steria

Press Release

Paris, 29 July 2010

Interim results 2010[1]: Revenue growth of +3.3% Underlying attributable net income up by +15.2%

- **In the first half 2010, like-for-like revenue was up by +1.4% compared to the first half 2009.**
- **The operating margin[2] increased by 2.4% versus the first half 2009, leading to an operating margin rate of 6.9%.**
- **Attributable net income increased by +58.4% to €25.2m and represented 3.0% of revenue versus 2.0% at 30 June 2009.**
- **Net financial debt stood at €209.9m, a reduction of €30.0m versus 30 June 2009.**
- **New orders increased by 3.2% in the first half 2010 and the ratio of new orders to consolidated revenue stood at 1.13 at 30 June 2010.**

On 29 July 2010, the Supervisory Board of Group Steria SCA examined the consolidated accounts submitted by the General Management.

First half 2010 consolidated results

First half		2009	**2010**	**Total growth**	**Organic growth** At constant perimeter and currency
Revenue	€m	805.4	**832.1**	**+3.3%**	**+1.4%**
Operating margin[2]	€m	*55.8*	***57.1***	**+2.4%**	
% of revenue	*%*	*6.9%*	***6.9%***	**-**	
Operating income[3]	€m	43.4	**46.1**	**+6.2%**	
Attributable net income	€m	15.9	**25.2**	**+58.4%**	
% of revenue	*%*	*2.0%*	***3.0%***	***+1.0 ppt***	
Underlying[4] attributable net income	€m	28.8	**33.2**	**+15.2%**	
Underlying[4] diluted earnings per share	€	0.91	**1.02**	**+11.9%**	
Shareholders' equity	€m	608.1	**729.8**		
Net financial debt	€m	239.9	**209.9**		

[1] Auditors' limited review report published

[2] Before amortisation of intangible assets linked to business combinations. In 2010, this takes into account the abolition of the Business Tax in France for which the related charge accounted in the first half 2009 was €3.3m. The operating margin is the Group's key indicator. It is defined as the difference between revenue and operating expenses, the latter amounting to the total cost of services provided (expenses needed to carry out projects), marketing costs and general and administrative costs.

[3] Operating income includes restructuring costs, capital gains on disposals, costs incurred on share-based payments made to employees and other non-recurring income and charges.

[4] Attributable net income restated, after tax, for other operating income and expenses, amortisation of intangible assets and unrecognised deferred tax assets.

Revenue

First half 2010 consolidated revenue

€ million	H1 2009	**H1 2010**	**Growth**
Revenue	805.4	**832.1**	**3.3%**
Change in consolidation scope	-		
Change due to currency effect	15.3		
Pro forma revenue	820.7	**832.1**	**1.4%**

First half 2010 revenue by geographic zone

€ million	H1 2009*	**H1 2010**	**Organic growth**
United Kingdom	329.3	**325.3**	**-1.2%**
France	250.5	**259.9**	**3.7%**
Germany	111.8	**115.2**	**3.0%**
Other Europe	129.1	**131.6**	**1.9%**
Total	820.7	**832.1**	**1.4%**

First half 2010 revenue by business line

€ million	H1 2009*	**H1 2010**	**Organic growth**
Outsourcing and Business Process Outsourcing	308.3	**324.8**	**5.4%**
Consulting and Systems Integration	512.4	**507.2**	**-1.0%**

Second quarter 2010 revenue by geographic zone

€ million	H1 2009*	**H1 2010**	**Organic growth**
United Kingdom	169.9	**163.3**	**-3.9%**
France	122.6	**128.6**	**4.9%**
German	56.8	**57.6**	**1.3%**
Other Europe	68.6	**68.0**	**-0.8%**
Total	417.9	**417.5**	**-0.1%**

* Like-for-like revenue (basis 2010)

Second quarter 2010 activity

Group revenue increased by 1.4% on a like-for-like basis in the first half 2010. During the second quarter 2010, activity was stable, with consolidated revenue amounting to **€417.5m** (-0.1% like-for-like versus the second quarter 2009).

At constant currency, new orders recorded a strong rise of **17.6%** in the second quarter 2010, leading to a total increase of **3.2%** in the first half 2010 versus the first half 2009.

At 30 June 2010, the ratio of new orders to consolidated revenue stood at **1.13** (similar to the 1.12 at 30 June 2009). In the Consulting and Systems Integration activities the ratio was **1.0** at 30 June 2010.

