

IFRS 15 proposes a single revenue recognition model for all contracts with customers, based on a five-step approach to analysing contracts:

1. identifying the contract with the customer;
2. separating the performance obligations in the contract;
3. determining the transaction price;
4. allocating the transaction price to the performance obligations identified in the contract;
5. recognising revenue for each performance obligation when or as control of the asset or service is transferred to the customer.

The Group applied IFRS 15 as at 1 January 2018 using the full retrospective method. **The 2017 periods presented for comparative purposes have therefore been restated.** The cumulative effect of the adoption of this standard was recognised in consolidated equity at 1 January 2017.

During the assessments required by each of these steps, occasional differences with regard to application of the former standards were identified affecting a limited number of contracts. Accordingly, on completion of the appraisal of the application of IFRS 15, the Group considered that the adjustments identified, both cumulatively and individually, did not have a material impact on *Revenue or Operating profit on business activity*.

As described in Note 1.2.3, pages 136 and 137, of the 2017 Registration Document, the identified differences affected very few contracts and concerned:

- *the separation of performance obligations within a contract*. IFRS 15 states that performance obligations in a contract are distinct if they are separate in absolute terms and, more particularly, they are separate in the context of the specific contract. The application of these principles to Group contracts led to a review of the separation of performance obligations within contracts and the regrouping of certain obligations. Notably, services may be performed to enable the future fulfilment of contracts. Examples include transition activities for outsourcing or third-party application maintenance contracts and set-up phases for deliverables in SaaS mode for software solutions. In the majority of cases, these services do not represent distinct performance obligations. The standard sets-out their treatment and enables the recognition of an asset corresponding to the costs incurred, amortised over the period of the relevant performance obligations. Revenue and expenses previously recognised on the performance of these activities were therefore restated and deferred;
- *the procedures used to determine the transaction price of a contract and its allocation to the various performance obligations*. The contract analysis led to a review of the recognition of variable consideration and consideration payable to the customer, previously recognised as expenses, and its recognition as discounts deducted from revenue. Similarly, the contract analysis identified financial components, notably where payment periods in excess of one year are granted. Their impacts were separated from revenue and recognised in financial income;

- *the use of the percentage-of-completion method to recognise revenue.* IFRS 15 diverges from the previous rules by setting specific criteria for determining the transfer of control of goods or services to a customer over time and therefore applying the percentage-of-completion method. Accordingly, fixed-price construction contracts in integration activities and the development of new features or specific modules for certain customers in software solutions did not, in a very limited number of cases, satisfy the criteria for the recognition of revenue on a percentage-of-completion basis. The revenue and the related expenses were therefore deferred and recognised on completion;
- *the role of principal or agent*. The standard modifies the criteria identifying the situations in which, for a distinct performance obligation, the Group acts as principal or agent. The Group acts as a principal where it controls the services performed by a sub-contractor or the goods purchased from a supplier prior to transferring control to its customer. In all other cases, it acts as an agent. Revenue is recognised gross (with purchases recognised in expenses for the full amount) where the Group acts as a principal. Where it acts as an agent, revenue is limited to the fees or commission to which the Group is entitled under the terms of the contract, representing the margin on this contract (revenue recognition on a net basis). Revenue from goods trading contracts and licences, a very marginal activity for the Group, was therefore recognised on a net basis rather than gross, as previously.

The information below presents the impacts of the changes arising from application of the new standard on the various lines of the financial statements presented for comparison purposes with those for the period ended 30 June 2018:

CONSOLIDATED STATEMENT OF NET INCOME FOR THE PERIOD ENDED 30 JUNE 2017

(in millions of euros)	First-half 2017 before IFRS15	Impact	First-half 2017 after IFRS15
Revenue	**1,903.2**	**(11.6)**	**1,891.5**
Operating expenses	(1,761.1)	11.2	(1,749.9)
Operating profit on business activity	**142.1**	**(0.5)**	**141.6**
as % of revenue	*7.5%*		*7.5%*
Profit from recurring operations	**114.2**	**(0.5)**	**113.7**
as % of revenue	*6.0%*		*6.0%*
Operating profit	**102.7**	**(0.5)**	**102.3**
as % of revenue	*5.4%*		*5.4%*
Other financial income and expenses	(2.5)	0.6	(1.8)
Tax expense	(30.8)	0.1	(30.7)
Net profit from continuing operations	**66.9**	**0.3**	**67.2**
CONSOLIDATED NET PROFIT	**66.9**	**0.3**	**67.2**
as % of revenue	*3.5%*		*3.6%*
Non-controlling interests	0.9	0.4	1.3
NET PROFIT ATTRIBUTABLE TO THE GROUP	**66.0**	**(0.1)**	**65.9**
as % of revenue	*3.5%*		*3.5%*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 JUNE 2017

(in millions of euros)	First-half 2017 before IFRS15	Impact	First-half 2017 after IFRS15
Consolidated net profit	**66.9**	**0.3**	**67.2**
Other comprehensive income:			
Subtotal of items recognised in equity and not reclassifiable to profit or loss	**14.5**	**-**	**14.5**
Translation differences	(26.3)	0.1	(26.2)
Subtotal of items recognised in equity and reclassifiable to profit or loss	**(30.8)**	**0.1**	**(30.7)**
Other comprehensive income, total net of tax	**(16.3)**	**0.1**	**(16.2)**
COMPREHENSIVE INCOME	**50.6**	**0.4**	**51.0**
Non-controlling interests	(1.1)	0.4	(0.7)
Attributable to the Group	**51.7**	**-**	**51.7**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017

