Half-year Financial Report at 30 June 2021

The world is how we shape it

sopra steria

Contents

This document is a free translation into English of the original French "Rapport financier semestriel au 30 juin 2021", hereafter referred to as the "Half-Year Financial Report at 30 June 2021". 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
Registered office: PAE les Glaisins - Annecy-le-Vieux — FR 74940 Annecy
Head office: 6 Avenue Kleber — FR 75116 Paris

1. Business review for the six-month period

1. Business activity and key events during the first six months of the year

1.1. Consolidated income statement for H1 2021[1]

	H1 2021		H1 2020	
	(in millions of euros)	*(%)*	*(in millions of euros)*	*(%)*
Revenue	**2,328.3**		**2,166.7**	
Staff costs	-1,477.7		-1,386.2	
Operating expenses	-592.0		-558.2	
Depreciation, amortisation and provisions	-90.0		-89.6	
Operating profit on business activity	**168.6**	***7.2%***	**132.8**	***6.1%***
Share-based payment expenses	-2.2		-2.2	
Amortisation of allocated intangible assets	-16.2		-19.1	
Profit from recurring operations	**150.2**	***6.5%***	**111.6**	***5.1%***
Other operating income and expenses	-9.2		-23.8	
Operating profit	**141.0**	***6.1%***	**87.7**	***4.0%***
Cost of net financial debt	-4.6		-5.1	
Other financial income and expenses	-3.2		-6.7	
Tax expense	-44.6		-23.7	
Net profit from associates	0.2		-2.1	
Net profit	**88.8**	***3.8%***	**50.2**	***2.3%***
Attributable to the Group	**85.1**	***3.7%***	**43.7**	***2.0%***
Minority interests	3.8		6.5	
Weighted average number of shares outstanding excluding treasury shares *(in millions of shares)*	20.25		20.23	
Basic earnings per share *(in euros)*	4.20		2.16	

Vincent Paris, Chief Executive Office of Sopra Steria Group commented:

"Sopra Steria saw a clear upturn in activity in the first half of 2021, in a very buoyant market for digital services from the start of the year. At constant scope and exchange rates, we exceeded 2019 activity levels. Business trends improved across our eight verticals. The aeronautics sector has stabilised and even recorded a rebound in Q2. The strong pace of growth in the market has been fuelled by the digital transformation of organisations, particularly migration to the cloud, digitalisation, automation of business processes, and issues relating to cybersecurity. Our clients have a great deal of confidence in us and seek out our expertise regarding all these topics. In this context, we have raised our performance targets for financial year 2021. This is aligned with our transformation trajectory, which should enable us to fulfil our medium-term ambitions. The Group's teams are fully mobilised to this effect."

Operating performance in the first half of 2021

Revenue totalled €2,328.3 million, an increase of 7.5% relative to H1 2020. Changes in scope had a positive impact of €62.2 million, and currency fluctuations had a positive impact of €10.0 million. At constant scope and exchange rates, revenue grew 4.0%. In particular, the second quarter saw a brisk recovery, with organic growth of 9.0%.

The Group's operating profit on business activity rose 26.9% to €168.6 million, equating to a margin of 7.2%, up 1.1 points from H1 2020 (6.1%) and 0.4 points from H1 2019 (6.8%).

(1) Alternative performance measures are defined in the glossary on page 8 of this document.

Comments on the components of net profit for the first half of 2021

- **Profit from recurring** operations came to €150.2 million, up 34.6% relative to the first half of 2020. It included a €2.2 million share-based payment expense and a €16.2 million amortisation expense on allocated intangible assets.
- **Operating profit** was €141.0 million, up 60.7%, after a net expense of €9.2 million for other operating income and expenses (compared with a net expense of €23.8 million in first-half 2020). Reorganisation and restructuring expenses totalled €14.7 million.
- **The tax expense** was €44.6 million in the half-year period, versus €23.7 million in the first half of 2020, translating to a Group-wide tax rate of 33.5%. For the financial year as a whole, the tax rate is estimated at 30%.
- **Net income from associates** (mainly Axway) was a profit of €0.2 million (loss of €2.1 million in first-half 2020).
- After deducting €3.8 million in **minority interests, net profit attributable to the Group** came to €85.1 million, up 94.8% from €43.7 million in the first half of 2020. It was €60.9 million in H1 2019.
- **Basic earnings per share** came to €4.20, up 94.6% (€2.16 per share in the first half of 2020).

1.2. Detailed breakdown by reporting unit of operating performance in the first half of 2021

SOPRA STERIA: REVENUE BY REPORTING UNIT (€M/%) – H1 2021

	H1 2021	H1 2020 Restated*	H1 2020	Organic growth	Total growth
France	914.8	914.4	864.6	+0.0%	+5.8%
United Kingdom	408.9	340.9	338.5	+20.0%	+20.8%
Other Europe	665.2	647.0	638.8	+2.8%	+4.1%
Sopra Banking Software	210.5	217.3	205.4	-3.1%	+2.5%
Other Solutions	128.9	119.4	119.4	+8.0%	+7.9 %
SOPRA STERIA GROUP	**2,328.3**	**2,238.9**	**2,166.7**	**+4.0%**	**+7.5%**

* *Revenue at 2021 scope and exchange rates.*

SOPRA STERIA: REVENUE BY REPORTING UNIT (€M/%) – Q2 2021

	Q2 2021	Q2 2020 Restated*	Q2 2020	Organic growth	Total growth
France	454.6	423.0	400.0	+7.5%	+13.6%
United Kingdom	200.1	162.1	157.2	+23.4%	+27.2%
Other Europe	334.0	318.3	311.9	+4.9%	+7.1%
Sopra Banking Software	109.1	106.1	99.7	+2.8%	+9.5%
Other Solutions	65.3	57.8	57.8	+13.0%	+13.0%
SOPRA STERIA GROUP	**1,163.1**	**1,067.4**	**1,026.7**	**+9.0%**	**+13.3%**

* *Revenue at 2021 scope and exchange rates.*

SOPRA STERIA: PERFORMANCE BY REPORTING UNIT – H1 2021

	H1 2021		H1 2020	
	(in millions of euros)	*(%)*	*(in millions of euros)*	*(%)*
France				
Revenue	914.8		864.6	
Operating profit on business activity	76.2	*8.3%*	70.8	*8.2%*
Profit from recurring operations	73.2	*8.0%*	65.3	*7.6%*
Operating profit	70.2	*7.7%*	58.6	*6.8%*
United Kingdom				
Revenue	408.9		338.5	
Operating profit on business activity	35.5	*8.7%*	15.5	*4.6%*
Profit from recurring operations	29.8	*7.3%*	9.4	*2.8%*
Operating profit	27.8	*6.8%*	-0.7	*-0.2%*
Other Europe				
Revenue	665.2		638.8	
Operating profit on business activity	42.3	*6.4%*	47.4	*7.4%*
Profit from recurring operations	40.1	*6.0%*	45.2	*7.1%*
Operating profit	35.3	*5.3%*	40.6	*6.4%*
Sopra Banking Software				
Revenue	210.5		205.4	
Operating profit on business activity	5.8	*2.8%*	-6.7	*-3.3%*
Profit from recurring operations	-1.2	*-0.6%*	-13.9	*-6.8%*
Operating profit	-0.6	*-0.3%*	-16.1	*-7.8%*
Other Solutions				
Revenue	128.9		119.4	
Operating profit on business activity	8.8	*6.8%*	5.9	*5.0%*
Profit from recurring operations	8.3	*6.4%*	5.5	*4.6%*
Operating profit	8.3	*6.5%*	5.3	*4.5%*

In France (39% of the Group total), revenue was stable at €914.8 million, thanks to a 7.5% rise in organic growth in the second quarter. A strong increase in business from the defence sector, a steep rise in demand among energy and telecoms/media players as well as a return to growth in aeronautics, transport and banking all contributed to second quarter results. Consulting, systems integration, cybersecurity and product life cycle management all re-established positive growth in the second quarter. IT infrastructure management was stable. The operating margin on business activity for the first half of 2021 was 8.3%, representing an improved trend compared with the previous half-year periods: up 0.1 points compared to the first half of 2020 and up 3.1 points compared to the second half of 2020.