- **In the United Kingdom**, excluding currency, the trend in second quarter revenue exceeded initial expectations at -3.9% versus the second quarter 2009. The quarter was notably characterised by the signature, in June 2010 with the Cleveland Police Authority, of one of the largest contracts ever won by the Group for an inital amount of €211m over 10 years. This contract to provide an extensive range of services (IT, back office BPO, business line BPO) consolidates, in the short term, the prospects for the Group's activity in the UK public sector. It also illustrates the potential opportunities in the United Kingdom and counterbalances the risks linked to the UK government's budgetary constraints. Driven by the Cleveland Police Authority contract, new orders increased year on year by 26.9% in the second quarter 2010. At 30 June 2010, the ratio of new orders to revenue amounted to 1.31.

- **In France**, the improving trend seen in the past few quarters was confirmed and even saw a marked acceleration in growth. After organic growth of 2.6% in the first quarter, the second quarter showed organic growth of 4.9%. This good performance was accompanied by some major commercial successes together with growth in new orders and the pipeline which increased by 5.7% and 10.2% respectively during the first half 2010 versus the first half 2009.

- **In Germany**, in an environment marked by signs of an improvement, the Group confirmed the positive orientation of its activities. Organic growth was 3.0% during the first half with an organic growth rate of 1.3% in the second quarter, thanks to a positive dynamic in the energy and banking sectors where the Group continues to win market share.

- **Other Europe** saw like-for-like revenue growth of 1.9% in the first half 2010. It should be noted that the second quarter 2010 was characterised, in Spain, by a significant reduction in the rate of revenue decline. Scandinavia maintained a positive organic growth rate over the quarter (+0.8%) despite a very unfavourable comparison basis (organic growth of +20.6% in the second quarter 2009).

First half 2010 results

The first half continued to be characterised by a difficult price environment, together with a return to a tight recruitment market.

In this difficult environment, the Group pursued its efforts to increase productivity and internal efficiency, enabling it to post a first half 2010 operating margin[2] (taking into account the abolition of the business tax in France) of **6.9%.**

Net restructuring costs, amounting to **€3.8m** during the first half 2010, were limited to 0.5% of the Group's revenue.

The financial result of **€-9.7m** (versus €-12.9m in the first half 2009) included a reduction in net cost of financial debt.

During the first half 2010, the tax charge declined by €3.4m to **€11.0m**. This should be compared with a high first half 2009 comparison basis and includes €3.5m of the new Contribution on Added Value of Enterprises tax (CVAE) in France.

In total, attributable net income saw a significant increase from €15.9m in the first half 2009 to **€25.2m** in the first half 2010 (+58.4%), enabling a 1.0 percentage point increase in the net income to 3.0% of consolidated revenue.

Lastly, thanks to continued efficient cash flow management during the first half 2010, net financial debt was reduced by **€30.0m** versus 30 June 2009 to €209.9m. Net financial debt thus represented 28.8% of consolidated shareholders' equity at the end of the first half compared with a ratio of 39.5% at 30 June 2009.

Outlook

Within a contrasting environment, the Group expects for the full year 2010 like-for-like revenue growth and confirms its objective[5] in terms of operating margin[2] rate.

2010 interim results information meeting on 30/07/2010 at 11:30am.
This meeting will be relayed by webcast on www.steria.com ***(investors section)***

Next publication: Third quarter 2010 revenue
Monday 15 November 2010 after the market close.

Appendices: consolidated income statement, consolidated balance sheet, simplified cash flow statement and operating margin[2] by geographic zone at 30 June 2010.

Video interview with François Enaud, Chairman and CEO of Groupe Steria SCA: available at www.steria.com and www.Steria.fr

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[5] Adjusted to the new tax classification in France

Consolidated income statement at 30 June 2010

In thousands of euros	30/06/2010	30/06/2009 Restated
Revenue	832,062	805,417
Cost of goods sold and sub-contracting costs	(149,891)	(150,135)
Personnel costs	(492,253)	(475,821)
Bought-in costs	(125,200)	(108,695)
Taxes (excluding income taxes)	(8,991)	(12,176)
Change in inventories	36	37
Other current operating income/expenses	10,870	12,382
Net charges for depreciation and amortisation	(15,848)	(18,861)
Net charges for provisions	4,543	1,779
Net charges for current asset impairment	(525)	(424)
Operating margin (*)	**54,803**	**53,504**
% of revenue	6.6%	6.6%
Other operating income and expenses	(8,677)	(10,051)
Operating income	**46,126**	**43 453**
Cost of net borrowings	(5,801)	(7,255)
Other financial income and expenses	(3,908)	(5,597)
Net financial expense	**(9 709)**	**(12 852)**
Income tax expense	(11,036)	(14,445)
Share of income/(loss) of associates	(150)	(196)
Net income from continuing activities	**25,231**	**15,960**
Net income/(loss) from operations held for sale		
Net income	**25,231**	**15,960**
Attributable net income	**25,161**	**15,883**
Minority interests	**70**	**77**

