

First half 2018 in line with forecasts

- Revenue grew by 6.5%, with organic growth at 5.3%¹
- Operating margin on business activity was 6.6% (7.5% in H1 2017) in line with budget, and net profit attributable to the Group came to €38.4 million (€65.9 million in H1 2017) owing to stronger seasonal effects than in 2017
- EBITDA rose 5.0%, and free cash flow improved by €32 million (to an outflow of €77 million² from an outflow of €109 million in H1 2017), in line with the annual targets
- Sopra Banking Software, the United Kingdom and digital were the top investment priorities, as planned

Paris, 27 July 2018 – At its meeting on 26 July 2018 chaired by Pierre Pasquier, Sopra Steria's Board of Directors approved the financial statements for the first half of 2018; the Statutory Auditors have conducted a limited review of these financial statements.

Sopra Steria: 2018 Half-year results

		H1 2018 IFRS 15	H1 2017 IFRS 15		
Key income statement items					
Revenue	€m	2,014.0	1,891.5		
Total growth		+ 6.5%			
Organic growth		+ 5.3%			
Operating profit on business activity	€m / %	132.8 6.6%	141.6 7.5%		
Profit from recurring operations	€m / %	99.2 4.9%	113.7 6.0%		
Operating profit	€m / %	80.0 4.0%	102.3 5.4%		
Net profit attributable to the Group	€m / %	38.4 1.9%	65.9 3.5%		
Weighted average number of shares in issue excl. treasury shares	m	20.16	20.20		
Basic earnings per share	€	1.90	3.26		
Recurring earnings per share	€	2.60	3.65		
Key balance sheet items					
		30/06/18	30/06/17		
Net financial debt	€m	662.4	643.3		
Equity attributable to the Group	€m	1,261.7	1,082.5		

¹ Alternative performance measures are defined in the glossary at the end of this document.

² After restating the 2017 working capital requirement for the €37 million in trade receivables sold and deconsolidated at year-end 2017.

Comments on H1 2018 business activity and operating performance (IFRS 15)

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.

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 investments 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.

Comments on H1 2018 net profit (IFRS 15)

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.

Financial position at 30 June 2018

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 late 2017 sale of receivables³, 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

³ €37.0 million in trade receivables were sold in December 2017 and deconsolidated from the year-end 2017 working capital requirement.



€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 EBITDA compared with 1.9x at 30 June 2017 (with the bank covenant stipulating a maximum of 3x).

External growth and financial investments

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
- it-economics in Germany (2017 revenue: €20 million), consolidated from 1 July 2018

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

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.

2018 targets

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)

Presentation meeting

The results for the first half of 2018 will be presented to analysts and investors in French on 27 July 2018 at 9:00 a.m. CET, at the Shangri-La Hotel in Paris.

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

Register for the French-language webcast: <https://edge.media-server.com/m6/p/jtm74ogy>

Register for the English-language webcast: <https://edge.media-server.com/m6/p/jtm74ogy/lan/en>

Or by phone:

French-language access number: +33 170 710 159 PIN: 96265572#

English-language access number: +44 207 194 37 59 PIN: 63214354#

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

Next financial release

Friday, 26 October 2018 (before market): publication of Q3 2018 revenue



Glossary

- **Restated revenue:** revenue for the prior year, expressed on the basis of the scope and exchange rates for the current year.
- **Organic revenue growth:** increase in revenue between the period under review and restated revenue for the same period in the prior financial year.
- **EBITDA:** This measure, as defined in the Registration Document, is equal to the consolidated operating profit on business activity adding back depreciation and amortisation 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 expense relating to the cost of services rendered by the grantees of stock options and free shares and additions to the amortisation of allocated intangible assets.
- **Profit from recurring operations:** This measure is equal to operating profit before other operating income and expenses, which includes any particularly significant items of operating income and expenses that are unusual, abnormal, infrequent or not predictive, presented separately 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 taking into account other operating income and expenses net of tax.
- **Free cash flow:** Free cash flow is defined as the net cash from operating activities, less investments (net of disposals) in property, plant & equipment, and intangible assets, less net interest paid and less additional contributions to address any deficits in defined-benefit pension plans.

Disclaimer

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

About Sopra Steria

Sopra Steria, a European leader in digital transformation, provides one of the most comprehensive portfolios of offerings on the market, spanning consulting, systems integration, industry-specific solutions, infrastructure management and business process services. Sopra Steria is trusted by leading private and public-sector organisations to deliver successful transformation programmes that address their most complex and critical business challenges. Combining added value with innovative high-performance services, Sopra Steria excels in guiding its clients through their transformation projects to help them make the most of digital technology. With 42,000 employees in more than 20 countries, Sopra Steria generated revenue of €3.8 billion in 2017. Sopra Steria (SOP) is listed on Euronext Paris (Compartment A) – ISIN: FR0000050809 For more information, please visit our website: www.soprasteria.com

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Annexes

Sopra Steria: Impact on revenue of changes in scope and exchange rates – H1 2018

€m	H1 2018 IFRS 15	H1 2017	Growth
Revenue		1,903.2	
IFRS 15 impact		-11.6	
Revenue IFRS 15	2,014.0	1,891.5	+ 6.5%
Changes in exchange rates		-16.9	
Revenue at constant exchange rates	2,014.0	1,874.6	+ 7.4%
Changes in scope		38.7	
Revenue at constant scope and exchange rates	2,014.0	1,913.4	+ 5.3%