Revenue for the **United Kingdom** (18% of the Group total) was €408.9 million. Organic growth, amplified by favourable base effects, was particularly upbeat at 20.0%. The two joint ventures specialising in business process services for the public sector (NHS SBS and SSCL) saw strong growth. They benefited from the ramp-up of certain contracts and strong demand from several ministries, in particular for human resource management solutions. The rest of the public sector saw good momentum, especially for the visa renewal service provided for the UK government. Lastly, the situation in the private sector improved, with a very clear levelling of its negative growth trend. Against this backdrop, at 30 June 2021, the operating margin on business activity came to 8.7% (4.6% at 30 June 2020).

The **Other Europe** (29% of the Group total) reporting unit posted €665.2 million in revenue, representing positive organic growth of 2.8%. Organic revenue growth averaged 7.5% in the reporting unit's countries (excluding Sopra Financial Technology), some of which – such as Belgium, Germany, Scandinavia and Italy – delivered very strong performances. In addition, as part of the transformation programme under way for the Sparda banks in Germany, Sopra Financial Technology (SFT, the joint venture that operates the shared information system) recorded €85.8 million in revenue, contracting in line with the business plan. At 30 June 2021, the reporting unit's operating margin on business activity was 7.8% (7.1% in 2020) before taking into account the contribution of SFT, and 6.4% after this contribution.

Sopra Banking Software (9% of the Group total) generated revenue of €210.5 million, representing negative organic growth of 3.1% for the first half but recording positive organic growth of 2.8% in the second quarter. In the first half, revenue generated by the software business (licences, maintenance and subscriptions), accounting for 59% of revenue, was up 3.8%. The services business contracted by 9%. The services business contracted by 6%. Product developments continued for Sopra Financing Platform and Sopra Banking Platform, focusing in particular on digital layers. The transformation of the reporting unit's R&D department also moved forward as planned. At 30 June 2021, the operating margin on business activity was 2.8%, corresponding to operating profit of €5.8 million (compared with -3.3% at 30 June 2020).

The **Other Solutions** reporting unit posted revenue of €128.9 million (5% of the Group total), representing organic growth of 8.0%, thanks to a 13.0% upturn in sales in the second quarter of 2021. Performance was relatively comparable for both business lines. Over the period, investments have been maintained in order to accentuate product digitalisation and drive growth. At 30 June 2021, the operating margin on business activity was 6.8% (compared with 5.0% at 30 June 2020).

1.3. Workforce

At 30 June 2021, **the Group's workforce totalled 46,129 people**, with 17.4% working in X-Shore zones (compared with 46,603 people at 30 June 2020 and 45,960 at 31 December 2020).

In a very buoyant market, strong emphasis was placed on recruitment from the start of the year. **More than 4,200 people** joined the Group in the first half of 2021.

Support provided by X-Shore platforms was reinforced and the use of subcontracting resumed.

1.4. Financial position at 30 June 2021

At 30 June 2021, Sopra Steria was in **a very solid financial position** in terms of both financial ratios and liquidity.

Free cash flow amounted to €61.9 million in the first half of 2021[1], a significant improvement from €37.1 million in the first half of 2020.

Net financial debt totalled €422.7 million at 30 June 2021, stable compared with 31 December 2020 and **down 15%** from its level at 30 June 2020. At the end of the first half, it equated to 1.0x pro forma 12-month rolling EBITDA before the impact of IFRS 16, compared with 1.3x at 30 June 2020 (with the financial covenant stipulating a maximum of 3x).

1.5. External growth transactions

On 24 June 2021, Sopra Steria announced its plan to acquire **Labs, a consultancy specialising in digital user experience** based in Norway.

Labs is based in Bergen, Norway's second-largest city. It employs around fifty consultants specialised in digital services to help transform the customer experience.

This acquisition bolsters Sopra Steria's consulting activities in Norway in highly promising digital markets.

The proposed acquisition is expected to be completed in Q3 2021 and is subject to customary closing conditions.

(1) Free cash flow included an inflow of about €60 million from non-recurring items, compared with €57 million for H1 2020.

2. Risk factors and related-party transactions

2.1. Risk factors

The main risk factors are of the same nature as those presented in Chapter 2, Section 1 (pages 36 to 42) of the 2020 Universal Registration Document filed with the *Autorité des Marchés Financiers* (AMF) on 18 March 2021, available on the Sopra Steria website: https://www.soprasteria.com. As at the date of this report, no significant risk factors other than those mentioned in the 2020 Universal Registration Document had been identified.

The most material risks specific to Sopra Steria are set out by category and in decreasing order of criticality (based on their probability of occurrence combined with the estimated severity of their impact), taking account of the mitigation measures already implemented. As such, this presentation of net risks is not intended to show all Sopra Steria's risks. The assessment of this order of materiality may be changed at any time, in particular due to the appearance of new external factors, changes in operations or a change in the effects of risk management measures. For each risk, a description is provided explaining in what ways it could affect Sopra Steria as well as the risk management and control measures put in place, such as governance, policies, procedures and checks.

The table below provides an overview of the main risks in terms of net materiality on a scale of one to three, from least material (+) to most material (+++).

Category/Risk	Materiality
Risks related to strategy and external factors	
Adaptation of services to digital transformation and innovation	+++
Significant reduction in client/vertical activity	++
Major acquisitions	++
Attacks on reputation	++
Risks related to operational activities	
Cyberattacks, systems security, data protection	+++
Extreme events and response to major crises	+++
Sale and delivery of projects and managed/operated services	+
Risks related to human resources	
Development of skills and managerial practices **SNFP** [1]	++
Attracting and retaining employees **SNFP**	+
Risks related to regulatory requirements	
Compliance with regulations **SNFP**	+

(1) ***SNFP*** *(Statement of Non-Financial Performance): This risk also relates to concerns addressed by the regulatory changes set out in Articles L. 225-102-1 III and R. 225-105 of the French Commercial Code, which cover the Company's Statement of Non-Financial Performance.*

2.2. Related-party transactions

These transactions are discussed in Note 15 to the condensed consolidated financial statements in this report (page 32).

3. Outlook

Given the robust market for digital transformation by organisations, **Sopra Steria has raised its full-year outlook for financial year 2021**:

- Organic revenue growth greater than or equal to 6% (vs 3% to 5% previously);
- Operating margin on business activity of between 7.7% and 8.0% (vs between 7.5% and 8.0% previously);
- Free cash flow of between €150 million and €200 million (vs around €150 million previously).

4. Events subsequent to the period-end, 30 June 2021

The Group has not identified any subsequent events.

Annex/Glossary

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

2. Condensed consolidated interim financial statements

Consolidated statement of net income

(in millions of euros)	Notes	H1 2021	H1 2020
Revenue	*4.1*	**2,328.3**	**2,166.7**
Staff costs	*5.1*	-1,477.7	-1,386.2
External expenses and purchases		-575.4	-547.9
Taxes and duties		-21.2	-18.1
Depreciation, amortisation, provisions and impairment		-90.0	-89.6
Other current operating income and expenses		4.7	7.9
Operating profit on business activity		**168.6**	**132.8**
as % of revenue		*7.2%*	*6.1%*
Expenses related to stock options and related items	*5.4*	-2.2	-2.2
Amortisation of allocated intangible assets	*8.2*	-16.2	-19.1
Profit from recurring operations		**150.2**	**111.6**
as % of revenue		*6.5%*	*5.1%*
Other operating income and expenses	*4.2*	-9.2	-23.8
Operating profit		**141.0**	**87.7**
as % of revenue		*6.1%*	*4.0%*
Cost of net financial debt	*12.1.1*	-4.6	-5.1
Other financial income and expenses	*12.1.2*	-3.2	-6.7
Tax expense	*6*	-44.6	-23.7
Net profit from associates	*10.1*	0.2	-2.1
Net profit from continuing operations		**88.8**	**50.2**
Net profit from discontinued operations		-	-
Consolidated net profit		**88.8**	**50.2**
as % of revenue		*3.8%*	*2.3%*
Non-controlling interests	*14.1.5*	3.8	6.5
NET PROFIT ATTRIBUTABLE TO THE GROUP		**85.1**	**43.7**
as % of revenue		*3.7%*	*2.0%*
EARNINGS PER SHARE *(IN EUROS)*	*Notes*		
Basic earnings per share	*14.2*	4.20	2.16
Diluted earnings per share	*14.2*	4.20	2.15