ASSETS *(in millions of euros)*	31/12/2017 before IFRS15	Impact	31/12/2017 after IFRS15
Deferred tax assets	115.4	(0.3)	115.1
Non-current assets	**2,247.1**	**(0.3)**	**2,246.8**
Trade accounts receivable	1,137.8	9.3	1,147.1
Other current assets	256.4	(10.2)	246.3
Current assets	**1,556.6**	**(0.9)**	**1,555.8**
TOTAL ASSETS	**3,803.8**	**(1.2)**	**3,802.6**

LIABILITIES AND EQUITY *(in millions of euros)*	31/12/2017 before IFRS15	Impact	31/12/2017 after IFRS15
Consolidated reserves and other reserves	484.7	(2.8)	481.9
Profit for the period	171.4	1.1	172.5
Equity attributable to the Group	**1,208.2**	**(1.7)**	**1,206.5**
Non-controlling interests	**31.8**	**(1.0)**	**30.7**
TOTAL EQUITY	**1,240.0**	**(2.8)**	**1,237.2**
Deferred tax liabilities	16.8	(0.8)	16.0
Non-current liabilities	**915.3**	**(0.8)**	**914.5**
Other current liabilities	1,089.6	2.4	1,092.0
Current liabilities	**1,648.5**	**2.4**	**1,650.9**
TOTAL LIABILITIES	**2,563.8**	**1.6**	**2,565.4**
TOTAL LIABILITIES AND EQUITY	**3,803.8**	**(1.2)**	**3,802.6**

EQUITY AS AT 1 JANUARY 2017

(in millions of euros)	Share capital	Share premium	Treasury shares	Consolidated reserves and retained earnings	Other comprehensive income	Total attributable to Group	Non-controlling interests	Total
As AT 01/01/2017 before IFRS15	**20.5**	**531.4**	**(38.9)**	**701.6**	**(144.0)**	**1,070.6**	**32.5**	**1,103.1**
Impacts	-	-	-	(2.8)	-	(2.8)	(1.9)	(4.8)
AS AT 01/01/2017 AFTER IFRS15	**20.5**	**531.4**	**(38.9)**	**698.7**	**(144.0)**	**1,067.7**	**30.6**	**1,098.3**

The new accounting policies applicable to revenue recognition are described in Note 4.1.

1.2.2. Application of IFRS 9 *"Financial Instruments"*

The application of IFRS 9 "*Financial Instruments*" is mandatory for annual periods beginning on or after 1 January 2018. The Group analysed the new rules and their impacts. Only the recognition method for its foreign currency and interest rate hedges using option-based derivative instruments changes. Changes in time value are now recognised:

- for financial hedges: in *Other comprehensive income*. The time value at the date of designation of the hedging relationship is amortised over the period during which the instrument can impact profit or loss. This amortisation expense is recognised in *Other financial income and expenses;*
- for commercial hedges: in *Other comprehensive income*. The time value at the date of designation of the hedging relationship is recognised in *Other financial income and expenses* on performance of the hedged purchase or sale.

The Group considers that these changes had no material impact on its financial statements. They were applied prospectively as from 1 January 2018. The impact on the recognition method for the time value of hedges is recorded retrospectively by adjusting consolidated reserves as at 1 January 2018. The application of IFRS 9 generated an increase in *Consolidated reserves* of €1.0 million, through a decrease in *Other comprehensive income*. This adjustment is presented in *Other movements* in the Consolidated statement of changes in equity. The comparative information was not adjusted.

1.2.3 Application of IFRS 16 *"Leases"*

With respect to lessees, IFRS 16 *"Leases"* requires the recognition of a depreciable right to use the leased item in balance sheet assets and a lease liability in liabilities.

The Group has initiated a project comprising an initial phase to collect all the information that may be required by the new standard and simulate the impacts of the various options. A second phase will prepare the roll-out prior to implementation on 1 January 2019.

As at 30 June 2018, the Group had not yet chosen all the options it will apply as at 1 January 2019. They may have a material impact on the right to use, the lease liability or future earnings. The Group is therefore unable to report on the impact of the application of the new rules or the choice of transition method.

1.3. Material estimates and accounting judgments

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. Group management is also required to exercise judgment in the application of its accounting policies.

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

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

- measurement of the recoverable amount of property, plant and equipment and intangible assets, and of goodwill in particular (see Note 8);
- measurement of retirement benefit obligations (see Note 5.3);
- revenue recognition (see Note 4.1);
- measurement of deferred tax assets;
- amounts payable to non-controlling interests (see Note 13.1.4);
- provisions for contingencies (see Note 10.1).

NOTE 2 SCOPE OF CONSOLIDATION

- **Galittt** – On 7 November 2017, Sopra Steria completed its acquisition of Galitt, a consulting and solutions development firm in the payment systems and secure transactions market.

  Sopra Steria acquired 88.1% of the shares and voting rights in Tecfit, the Galitt holding company. In addition, the Group has entered into an irrevocable commitment to acquire the remaining shares, in the form of a put option granted to the other Galitt shareholders. At 30 June 2018, the liability recognised in respect of this put option was measured at €6.8 million.

  Galitt has been consolidated in Sopra Steria's financial statements since 7 November 2017.

  The assets acquired and liabilities assumed include the valuation of a brand for €4.1 million and customer relations for €8.1 million. The definitive purchase price allocation period runs until 6 November 2018.