Sopra Steria: Changes in exchange rates – H1 2018

For €1 / %	Average rate H1 2018	Average rate H1 2017	Change
Pound sterling	0.8798	0.8606	- 2.2%
Norwegian krone	9.5929	9.1785	- 4.3%
Swedish krona	10.1508	9.5968	- 5.5%
Danish krone	7.4476	7.4368	- 0.1%
Swiss franc	1.1697	1.0766	- 8.0%

Sopra Steria: Revenue by reporting unit (€m / %) – H1 2018

	H1 2018 IFRS 15	H1 2017 Restated*	H1 2017 IFRS 15	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 IFRS 15

Sopra Steria: Revenue by reporting unit (€m / %) – Q2 2018

	Q2 2018 IFRS 15	Q2 2017 Restated*	Q2 2017 IFRS 15	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 IFRS 15

Sopra Steria: Performance by reporting unit – H1 2018

	H1 2018		H1 2017	
	IFRS 15		IFRS 15	
	€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%

Sopra Steria: Consolidated income statement – H1 2018

	H1 2018		H1 2017	
	IFRS 15		IFRS 15	
	€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 from 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 excl. treasury shares (m)	20.16		20.20	
Basic earnings per share (€)	1.90		3.26	



Sopra Steria: Change in net financial debt (€m) – H1 2018

	H1 2018	H1 2017
Operating profit on business activity	132,8	141,6
Depreciation, amortisation and provisions (excl. allocated intangible assets)	22,9	6,7
EBITDA	155,7	148,3
Non-cash items	-3,5	-1,4
Tax paid	-34,9	-23,7
Change in operating working capital requirement	-169,4	-186,9
Reorganisation and restructuring costs	-20,7	-12,6
Net cash flow from operating activities	-72,8	-76,4
Change relating to investing activities	-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
Financial investments	-2,3	-1,9
Dividends paid	-	-
Dividends received from equity-accounted companies	-	2,8
Capital increases in cash	-	0,2
Purchase and sale of treasury shares	-18,3	-1,0
Impact of changes in foreign exchange rates	-1,6	-1,8
Other changes	-	0,1
Change in net financial debt	-152,3	-137,3
Net financial debt at beginning of period	510,1	506,0
Net financial debt at end of period	662,4	643,3

Sopra Steria: Simplified balance sheet (€m) – 30/06/2018

	30/06/18 IFRS 15	31/12/17 IFRS 15
Goodwill	1,598.4	1,590.6
Allocated intangible assets	161.6	161.5
Other fixed assets	189.0	179.7
Equity-accounted investments	192.2	189.1
Fixed assets	2,142.2	2,120.9
Net deferred tax	83.2	99.1
Trade accounts receivable (net)	1,155.6	1,147.1
Other assets and liabilities	-1,089.7	-1,188.1
Working capital requirement (WCR)	65.9	-41.0
Assets + WCR	2,290.4	2,179.0
Equity	1,295.4	1,237.2
Provisions for post-employment benefits	266.4	358.9
Provisions for contingencies and losses	66.1	72.8
Net financial debt	662.4	510.1
Capital invested	2,290.4	2,179.0

Sopra Steria: Workforce breakdown – 30/06/2018

	30/06/18	31/12/17
France	19,056	18,649
United Kingdom	5,895	6,181
Other Europe	9,513	8,777
Rest of the World	305	281
X-Shore	8,010	7,773
Total	42,779	41,661



IFRS 15 impacts on the income statement (€m)

Income statement	H1 2017	H1 2017
	before IFRS 15	after IFRS 15
Revenue	1 903,2	1 891,5
Staff costs	-1 761,1	-1 749,9
Operating profit on business activity	142,1	141,6
Profit from recurring operations	114,2	113,7
Operating profit	102,7	102,3
Other financial income and expenses	-2,5	-1,8
Tax expense	-30,8	-30,7
Net profit from continuing operations	66,9	67,2
Consolidated net profit	66,9	67,2
Attributable to the Group	66,0	65,9
Non-controlling interests	0,9	1,3

IFRS 15 impacts on the balance sheet (€m)

Balance sheet	31/12/2017	31/12/2017
	before IFRS 15	after IFRS 15
Deferred tax assets	115,4	115,1
Non-current assets	2 247,1	2 246,8
Trade accounts receivable	1 137,8	1 147,1
Other current assets	256,4	246,3
Current assets	1 556,6	1 555,8
Total assets	3 803,8	3 802,6
Consolidated reserves and other reserves	484,7	481,9
Profit for the year	171,4	172,5
Equity attributable to the Group	1 208,2	1 206,5
Non-controlling interests	31,8	30,7
Total equity	1 240,0	1 237,2
Deferred tax liabilities	16,8	16,0
Non-current liabilities	915,3	914,5
Other current liabilities	1 089,6	1 092,0
Current liabilities	1 648,5	1 650,9
Total liabilities	2 563,8	2 565,4
Total liabilities and equity	3 803,8	3 802,6