Consolidated statement of comprehensive income

(in millions of euros)	Notes	H1 2021	H1 2020
Consolidated net profit		**88.8**	**50.2**
Other comprehensive income:			
Actuarial gains and losses on pension plans	*5.3*	83.6	-2.7
Tax impact		-1.3	6.5
Related to associates		0.1	-
Change in fair value of financial assets (non-consolidated securities)		2.9	-1.4
Subtotal of items recognised in equity and not reclassifiable to profit or loss		**85.4**	**2.4**
Translation differences		35.7	-66.9
Change in net investment hedges		-13.0	18.6
Tax impact on net investment hedges		4.0	-6.4
Change in cash flow hedges		3.5	0.6
Tax impact on cash flow hedges		-0.9	-0.4
Related to associates		2.3	0.6
Subtotal of items recognised in equity and reclassifiable to profit or loss		**31.6**	**-53.7**
Other comprehensive income, total net of tax		**116.9**	**-51.3**
COMPREHENSIVE INCOME		**205.8**	**-1.1**
Non-controlling interests		9.5	2.2
Attributable to the Group		**196.3**	**-3.3**

Consolidated statement of financial position

Assets *(in millions of euros)*	**Notes**	**30/06/2021**	**31/12/2020**
Goodwill	*8.1*	1,877.1	1,843.2
Intangible assets	*8.2*	205.0	232.9
Property, plant and equipment	*8.2*	127.9	132.5
Right-of-use assets	*9*	283.9	290.3
Equity-accounted investments	*10.2*	194.3	193.4
Other non-current assets	*7.1*	74.8	74.0
Retirement benefits and similar obligations	*5.3*	12.5	3.1
Deferred tax assets	*6*	142.8	156.7
Non-current assets		**2,918.2**	**2,926.1**
Trade receivables and related accounts	*7.2*	1,070.8	954.6
Other current assets		440.4	410.6
Cash and cash equivalents	*12.2*	248.3	245.5
Current assets		**1,759.5**	**1,610.7**
Assets held for sale		-	-
TOTAL ASSETS		**4,677.8**	**4,536.7**

Liabilities and equity *(in millions of euros)*	**Notes**	**30/06/2021**	**31/12/2020**
Share capital		20.5	20.5
Share premium		531.5	531.5
Consolidated reserves and other reserves		1,000.1	845.8
Equity attributable to the Group		**1,552.1**	**1,397.8**
Non-controlling interests		**50.1**	**47.6**
TOTAL EQUITY	*14.1*	**1,602.2**	**1,445.4**
Financial debt – Non-current portion	*12.2*	496.9	564.5
Lease liabilities – Non-current portion	*9*	227.2	226.2
Deferred tax liabilities	*6*	39.9	43.3
Retirement benefits and similar obligations	*5.3*	316.5	393.4
Non-current provisions	*11.1*	82.1	89.4
Other non-current liabilities	*7.4*	17.4	104.1
Non-current liabilities		**1,180.0**	**1,421.1**
Financial debt – Current portion	*12.2*	174.1	106.6
Lease liabilities – Current portion		82.2	91.3
Current provisions	*11.1*	31.5	26.6
Trade payables and related accounts		294.7	278.6
Other current liabilities	*7.5*	1,313.1	1,167.1
Current liabilities		**1,895.6**	**1,670.2**
Liabilities held for sale		-	-
TOTAL LIABILITIES		**3,075.6**	**3,091.3**
TOTAL LIABILITIES AND EQUITY		**4,677.8**	**4,536.7**

Consolidated statement of changes in equity

(in millions of euros)	Share capital	Share premium	Treasury shares	Consolidated reserves and retained earnings	Other comprehensive income	Total attributable to the Group	Non-controlling interests	Total
At 31/12/2019	**20.5**	**531.5**	**-46.1**	**967.9**	**-101.2**	**1,372.7**	**49.5**	**1,422.2**
Share capital transactions	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	2.5	-	2.5	0.1	2.6
Transactions in treasury shares	-	-	12.4	-7.8	-	4.7	-	4.7
Ordinary dividends	-	-	-	-	-	-	-2.3	-2.3
Changes in scope	-	-	-	-	-	-	-3.4	-3.4
Other movements	-	-	-	19.3	-	19.3	0.1	19.4
Shareholder transactions	**-**	**-**	**12.4**	**14.0**	**-**	**26.4**	**-5.4**	**21.0**
Net profit for the period	-	-	-	43.7	-	43.7	6.5	50.2
Other comprehensive income	-	-	-	-	-47.0	-47.0	-4.3	-51.3
Comprehensive income for the period	**-**	**-**	**-**	**43.7**	**-47.0**	**-3.3**	**2.2**	**-1.1**
At 30/06/2020	**20.5**	**531.5**	**-33.7**	**1,025.6**	**-148.2**	**1,395.7**	**46.3**	**1,442.1**
Share capital transactions	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	1.6	-	1.6	0.1	1.7
Transactions in treasury shares	-	-	-2.5	0.4	-	-2.2	-	-2.2
Ordinary dividends	-	-	-	-	-	-	-2.1	-2.1
Changes in scope	-	-	-	3.1	-	3.1	7.0	10.1
Other movements	-	-	-	-17.5	-	-17.5	-8.1	-25.6
Shareholder transactions	**-**	**-**	**-2.5**	**-12.4**	**-**	**-14.9**	**-3.1**	**-18.1**
Net profit for the period	-	-	-	63.1	-	63.1	5.7	68.8
Other comprehensive income	-	-	-	-	-46.1	-46.1	-1.3	-47.4
Comprehensive income for the period	**-**	**-**	**-**	**63.1**	**-46.1**	**17.0**	**4.4**	**21.4**
At 31/12/2020	**20.5**	**531.5**	**-36.2**	**1,076.3**	**-194.2**	**1,397.8**	**47.6**	**1,445.4**
Share capital transactions	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	1.9	-	1.9	0.1	2.0
Transactions in treasury shares	-	-	9.0	-9.8	-	-0.8	-	-0.8
Ordinary dividends	-	-	-	-40.7	-	-40.7	-5.6	-46.3
Changes in scope	-	-	-	-0.7	-	-0.7	0.7	-
Other movements	-	-	-	-0.8	-0.9	-1.7	-2.1	-3.9
Shareholder transactions	**-**	**-**	**9.0**	**-50.2**	**-0.9**	**-42.0**	**-7.0**	**-49.0**
Net profit for the period	-	-	-	85.1	-	85.1	3.8	88.8
Other comprehensive income	-	-	-	-	111.2	111.2	5.7	117.0
Comprehensive income for the period	**-**	**-**	**-**	**85.1**	**111.2**	**196.3**	**9.5**	**205.8**
AT 30/06/2021	**20.5**	**531.5**	**-27.2**	**1,111.2**	**-83.9**	**1,552.1**	**50.1**	**1,602.2**

Consolidated cash flow statement

(in millions of euros)	Notes	H1 2021	H1 2020
Consolidated net profit (including non-controlling interests)		**88.8**	**50.2**
Net increase in depreciation, amortisation and provisions		103.9	116.1
Unrealised gains and losses related to changes in fair value		-	-0.7
Expenses and income related to stock options and related items	*5.4*	2.0	2.6
Gains and losses on disposal		1.8	1.2
Share of net profit/(loss) of equity-accounted companies	*10.1*	-0.2	2.1
Cost of net financial debt (including cost related to lease liabilities)	*12.1.1*	7.9	9.0
Dividends from non-consolidated securities		-	-
Tax expense	*6*	44.6	23.7
Cash from operations before change in working capital requirement (A)		**248.8**	**204.0**
Tax paid (B)		-32.8	-43.3
Change in operating working capital requirement (C)	*13.1*	-54.7	-25.7
Net cash from operating activities (D) = (A +B +C)		**161.3**	**135.0**
Purchase of property, plant and equipment and intangible assets	*13.1*	-27.6	-25.2
Proceeds from sale of property, plant and equipment and intangible assets		0.1	0.1
Purchase of non-current financial assets		-2.0	-1.2
Proceeds from sale of non-current financial assets		0.6	-
Cash impact of changes in scope	*13.1*	-7.9	-8.3
Dividends received (equity-accounted companies, non-consolidated securities)		2.8	-
Proceeds from/(Payments on) loans and advances granted		0.8	0.3
Net interest received		0.2	-
Net cash from/(used in) investing activities (E)		**-33.0**	**-34.4**
Proceeds from shareholders for capital increases		-	-
Purchase and sale of treasury shares		-4.3	-6.9
Dividends paid to shareholders of the parent company	*13.1*	-40.7	-
Dividends paid to the minority interests of consolidated companies		-5.6	-2.3
Proceeds from/(Payments on) borrowings	*13.2*	-9.4	8.9
Lease payments	*13.1*	-53.9	-55.8
Net interest paid (excluding interest on lease liabilities)		-1.9	-2.3
Additional contributions related to defined-benefit pension plans	*13.1*	-13.6	-11.9
Other cash flows relating to financing activities		-0.5	0.1
Net cash from/(used in) financing activities (F)		**-129.8**	**-70.3**
Impact of changes in foreign exchange rates (G)		0.3	-7.2
NET CHANGE IN CASH AND CASH EQUIVALENTS (D+E+F+G)		**-1.3**	**23.1**
Opening cash position		245.0	192.6
Closing cash position	*13*	243.7	215.8

Notes to the condensed consolidated financial statements

NOTE 1 OVERVIEW OF MAIN ACCOUNTING POLICIES

Sopra Steria Group's consolidated financial statements for the six-month period ended 30 June 2021 were approved by its Board of Directors at its meeting held on 28 July 2021.