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

(in millions of euros)	GALITT
Total assets acquired	35.7
Total liabilities assumed	(14.1)
TOTAL NET ASSETS ACQUIRED/(NET LIABILITIES ASSUMED)	**21.6**
Minority interests	-
PURCHASE PRICE	**46.7**
GOODWILL	**25.2**

- **Bluecarat** – On 3 May 2018, Sopra Steria in Germany acquired, via its subsidiary Sopra Steria Consulting SE, the IT services firm Bluecarat, specialising in strategic IT consulting, Agile projects, Cyber/IT Security and API Management for leading manufacturers, financial services companies and public sector entities in the country.

  The identification of the assets acquired and liabilities assumed is still in progress. The definitive purchase price allocation period runs until 2 May 2019. As at 30 June 2018, the Group valued the net assets acquired from this company at €2.4 million, giving rise to the recognition of goodwill in the amount of €11.4 million. This acquisition belongs to the German cash-generating unit (Other Europe).

- **OR Systems** – On 4 April 2018, Sopra Steria in France acquired, via its subsidiary Sopra Banking Software SA, OR Systems, a developer specialising in financial analysis for credit institutions.

  The identification of assets acquired and liabilities assumed is still in progress. As at 30 June 2018, the Group valued the net liabilities assumed from this company at €0.3 million and recognised provisional goodwill in the amount of €1.9 million. The allocation period runs until 3 April 2019. OR Systems is included in the Sopra Banking Software cash-generating unit.

- **Other** – The assets acquired and liabilities assumed from Kentor and 2Moro acquired in 2017 did not give rise to any adjustment and there were no other major changes in scope during the half-year.

NOTE 3 SEGMENT INFORMATION

3.1. Results by reporting unit

a. France

(in millions of euros)	First-half 2018		First-half 2017	
Revenue	849.1		801.8	
Operating profit on business activity	76.0	9.0%	72.2	9.0%
Profit from recurring operations	60.5	7.1%	60.8	7.6%
Operating profit	56.1	6.6%	56.6	7.1%

b. United Kingdom

(in millions of euros)	First-half 2018		First-half 2017	
Revenue	382.8		405.3	
Operating profit on business activity	17.1	4.5%	25.5	6.3%
Profit from recurring operations	10.5	2.7%	19.1	4.7%
Operating profit	2.2	0.6%	19.2	4.7%

c. Other Europe

(in millions of euros)	First-half 2018		First-half 2017	
Revenue	475.5		396.6	
Operating profit on business activity	32.9	6.9%	26.9	6.8%
Profit from recurring operations	28.9	6.1%	24.2	6.1%
Operating profit	25.1	5.3%	19.8	5.0%

d. Sopra Banking Software

(in millions of euros)	First-half 2018		First-half 2017	
Revenue	187.4		173.2	
Operating profit on business activity	(8.4)	(4.5%)	4.0	2.3%
Profit from recurring operations	(14.6)	(7.8%)	(1.8)	-1.0%
Operating profit	(16.2)	(8.6%)	(3.3)	-1.9%

e. Other Solutions

(in millions of euros)	First-half 2018		First-half 2017	
Revenue	119.2		114.6	
Operating profit on business activity	15.1	12.7%	13.1	11.4%
Profit from recurring operations	13.9	11.7%	11.4	9.9%
Operating profit	12.8	10.8%	10.0	8.7%

f. Not allocated

(in millions of euros)	First-half 2018		First-half 2017	
Revenue	-		-	
Operating profit on business activity	-		-	
Profit from recurring operations	-		-	
Operating profit	-		(0.1)	

g. Group

(in millions of euros)	First-half 2018		First-half 2017	
Revenue	2,014.0		1,891.5	
Operating profit on business activity	132.8	6.6%	141.6	7.5%
Profit from recurring operations	99.2	4.9%	113.7	6.0%
Operating profit	80.0	4.0%	102.3	5.4%

3.2. Revenue by geographic area

(in millions of euros)	France	Outside France	Total
First-half 2017	966.1	925.4	1,891.6
First-half 2018	**1,017.4**	**996.7**	**2,014.0**

NOTE 4 OPERATING PROFIT

4.1. Revenue

(in millions of euros)	First-half 2018		First-half 2017	
France	849.1	42.2%	801.8	42.4%
United Kingdom	382.8	19.0%	405.3	21.4%
Other Europe	475.5	23.6%	396.6	21.0%
Sopra Banking Software	187.4	9.3%	173.2	9.2%
Other Solutions	119.2	5.9%	114.6	6.1%
TOTAL REVENUE	**2,014.0**	**100.0%**	**1,891.5**	**100.0%**

Revenue primarily consists of services recognised on a percentage-of-completion basis.

Revenue recognition

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

a. General principles:

i. Identifying the contract with the customer

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

ii. Separating the performance obligations in the contract

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

iii. Determining the transaction price

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

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

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

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

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

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

The transaction price is allocated to each performance obligation identified in the contract pro rata to the specific selling prices of each underlying good or service.

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

v. Recognising revenue

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

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

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

When a fixed-price contract becomes loss making, the loss on completion is automatically provided for in *Provisions for contingencies and losses*.

