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2010 Half-Year Financial Report

Groupe Steria SCA

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GROUPE STERIA SCA
Partnership limited by shares (*Société en Commandite par Actions*) with a share capital of €29,471,921
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FINANCIAL REPORT
FOR THE HALF-YEAR ENDED 30 JUNE 2010

I. Management Report for the half-year ended 30 June 2010

A – Major events during the first six months of the year and their impact on the half-year financial statements

Key items:

- **In the first half 2010, like-for-like revenue was up by +1.4% compared to the first half 2009.**
- **The operating margin[1] 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[1]	€m	*55.8*	***57.1***	**+2.4%**	
% of revenue	*%*	*6.9%*	***6.9%***	**-**	
Operating income[2]	€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[3] attributable net income	€m	28.8	**33.2**	**+15.2%**	
Underlying[3] 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] 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.
[2] 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.
[3] 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[21] (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.

[1] 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.

B – Outlook for the second half of 2010- Main risks and uncertainties

Within a contrasting environment, the Group expects for the full year 2010 like-for-like revenue growth and confirms its objective[4] in terms of operating margin[1] rate.

Other than the uncertainties surrounding economic trends in the market, the main risks and uncertainties facing the Group during the second half of 2010 are presented in Section 1- 8 of the 2009 Reference Document.

C – Main transactions with related parties

Material transactions with related parties consist of remuneration paid to key management personnel (General Manager and members of the Supervisory Board) and relations with NHS SBS, equity accounted in the Groupe Steria consolidated financial statements. There was no major change in the nature of transactions with related parties during the first half of 2010 compared with 31 December 2009 (as presented in Note 6 to the consolidated financial statements for the year ended 31 December 2009).

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[4] Adjusted to the new tax classification in France

[1] 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.

CONSOLIDATED INCOME STATEMENT

(in thousands of euro)	Notes	Half year ended 30 June 2010	Half year ended 30 June 2009 restated *(**)*
Revenue	**4.18**	**832,062**	**805,417**
Cost of sales 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	4.19	10,904	14,204
Other current operating expenses	4.19	(34)	(1,823)
Net charges for depreciation and amortisation		(15,848)	(18,861)
Net charges for provisions	4.20	4,543	1,779
Net charges for current asset impairment	4.20	(525)	(424)
Operating margin *(*)*		**54,803**	**53,504**
% of revenue		*6.6%*	*6.6%*
Other operating income	4.21	530	-
Other operating expenses	4.21	(9,207)	(10,051)
Operating profit		**46,126**	**43,453**
Income from cash and cash equivalents		1,692	1,670
Gross borrowings cost		(7,493)	(8,925)
Net cost of borrowing	*4.22*	*(5,801)*	*(7,255)*
Other financial income	4.22	6,173	2,976
Other financial expenses	4.22	(10,081)	(8,572)
Net financial expense		**(9,709)**	**(12,852)**
Income tax expense	4.7	(11,036)	(14,445)
Share of profit/(loss) of associates	4.4	(150)	(196)
Net profit from continuing operations		**25,231**	**15,960**
Net profit from operations held for sale			
Net profit for the period		**25,231**	**15,960**
Attributable to owners of the parent		**25,161**	**15,883**
Attributable to non-controlling interests		**70**	**77**
Earnings per share (in euro):			
- From continuing operations	4.23	0.80	0.48
- From operations held for sale		-	-
Diluted earnings per share (in euro):			
- From continuing operations	4.23	0.78	0.50
- From operations held for sale		-	-

(*) After amortisation of customer relationship assets recognised on the acquisition of Xansa in the amount of €(2,330) thousand as at 30 June 2010 and €(2,268) thousand as at 30 June 2009
(**) See note 1.4 Corrections of errors

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in thousands of euro)	Notes	30/06/10	Half year ended 30 June 2009 restated *(**)*
Net profit for the period		**25,231**	**15,960**
Income and expense items not recorded in profit or loss:			
• Exchange differences arising on translation of foreign entities		73,069	60,105
• Gains/(losses) on cash flow hedges	4.24	5,044	(12,013)
• Income tax on cash flow hedges		(1,752)	4,096
Total income and expense items not recorded in profit or loss, net of tax		**76,361**	**52,188**
Total comprehensive income for the period		**101,592**	**68,148**
Attributable to owners of the parent		**101,337**	**68,133**
Attributable to non-controlling interests		**256**	**15**

(**) See note 1.4 Corrections of errors

CONSOLIDATED BALANCE SHEET

A S S E T S

(in thousands of euro)	Notes	As at 30 June 2010	As at 31 December 2009 restated *(**)*	As at 1 January 2009 restated *(**)*
Goodwill	4.1	757,440	706,417	672,015
Intangible assets	4.2	69,154	66,301	62,050
Property, plant and equipment	4.3	75,906	74,004	85,453
Investments in associates	4.4	6,485	6,181	5,222
Available-for-sale assets	4.5	1,809	1,809	2,203
Other financial assets	4.6	2,238	3,977	12,466
Retirement benefit assets	4.12	46,342	42,230	3,440
Deferred tax assets	4.7	10,971	10,560	15,310
Other non-current assets		2,987	2,900	2,189
Non-current assets		**973,332**	**914,379**	**860,348**
Inventories	4.8	9,704	9,194	6,201
Net trade receivables and similar accounts	4.9	287,716	281,445	281,284
Amounts due from customers *(**)*	4.9	212,081	170,292	174,401
Other current assets	4.9	48,588	36,017	26,186
Current portion of non-current assets	4.9	3,174	2,963	2,838
Current tax assets	4.9	24,905	27,340	15,837
Prepaid expenses	4.9	31,602	24,491	27,885
Cash and cash equivalents	4.11	148,628	149,859	141,138
Current assets		**766,398**	**701,601**	**675,770**
Non-current assets classified as held for sale				
Total assets		**1,739,730**	**1,615,980**	**1,536,118**