1.1. Basis of preparation

The consolidated financial statements for the period ended 30 June 2021 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 https://ec.europa.eu/info/business-economy-euro/company-reporting-and-auditing/company-reporting/financial-reporting_en#ifrs-financial-statements.

The accounting policies used to prepare the condensed consolidated financial statements for the six-month period ended 30 June 2021 were the same as those used in the consolidated financial statements for the year ended 31 December 2020 and described in Chapter 5, Note 1 of the 2020 Universal Registration Document (filed on 18 March 2021 with the *Autorité des Marchés Financiers* under No. D.21-0148, available online at https://www.soprasteria.com), with the exception of the new standards and interpretations applicable to accounting periods beginning on or after 1 January 2021, presented in Note 1.2.

1.2. Application of new standards and interpretations

The following new standards, amendments to existing standards and interpretations adopted by the European Union are required for accounting periods beginning on or after 1 January 2021:

- amendments to IFRS 9, IAS 39 and IFRS 7 *Interest Rate Benchmark Reform:* At this stage, the Group has not identified any material impact of this amendment;
- decision by the IFRS Interpretations Committee on accounting for configuration or customisation costs related to setting up an application in a "Software as a Service" (SaaS) arrangement under IAS 38 *Intangible Assets:* This decision has no impact on the Group's financial statements;
- decision by the IFRS Interpretations Committee on attributing benefit to periods of service as part of a defined-benefit pension plan under IAS 19 *Employee Benefits:* The Group considers that this decision has no material impact on the valuation and accounting recognition of its retirement benefit obligations.

Moreover, the amendment to IFRS 16 *Covid-19-Related Rent Concessions* has been extended to financial year 2021. At the date of this report, it has not yet been adopted by the European Union. This amendment introduces a practical expedient to account for a rent concession obtained as a result of the Covid-19 pandemic as if it were not a lease modification, and to recognise the impact directly in profit or loss for the period. During the first half of 2021, the Group did not identify any situations in which this amendment would be applicable.

1.3. Impact of the Covid-19 crisis on the consolidated financial statements for the period

When the Covid-19 pandemic emerged in the first half of 2020, it caused major operational difficulties in terms of business continuity, organisational adaptation, personal health and safety, and compliance with public health measures. It had an impact on the Group's consolidated financial statements as well as on the estimates it uses to measure certain assets, liabilities, income and expenses, and on liquidity risk. Details are provided in Chapter 5, Note 1.3, "Impact of the Covid-19 crisis on the consolidated financial statements" of the 2020 Universal Registration Document.

During the first half of 2021, this situation was not repeated and did not continue.

For reference, the Group recognised the entire impact of operations not running at full capacity due to the crisis within operating profit on business activity in financial year 2020. This impact included the suspension or discontinuation of contracts with customers, partially offset by a reduction in staff costs related to the implementation of furlough measures and by the reduction in certain expense items, such as travel expenses. In parallel, in certain countries the Group implemented business reorganisation and restructuring measures, the impact of which was recognised within *Other operating income and expenses*, part of *Operating profit* (see Note 4.2), in addition to the measures that had already been decided prior to the crisis.

The consequences of the crisis also led to the recognition of impairment losses. The impact of these asset impairment charges was recognised within *Other operating income and expenses*, part of *Operating profit* (see Note 4.2), in addition to the measures that had already been decided prior to the crisis.

Finally, the Group incurred additional logistics costs to allow employees to work remotely and to address health-related issues – social distancing in particular – at all its offices. These non-recurring, unusual additional costs were treated as *Other operating income and expenses* within *Operating profit* (see Note 4.2).

1.4. 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 the recoverable amount of investments in associates recorded in the balance sheet (see Note 10.2);
- measurement of retirement benefit obligations (see Note 5.3);
- revenue recognition (see Note 4.1);
- lease terms and the measurement of right-of-use assets and lease liabilities (see Note 9);
- measurement of deferred tax assets;
- amounts payable to non-controlling interests (see Note 14.1.5);
- provisions for contingencies (see Note 11.1).

NOTE 2 SCOPE OF CONSOLIDATION

- **Changes in the scope of consolidation during the first half of 2021** – During the first half of the year, the Group acquired the shares held by minority shareholders in Tecfit (the holding company of Galitt), with these shareholders exercising their put option for a value of €6.3 million. No other material changes in the scope of consolidation took place during the first half of the year.
- **Sodifrance** – On 16 September 2020, Sopra Steria Group acquired a controlling interest representing 94.03% of the share capital of Sodifrance, in which it raised its interest to 100% through a delisting offer. Sodifrance is a digital services company with substantial expertise in the insurance and social security sector. The transaction has given Sopra Steria a leadership position in France in these areas.

  Sodifrance and its subsidiaries have been consolidated in Sopra Steria's financial statements since that date.

  Based on the inventory of assets acquired and liabilities assumed, the Group has identified, valued and recognised customer relationships for €18.0 million. This business is part of the "France" cash-generating unit.

  The provisional allocation of goodwill at 30 June 2021 was unchanged from the allocation presented at 31 December 2020.
- **Fidor Solutions** – On 31 December 2020, the Group acquired, via its Sopra Banking Software subsidiary, full ownership of Fidor Solutions' share capital. Fidor Solutions develops products and digital services that meet front- and middle-office needs for digital banking. This acquisition enables the Group to significantly accelerate the pace of development and marketing of Sopra Banking Software's digital solutions.

  This business is part of the "Sopra Banking Software" cash-generating unit.

  The net assets of Fidor Solutions (the sum of assets acquired and liabilities assumed) corresponded to the price paid; as such, the acquisition did not generate any goodwill. At 30 June 2021, this allocation was still provisional.

NOTE 3 SEGMENT INFORMATION

3.1. Results by reporting unit

a. France

(in millions of euros)	H1 2021		H1 2020	
Revenue	914.8		864.6	
Operating profit on business activity	76.2	8.3%	70.8	8.2%
Profit from recurring operations	73.2	8.0%	65.3	7.6%
Operating profit	70.2	7.7%	58.6	6.8%

b. United Kingdom

(in millions of euros)	H1 2021		H1 2020	
Revenue	408.9		338.5	
Operating profit on business activity	35.5	8.7%	15.5	4.6%
Profit from recurring operations	29.8	7.3%	9.4	2.8%
Operating profit	27.8	6.8%	-0.7	-0.2%

c. Other Europe

(in millions of euros)	H1 2021		H1 2020	
Revenue	665.2		638.8	
Operating profit on business activity	42.3	6.4%	47.4	7.4%
Profit from recurring operations	40.1	6.0%	45.2	7.1%
Operating profit	35.3	5.3%	40.6	6.4%

d. Sopra Banking Software

(in millions of euros)	H1 2021		H1 2020	
Revenue	210.5		205.4	
Operating profit on business activity	5.8	2.8%	-6.7	-3.3%
Profit from recurring operations	-1.2	-0.6%	-13.9	-6.8%
Operating profit	-0.6	-0.3%	-16.1	-7.8%

e. Other Solutions

(in millions of euros)	H1 2021		H1 2020	
Revenue	128.9		119.4	
Operating profit on business activity	8.8	6.8%	5.9	5.0%
Profit from recurring operations	8.3	6.4%	5.5	4.6%
Operating profit	8.3	6.5%	5.3	4.5%

f. Group

(in millions of euros)	H1 2021		H1 2020	
Revenue	2,328.3		2,166.7	
Operating profit on business activity	168.6	7.2%	132.8	6.1%
Profit from recurring operations	150.2	6.5%	111.6	5.1%
Operating profit	141.0	6.1%	87.7	4.0%