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

i. Cost of obtaining and fulfilling a contract

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

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

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

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

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

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

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

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

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

iv. Services covered by fixed-price contracts

Revenue from services performed under fixed-price contracts is recognised, in accordance with general revenue recognition principles, using the percentage-of-completion method in the following two situations:

- the services are performed in the customer's environment or enhance a customer's asset. The customer obtains control as the asset is created or developed;

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

Revenue and profit generated by services performed under fixed-price contracts are recognised based on a technical estimate of the degree of completion.

v. Licenses

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

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

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

vi. Principal/Agent distinction

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

4.2. Other non-current operating income and expenses

(in millions of euros)	First-half 2018	First-half 2017
Expenses arising from business combinations (fees, commissions, etc.)	(0.4)	(0.4)
Net restructuring and reorganisation costs	(18.0)	(10.1)
▪ *of which integration and reorganisation of activities*	*(1.5)*	*(0.8)*
▪ *of which separation costs*	*(16.5)*	*(9.4)*
Other operating expenses	(0.7)	(1.1)
Total other operating expenses	**(19.1)**	**(11.6)**
Other operating income	-	0.2
Total other operating income	**-**	**0.2**
TOTAL	**(19.1)**	**(11.4)**

In the first half of 2018, the Group continued to work on restructuring and reorganising its activities, mainly in the United Kingdom and France within its IT infrastructure management business, and in Germany.

NOTE 5 EMPLOYEE BENEFITS

5.1. Staff costs

(in millions of euros)	First-half 2018	First-half 2017
Salaries	(935.0)	(883.4)
Social security contributions	(293.2)	(274.2)
Net expense for post-employment and similar benefit obligations	(7.4)	(17.3)
TOTAL	**(1,235.6)**	**(1,174.9)**

5.2. Workforce

Workforce at period-end	First-half 2018	First-half 2017
France	19,056	18,629
International	23,723	21,802
TOTAL	**42,779**	**40,431**

5.3. Retirement benefits and similar obligations

Retirement benefits and similar obligations break down as follows:

(in millions of euros)	30/06/2018	31/12/2017
Post-employment benefit assets	(2.1)	(4.3)
Post-employment benefit liabilities	268.6	363.2
Net post-employment benefits	**266.4**	**358.9**
Other long-term employee benefits	7.8	14.9
TOTAL	**274.2**	**373.8**

Post-employment benefits arise from the Group's obligations towards its employees to provide retirement benefits in France 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.

In the first half of 2018, net liabilities arising from the main post-employment benefit plans changed as follows:

(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 2017	**201.6**	**112.0**	**42.2**	**3.0**	**358.9**
Net expense recognised in the income statement	4.7	5.1	0.4	0.1	10.4
■ *of which operating charges for service cost*	*2.3*	*4.1*	*0.1*	*0.1*	*6.6*
■ *of which net interest expense*	*2.5*	*1.0*	*0.3*	-	*3.8*
Net expense recognised in equity	(87.4)	(1.1)	0.2	-	(88.4)
■ *of which return on plan assets*	*32.6*	-	-	-	*32.6*
■ *of which experience adjustments*	*(1.3)*	*(0.3)*	-	-	*(1.6)*
■ *of which impact of changes in financial assumptions*	*(118.7)*	*(0.9)*	*0.2*	-	*(119.4)*
Contributions	(13.3)	(1.3)	(0.6)	(0.2)	(15.5)
■ *of which employer contributions*	*(13.3)*	*(1.3)*	*(0.6)*	*(0.2)*	*(15.5)*
■ *of which employee contributions*	-	-	-	-	-
Exchange differences	0.9	-	-	-	0.9
Changes in scope	-	0.1	-	-	0.1
NET LIABILITY AT 30 JUNE 2018	**106.6**	**114.8**	**42.2**	**2.8**	**266.4**

The following actuarial assumptions were used to measure these liabilities at 30 June 2018:

	United Kingdom	France	Germany	Other
Discount rate	2.86%	1.58% to 1.80%	1.02% to 1.58%	0.70% to 2.60%
Rate of inflation or salary increase	3.02%	2% to 2.5%	2% to 2.50%	2% to 2.70%

At 31 December 2017, they were as follows:

	United Kingdom	France	Germany	Other
Discount rate	2.55%	1.77%	1.02% to 1.53%	0.7% to 2.60%
Rate of inflation or salary increase	3.11%	2% to 2.5%	2% to 2.50%	2% to 2.70%

5.4. Expenses related to stock options and related items

5.4.1. Free share allotment plan

On 16 February 2018, the Group set up a new free share allotment plan in addition to those decided on 24 June 2016 and 24 February 2017 and described in Note 5.4.2. Chapter 4. Consolidated financial statements of the 2017 Annual Financial Report. Grants of awards under this plan are subject to performance conditions regarding revenue growth, Operating profit on business activity and Free cash flow for financial years 2018, 2019 and 2020; they are also conditional on continuing employment. An expense of €2.0 million was recognised in the first half of 2018 under *Expenses related to stock options and related items* in respect of these plans.

The expenses relating to the former free share allotment plans totalled €3.0 million for the first half of 2018.

5.4.2. Employee share ownership plan

As part of its Sopra Steria Enterprise Project, the Group set up the We Share employee share ownership programme. Employees who met certain conditions were able to purchase Sopra Steria Group shares from 27 March to 10 April 2018 inclusive.

The main features of the programme 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;
- employees are entitled to any dividends attached to their shares;
- 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, 106,049 shares had been subscribed by employees and matched by employer contributions of the same number of shares. Sopra Steria Group made the matching contributions using treasury shares, which were either existing shares or shares bought back in advance under a share buyback programme authorised by the shareholders at the General Meeting of 13 June 2017.

The fair value of the free shares was measured by reference to the average closing price during the subscription period extending from 27 March to 10 April 2018 (€131.5), with a 20% discount for the compulsory holding period.