Underlying[4] diluted earnings per share (euros)	**1.02**	**0.91**

(*) After amortisation of client relationships recognised in the acquisition of Xansa representing **€2,330K** at 30 June 2010 and €2,268K euros at 30 June 2009

Consolidated balance sheet at 30 June 2010

In thousands of euros	30/06/2010	31/12/2009 Reported	30/06/2009
Goodwill	75,440	706,417	730,528
Other intangible assets	69,154	66,301	67,193
Property, plant and equipment	75,906	74,004	79,832
Investments in associates	6,485	6,181	5,387
Available-for-sale assets	1,809	1,809	1,825
Other financial assets	2,238	3,977	4,343
Retirement benefit assets	46,342	42,230	19,073
Deferred tax assets	10,971	10,560	9,821
Other non-current assets	2,987	2,900	2,625
Non-current assets	**973,332**	**914,379**	**920,627**
Inventories	9,704	9,194	8,159
Net trade receivables and similar accounts	287,716	281,445	264,997
Amounts due from customers	212,081	192,025	213,423
Other current assets	48,588	36,017	23,408
Current portion of non-current assets	3,174	2,963	2,829
Current tax assets	24,905	27,340	19,884
Prepaid expenses	31,602	24,491	40,715
Cash and cash equivalents	148,628	149,859	145,945
Current assets	**766,398**	**723,334**	**719,360**
Non-current assets held for sale			
Total assets	**1,739,730**	**1,637,713**	**1,639,987**

Shareholders' equity	**728,236**	**633,179**	**607,540**
Minority interests	1,542	1,283	570
Total equity	**729,778**	**634,462**	**608,110**
Long-term borrowings (> 1 year)	276,094	270,001	330,280
Retirement benefit obligations	34,245	33,698	32,858
Provision for non-current liabilities and charges	18,282	17,529	15,045
Deferred tax liabilities	20,964	16,750	5,697
Other non-current liabilities	5,763	5,466	20,088
Non-current liabilities	**355,348**	**343,444**	**403,968**
Short-term borrowings (< 1 year)	82,459	66,866	55,569
Provisions for current liabilities and charges	27,147	35,590	18,075
Net trade payables and similar accounts	145,441	148,386	151,927
Amounts due to clients and advances received	92,797	108,857	112,720
Current tax liabilities	35,041	34,900	36,935
Other current liabilities	271,719	265,209	252,683
Current liabilities	**654,605**	**659,807**	**627,809**
Liabilities directly associated with non-current assets classified as held for sale			
Total liabilities	**1,739,730**	**1,637,713**	**1,639,987**

Simplified cash flow statement at 30 June 2010

In thousands of euros	30/06/10	30/06/09
Cash flow before tax	**60.6**	**60.5**
Income tax	-7.6	-9.9
Change in WCR (cash elements)	-48.8	-9.0
Operating cash flow	**4.2**	**41.6**
Net industrial investment	-14.1	-9.9
Restructuring	-6.0	-4.6
Operating free cash flow	**-15.9**	**27.1**
Dividends[6]	-8.7	-8.8
Net financial investment	-0.1	3.9
Capital increase	0.7	0.0
Change in consolidation scope	0.0	0.0
Additional contribution to pension fund	-8.5	-22.8
Other	9.6	-4.0
Free cash flow	**-22.9**	**-4.6**

Operating margin[7] in the first half by geographic zone

€ million	**H1 2010**	H1 2009
United Kingdom	**10.0%**	11.2%
France	**6.7%**	6.6%
Germany	**5.7%**	5.7%
Other Europe	**5.0%**	4.6%
Group costs	**-0.7%**	-1.1%
Group	**6.9%**	6.9%

[6] Of which coupon on the hybrid convertible bond: €8.7m at 30 June 2010 and at 30 June 2009.

[7] Before amortisation of intangible assets linked to business combinations