3.2. Revenue by geographic area

(in millions of euros)	France	Outside France	Total
First-half 2020	1,037.7	1,129.0	2,166.7
First-half 2021	**1,099.6**	**1,228.7**	**2,328.3**

NOTE 4 OPERATING PROFIT

4.1. Revenue

(in millions of euros)	H1 2021		H1 2020	
France	914.8	39.3%	864.6	39.9%
United Kingdom	408.9	17.6%	338.5	15.6%
Other Europe	665.2	28.6%	638.8	29.5%
Sopra Banking Software	210.5	9.0%	205.4	9.5%
Other Solutions	128.9	5.5%	119.4	5.5%
TOTAL REVENUE	**2,328.3**	**100.0%**	**2,166.7**	**100.0%**

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

4.2. Other non-current operating income and expenses

(in millions of euros)	H1 2021	H1 2020
Expenses arising from business combinations (fees, commissions, etc.)	-0.2	-0.5
Net restructuring and reorganisation costs	-14.7	-15.7
■ *of which Integration and reorganisation of activities*	*-0.1*	*-0.1*
■ *of which Separation costs*	*-14.6*	*-15.6*
■ *of which Other non-recurring costs*	-	-
Asset impairment	-	-3.1
Other operating expenses	-0.8	-4.4
Total other operating expenses	**-15.7**	**-23.8**
Other operating income	6.5	-
Total other operating income	**6.5**	**-**
TOTAL	**-9.2**	**-23.8**

Other operating expenses for the first half of 2021 mainly consisted of resource adaptation expenses in France, Germany, the United Kingdom and at Sopra Banking Software (€4.9 million, €3.9 million, €2.0 million and €2.6 million, respectively). *Other operating income* consisted of €5.8 million in reversals for provisions for tax risks other than income tax.

In the first half of 2020, *Other non-current operating income and expenses* consisted of: (i) the expenses and income usually recognised within this line item and comparable to those recorded in the first half of 2021; and (ii) costs resulting from the consequences of Covid-19 for €7.7 million. The amount of item (i) primarily comprised the restructuring costs of business reorganisations carried out mainly in the United Kingdom, France and Germany for €13.9 million. It was supplemented by certain costs generated by the coronavirus crisis. The Group decided to implement certain restructuring measures for €1.3 million at 30 June 2020, mainly in the United Kingdom, Sweden and Spain. In addition, it decided to restructure certain activities on which the crisis has had a significant, lasting impact, such as the aeronautics sector. For certain Group staff concerned, it also implemented upskilling plans to eventually reassign them to positions outside the scope of their initial training and less impacted by the crisis. At 30 June 2020, the costs of these measures came to €0.6 million, mainly in France. They also included additional logistics and payroll costs amounting to €1.7 million and €1.4 million, respectively, and recognised within *Other operating expenses*. Lastly, they included asset impairment charges amounting to €3.1 million, including €2.5 million due to the crisis recognised within *Other operating expenses*.

NOTE 5 EMPLOYEE BENEFITS

5.1. Staff costs

(in millions of euros)	H1 2021	H1 2020
Wages and salaries	-1,120.3	-1,058.3
Social security contributions	-344.0	-325.1
Net expense for post-employment and similar benefit obligations	-13.4	-2.7
TOTAL	**-1,477.7**	**-1,386.2**

In the first half of 2020, furlough measures were implemented as a result of the Covid-19 crisis in various countries where the Group has operations. The amounts received from various governments were recognised as a deduction from *Staff costs* and came to €7.4 million. In addition, the Group's management decided to supplement the payments made by certain governments as part of furlough schemes in order to maintain the level of pay received by the employees concerned. The cost of this decision amounted to €2.9 million.

The Group did not make use of any furlough schemes during the first half of 2021.

5.2. Workforce

Workforce at period-end	H1 2021	H1 2020
France	19,925	19,677
International	26,204	26,926
TOTAL	**46,129**	**46,603**

5.3. Retirement benefits and similar obligations

Retirement benefits and similar obligations break down as follows:

(in millions of euros)	30/06/2021	31/12/2020
Post-employment benefit assets	-12.5	-3.1
Post-employment benefit liabilities	305.4	383.2
Net post-employment benefits	**292.9**	**380.1**
Other long-term employee benefits	11.1	10.2
TOTAL	**304.1**	**390.4**

Post-employment benefits mainly concern the Group's obligations towards its employees to provide retirement bonuses in France and defined-benefit pension plans in the United Kingdom and Germany. For marginal amounts, they also include end-of-contract bonuses in India and certain countries in Africa, as well as a defined-benefit plan in Belgium.

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 financial 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 updated as at the balance sheet date.

In the first half of 2021, net liabilities arising from the main post-employment benefit plans changed as follows:

(in millions of euros)	Defined-benefit pension funds United Kingdom	Retirement bonuses France	Defined-benefit pension funds Germany	Other	Total
Net liability at 1 January 2021	**147.5**	**163.1**	**65.3**	**4.3**	**380.1**
Net expense recognised in the income statement	3.3	6.2	0.6	0.1	10.3
■ *of which Operating charges for service cost*	*2.3*	*5.9*	*0.5*	*0.1*	*8.9*
■ *of which Net interest expense*	*1.0*	*0.3*	*0.1*	-	*1.4*
Net expense recognised in equity	-65.3	-13.3	-4.9	-0.2	-83.6
■ *of which Return on plan assets*	*43.5*	-	-	-	*43.5*
■ *of which Experience adjustments*	*-25.6*	-	*-0.2*	-	*-25.8*
■ *of which Impact of changes in financial assumptions*	*-83.2*	*-13.3*	*-4.7*	*-0.2*	*-101.3*
Contributions	-15.9	-	-	-	-15.9
■ *of which Employer contributions*	*-15.9*	-	-	-	*-15.9*
■ *of which Employee contributions*	-	-	-	-	-
Benefits provided	-	-3.1	-0.9	-0.2	-4.1
Exchange differences	6.1	-	-	-	6.1
Changes in scope	-	-	-	-	-
Other movements	-	-	-	-	-
NET LIABILITY AT 30 JUNE 2021	**75.8**	**153.0**	**60.2**	**4.0**	**292.9**

The actuarial assumptions used to measure these liabilities are as follows at 30 June 2021:

	United Kingdom	France	Germany	Other
Discount rate	1.89%	0.33% to 1.05%	0.13% to 0.83%	0.30% to 10.30%
Rate of inflation or salary increase	2.35%	2.00% to 2.50%	2.00% to 2.50%	3.00% to 10.00%

At 31 December 2020, they were as follows:

	United Kingdom	France	Germany	Other
Discount rate	1.41%	0.11% to 0.44%	0.13% to 0.34%	0.13% to 10.30%
Rate of inflation or salary increase	2.89%	2.00% to 2.50%	2.00% to 2.50%	3.00% to 10.00%

5.4. Expenses related to stock options and related items

5.4.1. Free share award plan

Under the free performance share plan set up in February 2018, 67,680 shares were granted to recipients at the end of the vesting period set at 31 March 2021. An expense of €0.9 million was recognised in the first half of 2021 for this plan. At its meeting on 26 May 2021, Sopra Steria Group's Board of Directors made use of the authorisation given by Resolution 23 adopted at the Combined General Meeting of 12 June 2018 and decided to set up a long-term incentive (LTI) plan covering a total of 219,200 rights to performance shares. Rights to shares are subject to a condition of continued employment and performance conditions, as well as a grant condition related to the target of increasing the proportion of women in senior management positions set by the Board of Directors. The condition of continued employment will be verified at 30 June 2024. Achievement of performance conditions and the additional grant condition will be measured by calculating the average of the following:

- level of achievement of annual targets for performance in financial years 2021, 2022 and 2023, with each of the criteria given an equal weighting (totalling 90% of grant conditions). The criteria relate to organic consolidated revenue growth, operating profit on business activity (expressed as a percentage of revenue) and free cash flow;
- level of achievement of the additional grant condition related to increasing the proportion of women in senior management positions. This condition was set for all financial years covered by the plan, with the target being for the proportion of women in the Group's senior management positions (defined as the two highest echelons of the organisation) to reach 17% by 30 June 2023. This condition, with a weighting of 10%, will be assessed at 31 December 2023. The threshold below which the rights to corresponding shares would be lost has been set at 17%, and a target corresponding to a 100% achievement level has been set at 18%.