An expense of €17.1 million, including €13.9 million in IFRS 2 charges, was recognised in profit from recurring operations.

NOTE 6 CORPORATE INCOME TAX EXPENSE

(in millions of euros)	First-half 2018	First-half 2017
Current tax	(35.3)	(27.9)
Deferred tax	0.4	(2.8)
TOTAL	**(34.9)**	**(30.7)**

In the first half of 2018, the Group's effective tax rate was 47.8%, compared with an effective tax rate of 31.7% recognised in the first half of 2017. This high rate is due to a different profit mix at 30 June compared with that expected at the year-end and a stable CVAE charge (Corporate Value-Added Contribution) in France, period-on-period. The effective tax rate at 31 December 2018 is expected to be approximately 30.5%.

NOTE 7 WORKING CAPITAL REQUIREMENT COMPONENTS

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

7.1. Other non-current financial assets

(in millions of euros)	30/06/2018	30/06/2017
Available-for-sale assets	20.8	15.4
Other loans and receivables	11.2	9.9
Derivatives	2.1	6.4
TOTAL	**34.1**	**31.7**

Available-for-sale assets mainly comprise CS Communication & Systèmes (CS) shares. At the beginning of July 2018, this company initiated a capital increase with preferential subscription rights. The Group, which held 2,230,000 shares at 30 June 2018, undertook in the first half of 2018 to subscribe, as of right, to 178,400 CS shares by exercising all the preferential subscription rights attached to its 2,230,000 shares, for a total subscription amount of €1.1 million. This commitment is recognised in the financial statements at 30 June 2018.

7.2. Trade receivables and related accounts

(in millions of euros)	30/06/2018	31/12/2017
Trade accounts receivable – gross value	620.9	666.1
Impairment of trade accounts receivable	(11.4)	(11.4)
Trade accounts receivable – net value	**609.5**	**654.7**
Customer contract assets	546.1	492.4
TOTAL	**1,155.6**	**1,147.1**

At 30 June 2018, the Group had not sold any trade receivables.

In December 2017, the Group sold trade receivables in France for a total value of €56.8 million, including €19.8 million with recourse and €37.0 million without recourse. Only the receivables sold without recourse were removed from the balance sheet.

7.3. Other current assets

In the first half of 2018, the Group sold CIR (R&D tax credit) receivables in France for €29.1 million.

In the first half of 2017, the Group sold CIR (R&D tax credit) receivables in France for €20.7 million.

In 2017, it sold its 2017 CICE (Competitiveness and Employment Tax Credit) and CIR receivables for €47.5 million.

These transactions led to the derecognition of the sold receivables.

7.4. Other non-current liabilities

(in millions of euros)	30/06/2018	31/12/2017
Put options granted	62.8	58.4
Other liabilities – portion due in more than one year	2.2	3.6
Derivatives	4.4	3.2
TOTAL	**69.3**	**65.2**

In the United Kingdom, the put option granted by the Group to the Cabinet Office for the shares it holds in the joint venture SSCL that may be exercised between 1 January 2022 and 31 December 2023, represented a non-current liability of €56.0 million as at 30 June 2018.

In addition, the Group entered into an irrevocable commitment to acquire shares, in the form of a put option, from the minority shareholders of Tecfit, the holding company of Galitt, acquired in the second half of 2017 (see Note 2). The related non-current liability totalled €6.8 million as at 30 June 2018.

NOTE 8 PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

8.1. Goodwill

8.1.1. Statement of changes in goodwill

Movements in the first half of 2018 were as follows:

(in millions of euros)	Gross value	Impairment	Net carrying amount
At 31 December 2017	**1,669.9**	**79.3**	**1,590.6**
Acquisitions			
■ Bluecarat	11.4	-	11.4
■ Orsystem	1.9	-	1.9
Adjustments for business combinations	(7.9)	-	(7.9)
Impairment	-	-	-
Translation adjustments	2.5	-	2.5
AT 30 JUNE 2018	**1,677.8**	**79.3**	**1,598.4**

Adjustments for business combinations are described in Note 2, Scope of consolidation.

8.1.2. Breakdown of goodwill by CGU

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

(in millions of euros)	30/06/2018	31/12/2017
France	498.7	491.1
United Kingdom	575.7	575.0
Other Europe (1)	301.4	288.3
Sopra Banking Software	210.1	223.6
Sopra HR Software	12.5	12.5
TOTAL	**1,598.4**	**1,590.6**

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

8.1.3. 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 2018. No impairment tests were performed.

NOTE 9 EQUITY-ACCOUNTED INVESTMENTS

9.1. Net profit from associates

(in millions of euros)	30/06/2018	% holding 30/06/2018	30/06/2017	% holding 30/06/2017
Share of net profit of Axway Software	1.3	32.57%	0.9	32.63%
Share of net profit of Diamis	-	-	0.1	40.00%
TOTAL	**1.3**		**1.0**	

9.2. Carrying amount of investments in associates

(in millions of euros)	30/06/2018	31/12/2017
Axway Software	192.2	189.1
Diamis	-	-
TOTAL	**192.2**	**189.1**

The following table shows changes in the investment in Axway Software:

(in millions of euros)	Gross value	Impairment	Net carrying amount
At 31 December 2017	**189.1**	**-**	**189.1**
Changes in scope	-	-	-
Share capital transactions	0.1	-	0.1
Dividends paid	-	-	-
Net profit	1.3	-	1.3
Translation adjustments	1.7	-	1.7
Changes in shareholding	(0.1)	-	(0.1)
Disposal	-	-	-
Other movements	0.1	-	0.1
AT 30 JUNE 2018	**192.2**	**-**	**192.2**

At 30 June 2018, the Axway Software shares held by Sopra Steria Group represented 32.57% of the share capital, compared with 32.59% at 31 December 2017.