An expense of €0.7 million was recognised in the first half of 2021 in respect of this plan.

5.4.2. Employee share ownership plan

No employee share ownership programmes were set up in the first half of 2021.

The Share Incentive Plan – a specific plan in place in the United Kingdom – continued and incurred an expense of €0.5 million

NOTE 6 CORPORATE INCOME TAX EXPENSE

(in millions of euros)	H1 2021	H1 2020
Current tax	-35.1	-19.3
Deferred tax	-9.5	-4.3
TOTAL	**-44.6**	**-23.7**

In the first half of 2021, the Group's effective tax rate was 33.5%, compared with an effective tax rate of 31.2% recognised in the first half of 2020.

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

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

7.1. Other non-current financial assets

(in millions of euros)	30/06/2021	31/12/2020
Non-consolidated securities	23.9	19.4
Other loans and receivables	49.8	54.2
Derivatives	1.0	0.3
TOTAL	**74.8**	**74.0**

The main component of non-consolidated securities is the shares in CS Communication & Systèmes (€12.7 million at 30 June 2021).

7.2. Trade receivables and related accounts

(in millions of euros)	30/06/2021	31/12/2020
Trade receivables – Gross value	590.5	629.8
Impairment of trade receivables	-19.8	-22.2
Trade receivables – Net value	**570.6**	**607.6**
Customer contract assets	500.2	346.9
TOTAL	**1,070.8**	**954.6**

7.3. Other current assets

No significant events had an impact on *Other current assets* at 30 June 2021.

7.4. Other non-current liabilities

(in millions of euros)	30/06/2021	31/12/2020
Put options granted	-	84.3
Other liabilities – Non-current portion	16.1	17.3
Derivatives	1.3	2.4
TOTAL	**17.4**	**104.1**

In the United Kingdom, the put option granted by the Group to the Cabinet Office for the shares it holds in the SSCL joint venture, which may be exercised between 1 January 2022 and 1 January 2024, is now recognised within *Other current liabilities.*

7.5. Other current liabilities

The main change in *Other current liabilities* concerned the reclassification of the liability related to the put option granted by the Group to the Cabinet Office for the shares it holds in the SSCL joint venture (see Note 7.4). In addition, during the first half of the year, the minority shareholders in Tecfit (the holding company of Galitt) exercised their put option, and the value of the payment made by the Group came to €6.3 million. No other significant events had an impact on this item.

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 2021 were as follows:

(in millions of euros)	Gross value	Impairment	Carrying amount
31 December 2020	**1,922.2**	**79.0**	**1,843.2**
Acquisitions	-	-	-
Adjustments for business combinations	-	-	-
Removal from the scope of consolidation	-	-	-
Impairment	-	-	-
Translation adjustments	35.2	1.3	33.9
30 JUNE 2021	**1,957.3**	**80.2**	**1,877.1**

8.1.2. Breakdown of goodwill by cash-generating unit (CGU)

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

(in millions of euros)	30/06/2021	31/12/2020
France	558.7	558.7
United Kingdom	598.5	571.3
Other Europe [(1)]	332.6	330.9
Sopra Banking Software	371.1	366.1
Sopra HR Software	16.2	16.2
TOTAL	**1,877.1**	**1,843.2**

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

8.1.3. Impairment testing

The Group performs impairment tests annually or where there is an indication of impairment. At 30 June 2021, no indication of impairment had been identified.

8.2. Property, plant and equipment and intangible assets

There were no significant changes in property, plant and equipment or intangible assets aside from ordinary activities during the first half of 2021.

NOTE 9 LEASES

No significant events had an impact on leases in the first half of 2021.

NOTE 10 EQUITY-ACCOUNTED INVESTMENTS

10.1. Net profit from associates

(in millions of euros)	30/06/2021	% held at 30/06/2021	31/12/2020	% held at 31/12/2020
Share of net profit of Axway Software	0.6	32.05%	2.7	32.38%
Share of net profit of Holocare	-0.4	66.67%	-0.5	66.67%
TOTAL	**0.2**		**2.3**	

10.2. Carrying amount of investments in associates

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

	Axway Software shares		
(in millions of euros)	Gross value	Impairment	Carrying amount
31 December 2020	**192.0**	**-**	**192.0**
Changes in scope	-	-	-
Share capital transactions	0.4	-	0.4
Dividends paid	-2.8	-	-2.8
Net profit	0.6	-	0.6
Translation adjustments	2.3	-	2.3
Changes in shareholding	-1.2	-	-1.2
Disposal	-	-	-
Other movements	0.9	-	0.9
30 JUNE 2021	**192.2**	**-**	**192.2**

At 30 June 2021, the Axway Software shares held by Sopra Steria Group represented 32.05% of the share capital, compared with 32.38% at 31 December 2020.

At 30 June 2021, no indication of impairment had been identified. As such, no impairment testing was performed.

NOTE 11 PROVISIONS AND CONTINGENT LIABILITIES

11.1. Current and non-current provisions

(in millions of euros)	01/01/2021	Changes in scope	Charges	Reversals (used)	Reversals (not used)	Other	Translation adjustments	30/06/2021	Non-current portion	Current portion
Disputes	9.5	-	1.6	-1.9	-0.2	0.4	-	9.5	8.9	0.6
Losses on contracts	1.9	-	0.4	-1.0	-	-0.4	0.1	0.9	0.3	0.6
Tax risks other than income tax	37.0	-	-	-	-5.8	-	-	31.1	31.1	-
Restructuring	8.2	-	5.0	-5.2	-	-	-	7.9	1.8	6.2
Cost of renovating premises	12.6	-	0.2	-0.1	-0.1	0.3	0.4	13.5	9.4	4.1
Other contingencies	46.8	-	14.7	-8.7	-3.4	0.7	0.5	50.6	30.6	20.1
TOTAL	**116.0**	**-**	**21.8**	**-16.8**	**-9.5**	**0.9**	**1.0**	**113.5**	**82.1**	**31.5**

Provisions for disputes mainly cover disputes before employment tribunals and end-of-contract bonuses for employees (€3.2 million), and commercial disputes with customers (€6.2 million).

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

Provisions for restructuring mainly correspond to the cost of one-off restructuring measures in Germany (€5.2 million) and integration costs mainly relating to facilities in France (€1.1 million in France).

Other provisions for contingencies mainly cover risks relating to clients and projects in the amount of €39.2 million (including €8.6 million in the United Kingdom, €5.4 million in Germany and €20.6 million for Sopra Banking Software, mainly from the acquisition of Fidor Solutions), contractual risks (€6.0 million) and employee-related risks (€3.5 million).

11.2. Contingent liabilities

The contingent liabilities described in Chapter 5, Note 11.2 of the 2020 Universal Registration Document did not change significantly during the first half of 2021.

NOTE 12 FINANCING AND FINANCIAL RISK MANAGEMENT

12.1. Financial income and expenses

12.1.1. Cost of net financial debt

(in millions of euros)	H1 2021	H1 2020
Interest income	0.7	0.7
Income from cash and cash equivalents	**0.7**	**0.7**
Interest expenses	-4.8	-5.3
Gains and losses on hedges of gross financial debt	-0.5	-0.5
Cost of gross financial debt	**-5.2**	**-5.7**
COST OF NET FINANCIAL DEBT	**-4.6**	**-5.1**

The average cost of borrowing after hedging was 1.58% in the first half of 2021, compared with 1.63% in the first half of 2020.