Given the seasonal nature of Axway's business, which does not prejudge the company's annual profitability, the Group did not update the estimated value in use of its investment. It will be re-examined at the 2018 closing.

NOTE 10 PROVISIONS AND CONTINGENT LIABILITIES

10.1. Current and non-current provisions

(in millions of euros)	01/01/2018	Changes in scope	Charges	Reversals (used)	Reversals (not used)	Other	Translation adjustments	30/06/2018	Non-current portion	Current portion
Provisions for disputes	5.5	-	0.7	(0.9)	(0.1)	(0.2)	-	4.9	0.8	4.1
Provisions for guarantees	0.3	-	-	-	-	-	-	0.3	0.2	0.1
Provisions for losses on contracts	0.7	-	0.1	(0.7)	-	-	-	0.1	-	0.1
Provisions for taxes	29.1	-	0.1		-	-	-	29.2	29.2	-
Provisions for restructuring	11.0	-	3.7	(5.2)	-	0.1	-	9.5	2.4	7.1
Other provisions for contingencies	26.2	-	1.1	(4.1)	(0.9)	-	(0.1)	22.2	21.6	0.6
TOTAL	**72.8**	**-**	**5.6**	**(11.0)**	**(1.1)**	**(0.1)**	**(0.1)**	**66.1**	**54.0**	**12.1**

Provisions for disputes cover disputes before employment tribunals and severance benefits (€4.3 million as at 30 June 2018, compared to €4.5 million as at 31 December 2017), as well as insurance thresholds and client risks provided for in respect of trade disputes.

Provisions for taxes mainly relate to tax risks in France, and in particular the R&D tax credit and withholdings applied by foreign clients.

Provisions for restructuring mainly correspond to residual costs under the transformation programme within the original Steria scope in France (€1.2 million), the cost of one-off restructuring measures in Germany (€3.4 million) and Sopra Steria integration costs mainly relating to facilities (€4.6 million in France).

Other provisions for contingencies mainly cover costs relating to premises (€7.9 million, including €7.3 million in restoration costs, mostly in the United Kingdom), clients and projects (€7.1 million, including €5.3 million in the United Kingdom and €1.4 million in Germany), contractual risks (€4.7 million), and tax and employee risks (€1.7 million).

10.2. Contingent liabilities

The contingent liabilities described in Note 10.2 to the 2017 Registration Document did not change significantly during the first half of 2018.

NOTE 11 FINANCING AND FINANCIAL RISK MANAGEMENT

11.1. Financial income and expenses

11.1.1. Cost of net financial debt

(in millions of euros)	First-half 2018	First-half 2017
Interest income	2.6	3.6
Income from cash and cash equivalents	**2.6**	**3.6**
Interest expense	(5.7)	(6.3)
Gains and losses on hedges of gross financial debt	(0.7)	(0.8)
Cost of gross financial debt	**(6.3)**	**(7.1)**
COST OF NET FINANCIAL DEBT	**(3.7)**	**(3.5)**

The average cost of borrowing after hedging was 1.61% in the first half of 2018, compared with 1.62% in the first half of 2017.

11.1.2. Other financial income and expenses

(in millions of euros)	First-half 2018	First-half 2017
Foreign exchange gains and losses	**(0.6)**	**(2.0)**
Other financial income	**0.6**	**7.5**
Net interest expense on retirement benefit obligations	(3.8)	(5.0)
Interest on employee profit-sharing liability	(0.1)	(0.3)
Expense on unwinding of discounted non-current liabilities	(0.5)	(0.4)
Change in the value of derivatives	1.9	(0.7)
Other financial expenses	(0.9)	(0.8)
Total other financial expenses	**(3.3)**	**(7.3)**
TOTAL OTHER FINANCIAL INCOME AND EXPENSES	**(3.2)**	**(1.8)**

The conversion of CS Communication & Systèmes convertible bonds into shares generated financial income of €6.5 million in the first half of 2017.

The accounting treatment of changes in the value of derivatives differs between 2018 (IFRS 9) and 2017 (IAS 39) (see Note 1.2.2).

11.2. Financial debt – Net debt

(in millions of euros)	Current	Non-current	30/06/2018	31/12/2017
Bonds	10.2	179.9	190.1	187.6
Bank borrowings	23.4	241.7	265.1	234.9
Finance lease liabilities	6.7	6.2	12.8	13.2
Other sundry financial debt	212.0	99.0	311.0	230.5
Current bank overdrafts	13.1	-	13.1	6.5
FINANCIAL DEBT	**265.4**	**526.8**	**792.1**	**672.5**
Investment securities	(69.0)	-	(69.0)	(84.2)
Cash	(60.8)	-	(60.8)	(78.2)
NET FINANCIAL DEBT	**135.6**	**526.8**	**662.4**	**510.1**

Short-term investment securities and cash

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

Indian entities contributed €71.5 million to net cash and cash equivalents. If that cash is repatriated in the form of dividends, a withholding tax will apply. A provision has been recognised for this tax.

Financial debt

The Group has:

- bank credit lines for a total euro equivalent of €1,333 million comprised of a syndicated loan, overdraft facilities and a €60 million fixed-rate non-amortising loan with a member of the Group’s bank pool maturing in January 2021. These bank credit lines were 20.2% drawn at 30 June 2018. Aside from the €60 million loan, they are floating rate and are hedged for interest rate risk;
- a fixed-rate bond issue of €180 million, fully drawn;
- a NEU CP (commercial paper) programme of up to €700 million (€212 million drawn) paying floating rates and with a spread at each issue date;
- a NEU MTN (medium term notes) programme of up to €300 million (€99 million drawn) paying fixed or floating rates and with a spread at each issue date. The NEU MTN issues mature within two to five years;
- finance lease facilities totalling €12.8 million.

The syndicated loan and bond issue are subject to contractual terms and conditions, including the requirement to comply with financial covenants.

Two financial ratios, calculated every six months on a rolling 12-month basis using the published consolidated financial statements, must be observed:

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

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

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

Pro forma EBITDA is consolidated operating profit on business activity adding back depreciation, amortisation and provisions included in operating profit on business activity. It is calculated on a 12-month rolling basis and is therefore restated so as to be presented in the financial statements on a constant scope basis over 12 months.

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 2018.

11.3. Financial instruments and interest rate and foreign exchange risk management

11.3.1. Management of interest rate risk

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

At 30 June 2018, the Group had taken out a number of interest rate swaps. The notional amount of those swaps is €550 million and their fair value is (-)€1.5 million.

Interest rate derivatives designated as cash flow hedges have a nominal amount of €450 million. Interest rate derivatives not qualifying for hedge accounting have a nominal amount of €100 million.

The total amount of gross borrowings subject to interest rate risk is €500 million.

Interest rate hedges in force at 30 June 2018 reduced this exposure.

11.3.2. Management of foreign exchange risk

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

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

Foreign currency risk hedging mainly relates to transactional exposures involving the Group's production platforms in India and Poland and certain commercial contracts denominated in US dollars. Changes in fair value corresponding to these hedges are taken to profit or loss for invoiced items and to equity for future cash flows.

Their fair value at 30 June 2018 was €0.4 million for a total notional amount of €162.7 million.

NOTE 12 CASH FLOWS

12.1. Change in net financial debt

Net cash from operating activities is measured using *Operating profit on business activity*, after deducting depreciation, amortisation and provisions to produce EBITDA, and other non-cash items adjusted for tax paid, restructuring and integration costs, and the change in the working capital requirement. It differs from *Net cash from operating activities* as shown in the consolidated cash flow statement presented in the financial statements on page 14, in that it includes the cash impact of *Other financial income and expenses* (see Note 11.1.2).

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

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

(in millions of euros)	30/06/2018	30/06/2017
Operating profit on business activity	**132.8**	**141.6**
Depreciation, amortisation and provisions (excluding allocated intangible assets)	22.9	6.7
EBITDA	**155.7**	**148.3**
Non-cash items	(2.7)	(0.8)
Tax paid	(34.9)	(23.7)
Impairment of current assets	(0.8)	(0.5)
Change in operating WCR	(169.4)	(186.9)
Reorganisation and restructuring costs	(20.7)	(12.6)
Net cash flow from operating activities	**(72.8)**	**(76.4)**
Purchase of tangible and intangible fixed assets	(25.7)	(22.8)
Proceeds from sale of tangible and intangible fixed assets	0.1	2.0
Net cash from (used in) investment activities involving tangible and intangible fixed assets	**(25.7)**	**(20.8)**
Net financial interest	(4.6)	(3.1)
Additional contributions related to defined-benefit pension plans	(11.2)	(8.8)
Free cash flow	**(114.3)**	**(109.1)**
Impact of changes in scope	(15.7)	(26.6)
Impact of payments relating to non-current financial assets	(2.7)	(2.7)
Impact of receipts relating to non-current financial assets	0.3	0.9
Dividends paid	-	-
Dividends received	-	2.8
Capital increases	-	0.2
Purchase and sale of treasury shares	(18.3)	(1.0)
Net cash flow	**(150.6)**	**(135.6)**
Impact of changes in foreign exchange rates	(1.6)	(1.7)
CHANGE IN NET FINANCIAL DEBT	**(152.3)**	**(137.3)**
Cash and cash equivalents – beginning of period	155.9	261.7
Non-current financial debt – beginning of period	(398.9)	(402.6)
Current financial debt – beginning of period	(267.1)	(365.1)
Net financial debt at the beginning of the period	**(510.1)**	**(506.0)**
Cash and cash equivalents – end of period	116.7	220.8
Non-current financial debt – end of period	(526.8)	(424.5)
Current financial debt – end of period	(252.3)	(439.5)
Net financial debt at the end of the period	**(662.4)**	**(643.3)**
CHANGE IN NET FINANCIAL DEBT	**(152.3)**	**(137.3)**

Free cash flow for the first half of the year – which is traditionally a period of net cash outflows due to seasonal effects – amounted to an outflow of €114.3 million. This notably includes the unfavourable impact (-€37.0 million) of the sale without recourse of trade receivables in France in December 2017 (receivables removed from the balance sheet).

Impact of changes in scope (see Note 2)

(in millions of euros)	30/06/2018	30/06/2017
Cost of acquisitions paid (excluding earn-outs)	(16.4)	(26.5)
Net debt/net cash of acquired companies	0.7	-
Earn-outs paid	-	(0.1)
TOTAL	**(15.7)**	**(26.6)**

12.2. Other cash flows

Aside from the impact of changes in scope, cash flows related to investing activities included outflows for investment expenditure on property, plant and equipment and intangible assets for €25.7 million, and the investment in the share capital of Sentryo and participation in the funding in France of La Foncière Numérique® for €2.1million.