12.1.2. Other financial income and expenses

(in millions of euros)	H1 2021	H1 2020
Foreign exchange gains and losses	**2.5**	**-0.6**
Other financial income	**0.2**	**0.3**
Net interest expense on lease liabilities	-3.3	-3.9
Net interest expense on retirement benefit obligations	-1.4	-2.2
Expense on unwinding of discounted non-current liabilities	-0.4	-0.3
Change in the value of derivatives	-0.6	0.2
Other financial expenses	-0.1	-0.3
Total other financial expenses	**-5.8**	**-6.4**
TOTAL OTHER FINANCIAL INCOME AND EXPENSES	**-3.2**	**-6.7**

12.2. Net financial debt

(in millions of euros)	Current	Non-current	30/06/2021	31/12/2020
Bonds	4.6	249.5	254.1	251.7
Bank borrowings	12.1	187.4	199.4	197.0
Other sundry financial debt	152.8	60.0	212.8	221.8
Current bank overdrafts	4.6	-	4.6	0.6
FINANCIAL DEBT	**174.1**	**496.9**	**671.0**	**671.2**
Short-term investment securities	-39.1	-	-39.1	-39.4
Cash and cash equivalents	-209.2	-	-209.2	-206.1
NET FINANCIAL DEBT	**-74.2**	**496.9**	**422.7**	**425.6**

Short-term investment securities and cash

Marketable securities and other short-term investments include money-market holdings, short-term deposits and advances under the liquidity agreement. The risk of a change in value on these investments is negligible. They are managed by the Group's Finance Department, and comply with internally defined principles of prudence.

Of the €248.3 million in cash and cash equivalents (excluding current bank overdrafts) at 30 June 2021, €168.7 million was held by the parent company and €79.6 million by the subsidiaries. Among the subsidiaries, entities in India contributed €41.8 million to net cash and cash equivalents at 30 June 2021 (versus €28.7 million at 30 June 2020).

Other financial debt

The sources of financing available to the Group are presented in Note 12.3.1, "Management of liquidity risk".

12.3. Financial risk management

12.3.1. Management of liquidity risk

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

During the first half of 2021, the Covid-19 crisis did not have any significant consequences on the Group's liquidity.

The Group aims to diversify its financing sources, and has a €300 million NEU MTN programme and a €700 million NEU CP programme. During the first half of 2021, the Group did not issue any new NEU MTN and limited its issuance of NEU CP, of which €70 million was outstanding at end-June 2021 (€65 million at 31 December 2020).

In addition, bilateral credit lines (fixed-rate) were in place for a total of €110 million, with maturities in 2024. At 30 June 2021, bilateral credit lines were drawn down in the amount of €60 million (€60 million at 31 December 2020).

At 30 June 2021, the Group had lines of credit totalling €1,578.1 million (€1,573.1 million at 31 December 2020), 30% of which was drawn down (29% at 31 December 2020).

Undrawn available credit lines amounted to €1,107 million, including €900 million in RCFs and €50 million in bilateral credit lines (versus €900 million and €50 million, respectively, at 31 December 2020), in addition to undrawn overdraft facilities for €157 million at 30 June 2021 (versus €161 million at 31 December 2020).

These financing sources break down as shown below:

	Amount authorised at 30/06/2021		Drawdown at 30/06/2021		Drawdown rate	Repayment terms	Interest rate at 30/06/2021
	€m	*£m*	*€m*	*£m*			
Available lines of credit							
Bond	250.0	-	250.0	-	100%	At maturity €130m 07/2026 €120m 07/2027	1.87%(*)
Syndicated loan							
▪ Tranche A	96.0	-	96.0	-	100%	Amortising until 2023	0.90%
▪ Tranche B		38.4		38.4	100%	Amortising until 2023	0.98%
Multi-currency revolving credit facility	900.0	-	-	-	-	At maturity 07/2023	
Bilateral credit lines	110.0	-	60.0	-	55%	2024	0.50%
Other	15.8	-	15.8	-	100%	2021	-
Overdraft	161.5	-	4.4	-	3%	N/A	0.57%
Total lines of credit authorised per currency	**1,533.3**	**38.4**	**426.2**	**38.4**			
TOTAL LINES OF CREDIT AUTHORISED (€ EQUIVALENT)		**1,578.1**		**471.0**	**30%**		**1.24%**
Other types of financing used							
NEU CP & NEU MTN	N/A	N/A	200.0	-	N/A	2021 to 2023	0.02%
Other	-	-	-	-	N/A		N/A
Total financing per currency			**626.2**	**38.4**			
TOTAL FINANCING (€ EQUIVALENT)			**671.0**				**0.88%**

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

The €250 million bond issued on 5 July 2019 has an effective interest rate of 1.749% for the €130 million tranche and 2% for the €120 million tranche, representing a weighted average rate for both tranches of 1.87% (*).

The syndicated loan and the bonds are subject to contractual conditions, particularly the commitment to respect financial covenants. At 30 June 2021, these financial covenants were respected.

The maturity schedule for the Group's financial debt at 30 June 2021 was as follows:

(in millions of euros)	Carrying amount	Total contractual flows	Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years
Bond	254.1	282.4	9.3	4.6	4.6	4.6	4.6	254.8
Bank borrowings	199.4	206.7	15.5	14.3	176.9	-	-	-
NEU CP & MTN	200.0	200.5	140.3	20.2	40.0	-	-	-
Other sundry financial debt	12.8	12.8	12.8	-	-	-	-	-
Current bank overdrafts	4.6	4.6	4.6	-	-	-	-	-
Financial debt	**671.0**	**707.0**	**182.6**	**39.0**	**221.5**	**4.6**	**4.6**	**254.8**
Short-term investment securities	-39.1	-39.1	-39.1	-	-	-	-	-
Cash and cash equivalents	-209.2	-209.2	-209.2	-	-	-	-	-
CONSOLIDATED NET FINANCIAL DEBT	**422.7**	**458.7**	**-65.7**	**39.0**	**221.5**	**4.6**	**4.6**	**254.8**

12.3.2. 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 2021, the Group had taken out a number of interest rate swaps. The notional amount of those swaps was €150 million and their negative fair value was €0.3 million.

These interest rate derivatives are designated as cash flow hedges in full.

The total amount of gross borrowings subject to interest rate risk was €310 million.

Interest rate hedges in force at 30 June 2021 reduced this exposure.

12.3.3. Management of foreign exchange risk

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

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

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

Their fair value at 30 June 2021 was a negative amount of €1.1 million for a total notional amount of €185 million.

NOTE 13 CASH FLOWS

13.1. Change in net financial debt

(in millions of euros)	31/12/2020	Proceeds from/ (Payments on)	Changes in scope	Translation adjustments	Other movements	30/06/2021
Bonds excluding accrued interest	250.0	-	-	-	-	250.0
Bank borrowings excluding accrued interest	198.8	-	-	2.0	-	200.8
Other sundry financial debt excluding current accounts and accrued interest	221.8	-9.4	-	0.8	-0.4	212.8
Financial debt in the cash flow statement	**670.6**	**-9.4**	**-**	**2.8**	**-0.4**	**663.6**
Current accounts	-	-0.5	-	0.1	0.4	-
Accrued interest on financial debt	-	2.7	-	-	-	2.7
Financial debt excluding current bank overdrafts	**670.6**	**-7.1**	**-**	**2.9**	**-**	**666.4**
Current bank overdrafts	-0.6	-12.1	-	8.0	-	-4.6
Short-term investment securities	39.4	-0.9	-	0.6	-	39.1
Cash and cash equivalents	206.1	11.5	-	-8.4	-	209.2
Net cash in the cash flow statement	245.0	-1.5	-	0.3	-	243.7
NET FINANCIAL DEBT	**425.6**	**-5.6**	**-**	**2.6**	**-**	**422.7**
Change in net financial debt			**-2.9**			

Net cash from operating activities is measured using *Operating profit on business activity*, after deducting the depreciation, amortisation and provisions it includes, which gives EBITDA, and other non-cash items adjusted for tax paid, restructuring and integration costs, and the change in the working capital requirement. It differs from *Net cash from operating activities* as shown in the consolidated cash flow statement presented in the financial statements on page 14, in that this caption includes the cash impact of *Other financial income and expenses* (see Note 12.1.2).

Free cash flow is defined as net cash from operating activities adjusted for the impact of purchases (net of disposals) of property, plant and equipment and intangible assets during the period; lease payments; 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, the impact of exchange rate fluctuations on net debt, and the impact of changes in accounting methods, this explains the change in net financial debt.