In addition to new borrowings and repayments of existing borrowings, net cash generated by financing activities reflects the impact of treasury share transactions, mainly arising from the We Share employee share ownership plan for (-) €15.5 million, and the additional contributions of €11.0 million made to curtail the deficit of defined-benefit pension plans in the United Kingdom.

NOTE 13 EQUITY AND EARNINGS PER SHARE

13.1. Equity

The consolidated statement of changes in equity is presented on page 13.

13.1.1 Changes in the share capital

At 30 June 2018, Sopra Steria Group had a share capital of €20,547,701. It is represented by 20,547,701 fully paid-up shares with a par value of €1 each.

13.4.2 Transactions in treasury shares

At 30 June 2018, the value of treasury shares recognised as a deduction from consolidated equity was €44.6 million, consisting of 320,247 shares, including 292,353 shares held by UK trusts falling within the consolidation scope, 20,535 shares acquired through the share buyback programme to be used in the employee share ownership plan, and 7,359 shares acquired under the liquidity agreement.

13.1.3 Dividends

At Sopra Steria Group's Annual General Meeting of 12 June 2018, the shareholders resolved to distribute an ordinary dividend of €49.3 million in respect of financial year 2017, equating to €2.40 per share. The dividend was paid on 5 July 2018 for a total of €49.3 million, net of the dividend on treasury shares.

13.1.4 Non-controlling interests

Due to the accounting treatment of the put option granted in respect of SSCL and Tecfit (Galitt) shares, the amount of non-controlling interests on the balance sheet mainly relates to the UK Department of Health's share in the net assets of NHS SBS, i.e. €33.0 million.

In the income statement, the amounts attributable to non-controlling interests came to (-) €0.1 million for SSCL, €1.0 million for NHS SBS and €0.2 million for Galitt.

13.2. Earnings per share

	First-half 2018	First-half 2017
Net profit attributable to the Group *(in millions of euros)* (a)	38.4	65.9
Weighted average number of ordinary shares in issue (b)	20,547,701	20,533,591
Weighted average number of treasury shares (c)	389,408	332,265
Weighted average number of shares in issue excluding treasury shares (d) = (b) - (c)	20,158,293	20,201,326
BASIC EARNINGS PER SHARE *(in euros)* **(a/d)**	**1.90**	**3.26**

	First-half 2018	First-half 2017
Net profit attributable to the Group *(in millions of euros)* (a)	38.4	65.9
Weighted average number of shares in issue excluding treasury shares (d)	20,158,293	20,201,326
Dilutive effect of instruments that give rise to potential ordinary shares (e)	71,209	47,648
Theoretical weighted average number of equity instruments (f) = (d) + (e)	20,229,502	20,248,974
DILUTED EARNINGS PER SHARE *(in euros)* **(a/f)**	**1.90**	**3.26**

The method used to calculate earnings per share is set in Note 13.2 of 2017 Registration Document.

Treasury shares are detailed in Note 13.1.2.

The potentially dilutive instruments are presented in Note 5.4.1.

NOTE 14 RELATED-PARTY TRANSACTIONS

Agreements entered into with parties related to Sopra Steria Group were presented in Sopra Steria's 2017 Registration Document filed with the Autorité des Marchés Financiers on 13 April 2018, in Note 14, Related-party transactions.

Other than those set out in the 2017 Registration Document, no new agreements were entered into with parties related to Sopra Steria Group during the first half of 2018.

NOTE 15 OFF-BALANCE SHEET COMMITMENTS

The Group's off-balance sheet commitments are those granted or received by Sopra Steria Group and its subsidiaries. They did not vary significantly compared to those at 31 December 2017 presented in Note 15 Off-balance sheet commitments in the 2017 Registration Document.

NOTE 16 SUBSEQUENT EVENTS

- **Planned acquisition of it-economics** – On 6 July 2018, Sopra Steria announced that the acquisition of it-economics, a German digital consulting company, was finalised on 5 July 2018.

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 (*Code monétaire et financier*), we have performed:

- a limited review of the accompanying condensed consolidated interim financial statements of Sopra Steria Group for the period from 1 January 2018 to 30 June 2018;
- the verification of the information presented 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 professional standards applicable in France.

A limited review consists essentially of making inquiries of 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 professional standards applicable 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 causes 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 applicable to interim financial reporting. Without qualifying the above conclusion, we draw your attention to Notes 1.2.1 and 4.1 to the condensed consolidated interim financial statements regarding the first-time application of IFRS 15, and Note 1.2.2 to the condensed consolidated interim financial statements regarding the first-time application of IFRS 9.

II – SPECIFIC VERIFICATION

We also verified the disclosures provided in the business review for the six-month period commenting 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, 27 July 2018,

The Statutory Auditors

Auditeurs & Conseils Associés – ACA Nexia	Mazars
Olivier Juramie	Bruno Pouget

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

I hereby declare that, to the best of my knowledge, the condensed consolidated financial statements for the half-year period 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 of all the entities included in the scope of consolidation; that the half-year business review provided on pages 1 to 7 gives a fair view of the main events that occurred in the first six months of the financial year, their impact on the financial statements and the main transactions between related parties; and that it describes the main risks and uncertainties for the remaining six months of the financial year.

Paris, 2 August 2018

Vincent Paris
Chief Executive Officer

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