(in millions of euros)	H1 2021	H1 2020
Operating profit on business activity	**168.6**	**132.8**
Depreciation, amortisation and provisions (excluding allocated intangible assets)	89.3	88.7
EBITDA	**257.9**	**221.5**
Non-cash items	0.4	0.8
Tax paid	-32.8	-43.3
Impairment of current assets	2.4	2.4
Change in current operating WCR	-69.7	-25.7
Non-recurring costs, including reorganisation and restructuring costs	0.6	-20.0
Net cash flow from operating activities	**158.8**	**135.7**
Purchase of property, plant and equipment and intangible assets	-27.6	-25.2
Proceeds from sale of property, plant and equipment and intangible assets	0.1	0.1
Net change from investing activities involving property, plant and equipment and intangible assets	**-27.5**	**-25.2**
Lease payments	-53.9	-55.8
Net interest (excluding interest on lease liabilities)	-2.0	-5.8
Additional contributions related to defined-benefit pension plans	-13.6	-11.9
Free cash flow	**61.9**	**37.1**
Impact of changes in scope	-7.9	-8.3
Impact of payments relating to non-current financial assets	-2.3	-2.0
Impact of receipts relating to non-current financial assets	1.8	1.1
Dividends paid	-46.3	-2.3
Dividends received	2.8	-
Capital increases	-	-
Purchase and sale of treasury shares	-4.3	-6.9
Other cash flows relating to investing activities	-	-
Net cash flow	**5.6**	**18.7**
Impact of changes in foreign exchange rates	-2.6	-0.6
Impact of changes in accounting policies (IFRS 16)	-	-
CHANGE IN NET FINANCIAL DEBT	**2.9**	**18.0**
Cash and cash equivalents – Beginning of period	245.0	192.6
Non-current financial debt – Beginning of period	-564.5	-494.4
Current financial debt – Beginning of period	-106.0	-212.2
Net financial debt – Beginning of period	**-425.6**	**-513.9**
Cash and cash equivalents – End of period	243.7	215.8
Non-current financial debt – End of period	-496.9	-487.8
Current financial debt – End of period	-169.5	-223.9
Net financial debt – End of period	**-422.7**	**-495.9**
CHANGE IN NET FINANCIAL DEBT	**2.9**	**18.0**

Free cash flow for the first half of the year came to €61.9 million, an improvement compared with €37.1 million in the first half of the previous year. In 2020, despite a lower profit level, it remained positive thanks to the strict management of the working capital requirement, along with favourable government cash measures for around €57 million (including VAT payment deadline extensions in the United Kingdom and the postponed payment of discretionary profit-sharing in France, in particular).

Cash flows from investing activities reflected outflows relating to purchases of property, plant and equipment and intangible assets for €27.6 million and lease payments for €53.9 million.

Finally, free cash flow also included the additional contributions paid in the amount of €13.6 million to reduce the deficit of defined-benefit pension plans in the United Kingdom.

In addition, net financial debt was negatively impacted by the effects of changes in scope, primarily following the exercise of the put option by the minority shareholders in Tecfit, the holding company of Galitt (see Note 2). Lastly, during the first half of the year the Group distributed an ordinary dividend of €2.00 per share, leading to a disbursement of €40.7 million.

13.2. Other cash flows in the consolidated cash flow statement

Cash flows from financing activities essentially comprised proceeds from and payments on borrowings, mainly arising from the change in NEU CP (see Note 12.3.1).

NOTE 14 EQUITY AND EARNINGS PER SHARE

14.1. Equity

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

14.1.1. Changes in share capital

At 30 June 2021, 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.

14.1.2. Transactions in treasury shares

At 30 June 2021, the value of treasury shares recognised as a deduction from consolidated equity was €27.2 million, consisting of 266,427 shares, including 259,991 shares held by UK trusts falling within the consolidation scope, and 6,436 shares acquired by Sopra Steria including 3,037 shares acquired under the liquidity agreement.

14.1.3. Dividends

At Sopra Steria Group's General Meeting of 26 May 2021, the shareholders approved the distribution of an ordinary dividend of €41.1 million in respect of financial year 2020, equating to €2.00 per share. The dividend was paid on 3 June 2021 for a total of €40.7 million, net of the dividend on treasury shares.

14.1.4. Put options on minority interests

Changes in the value of put options granted to non-controlling interests and recognised within the Group's share of consolidated reserves came to a negative amount of €2.5 million (see Notes 7.4 and 7.5). They form part of *Other movements* in the consolidated statement of changes in equity.

14.1.5. Non-controlling interests

Due to the accounting treatment of the put option granted in respect of SSCL shares (cf. accounting policy disclosed in Chapter 5, Note 14.1.5 of the 2020 Universal Registration Document), 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 for €33.4 million and in Germany, SFT GmbH for €17.0 million.

In the income statement, the amounts attributable to non-controlling interests came to €3.2 million for SSCL, €2.0 million for NHS SBS and a negative amount of €1.5 million for SFT GmbH.

14.2. Earnings per share

	H1 2021	H1 2020
Net profit attributable to the Group *(in millions of euros)* (a)	85.1	43.7
Weighted average number of ordinary shares outstanding (b)	20,547,701	20,547,701
Weighted average number of treasury shares (c)	296,503	316,595
Weighted average number of shares outstanding excluding treasury shares (d) = (b) - (c)	20,251,198	20,231,106
Basic earnings per share *(in euros)* **(a/d)**	**4.20**	**2.16**

	H1 2021	H1 2020
Net profit attributable to the Group *(in millions of euros)* (a)	85.1	43.7
Weighted average number of shares outstanding excluding treasury shares (d)	20,251,198	20,231,106
Dilutive effect of instruments that give rise to potential ordinary shares (e)	-	107,705
Theoretical weighted average number of equity instruments (f) = (d) + (e)	20,251,198	20,338,811
Diluted earnings per share *(in euros)* **(a/f)**	**4.20**	**2.15**

The method used to calculate earnings per share is set out in Chapter 5, Note 14.2 of the 2020 Universal Registration Document.

Treasury shares are detailed in Note 14.1.2.

NOTE 15 RELATED-PARTY TRANSACTIONS

Agreements entered into with parties related to Sopra Steria Group were presented in the 2020 Universal Registration Document filed with the *Autorité des Marchés Financiers* on 18 March 2021, in Chapter 5, Note 15, "Related-party transactions".

Other than those set out in the 2020 Universal Registration Document, no new agreements were entered into with parties related to Sopra Steria Group during the first half of 2021.

NOTE 16 OFF-BALANCE SHEET COMMITMENTS

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 those presented at 31 December 2020 in Chapter 5, Note 16, "Off-balance sheet commitments" of the 2020 Universal Registration Document.

NOTE 17 SUBSEQUENT EVENTS

The Group has not identified any subsequent events.

Statutory Auditors' report on the interim financial information

To the Shareholders,

In compliance with the assignment entrusted to us at your General Meeting and in accordance with Article L. 451-1-2 III of the French Monetary and Financial Code *(Code monétaire et financier),* we have:

- conducted a limited review of the accompanying condensed consolidated interim financial statements of Sopra Steria Group SA for the period from 1 January 2021 to 30 June 2021;
- verified the disclosures provided in the business review for the six-month period.

The global crisis caused by the Covid-19 pandemic has created exceptional conditions for the preparation and limited review of the condensed consolidated interim financial statements. This crisis and the exceptional measures taken in the context of the public health emergency have had numerous consequences for companies, particularly on their operations and their financing, and have led to greater uncertainties on their future prospects. Some of these measures, such as restrictions on movement and remote working, have also had an impact on companies' internal organisation and affected how our work is carried out.

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

I - CONCLUSION ON THE FINANCIAL STATEMENTS

We conducted our limited review in accordance with the professional standards applicable 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 an audit conducted in accordance with the 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, one of the IFRSs, as adopted by the European Union applicable to 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 matters to report as to their fair presentation and their consistency with the condensed consolidated interim financial statements.

Paris and Courbevoie, 29 July 2021

The Statutory Auditors

Mazars	**ACA Nexia**
Alain Chavance	Olivier Juramie
Jérôme Neyret	

This is a free translation into English of the original French report. It is not a binding document. In the event of a conflict of interpretation, reference should be made to the French version, which is the authentic text.

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 business review for the six-month period provided on pages 1 to 8 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, 30 July 2021

Vincent Paris

Chief Executive Officer

Sopra Steria Group
Head office
6 avenue Kleber
FR 75116 Paris
Tel.: +33(0)1 40 67 29 29
Fax: +33(0)1 40 67 29 30

contact-corp@soprasteria.com
www.soprasteria.com

LABRADOR INFORMATION DESIGN +33 (0)1 53 06 30 80

sopra steria