(**) See note 1.4 Corrections of errors

CONSOLIDATED BALANCE SHEET

EQUITY AND LIABILITIES

(in thousands of euro)	Notes	As at 30 June 2010	As at 31 December 2009 restated *(**)*	As at 1 January 2009 restated *(**)*
Issued share capital		29,409	29,349	28,535
Share premium		400,683	400,025,	389,242
Treasury shares		(35,475)	(35,259)	(35,788)
Subordinated hybrid convertible bonds	4.10	150,300	150,300	150,300
Exchange differences		(84,068)	(156,954)	(196,661)
Other reserves		242,226	197,529	209,332
Net profit for the period		25,161	48,189	-
Equity attributable to owners of the parent		**728,236**	**633,179**	**544,960**
Non-controlling interests		1,542	1,283	555
Total equity		**729,778**	**634,462**	**545,515**
Long-term borrowings	4.11	276,094	270,001	325,837
Retirement benefit obligations	4.12	34,245	33,698	39,898
Provisions for non-current liabilities and charges	4.13	18,282	17,529	13,688
Deferred tax liabilities	4.7	20,964	16,750	14,293
Other non-current liabilities	4.14	5,763	5,466	18,146
Non-current liabilities		**355,348**	**343,444**	**411,862**
Short-term borrowings	4.11	82,459	66,866	50,583
Provisions for current liabilities and charges	4.13	27,147	35,590	19,216
Net trade payables and similar accounts	4.15	145,441	148,386	134,493
Gross amounts due to customers	4.15	89,679	78,024	76,928
Advances and payments on account received *(**)*	4.15	3,118	4,533	12,223
Current tax liabilities	4.15	35,041	34,900	31,366
Other current liabilities *(**)*	4.15	271,719	269,776	253,932
Current liabilities		**654,604**	**638,075**	**578,741**
Liabilities directly associated with non-current assets classified as held for sale				
Total equity and liabilities		**1,739,730**	**1,615,980**	**1,536,118**

(**) See note 1.4 Corrections of errors

CONSOLIDATED STATEMENT OF CASH FLOWS

(in thousands of euro)	Notes	As at 30 June 2010	As at 30 June 2009
Consolidated net profit (including non-controlling interests)		**25,231**	**15,960**
Adjustments for:			
Elimination of the profit/(loss) of associates		150	196
Net charges to depreciation, amortisation and provisions (excluding current assets)		16,172	22,711
Calculated expenses and income relating to share options and equivalent		88	922
Fair value adjustment gains and losses		1,336	1,389
Capital gains/losses on disposal		37	193
Dividends from non-consolidated investments		-	-
Cash flow from operating activities after the cost of net borrowings and taxes		**43,014**	**41,371**
Cost of net borrowings		5,801	7,255
Income tax expense (including deferred tax)		11,021	14,550
Cash flow from operating activities before the cost of net borrowings and taxes		**59,836**	**63,176**
Income tax paid		(7,613)	(9,999)
Change in working capital requirements	4.16	(48,229)	(9,002)
NET CASH FROM OPERATING ACTIVITIES		**3,994**	**44,175**
Purchases of intangible assets		(6,842)	(6,465)
Purchases of property, plant and equipment		(7,296)	(3,544)
Purchases of non-consolidated investments		-	(18)
Proceeds from disposals of intangible assets and property, plant and equipment		44	90
Proceeds from disposals of non-consolidated investments		-	115
Loans and advances granted		(68)	(37)
Repayments received on loans and advances granted (including factoring)		111	3,882
Impact of changes in Group structure			
- Acquisition of consolidated companies, net of cash acquired		-	-
- Disposal of consolidated operations and companies, net of cash transferred		-	-
Net interest received		34	53
Dividends received (associates, non-consolidated investments)		-	74
NET CASH USED IN INVESTING ACTIVITIES		**(14,017)**	**(5,851)**
Amounts received from shareholders as part of a share capital increase		718	-
Dividends paid during the year:			
- Dividends paid to shareholders of the parent company and equivalent (*)		(8,690)	(8,690)
- Dividends paid to minority interests of consolidated companies		-	(152)
Disposals/(acquisitions) of treasury shares		(170)	293
Proceeds from new borrowings		155	290
Repayment of borrowings (including finance leases)		(3,462)	(1,082)
Additional contributions relating to retirement benefit obligations		(8,493)	(22,772)
Interest paid (including finance leases)		(5,291)	(6,827)
NET CASH USED IN FINANCING ACTIVITIES		**(25,233)**	**(38,940)**
Impact of changes in exchange rates		17,349	6,756
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(17,907)**	**6,140**
Cash and cash equivalents at the beginning of the period		145,312	135,937
Cash and cash equivalents at the end of the period	4.11	127,405	142,078

(*) Including the coupon paid on perpetual subordinated bonds convertible and/or exchangeable for new shares: €(8,690) thousand in 2009 and 2010

STATEMENT OF CHANGES IN EQUITY

(in thousands of euro)	Number of shares outstanding	Share capital	Share premium	Treasury shares	Subordinated hybrid convertible bonds	Consolidated reserves and retained earnings	Gains and losses recorded directly in equity	**Equity attributable to owners of the parent**	Equity attributable to non-controlling interests	**Total equity**
As at 1 January 2009	**28,535,232**	**28,536**	**389,242**	**(37,767)**	**150,300**	**211,816**	**(197,167)**	**544,960**	**555,**	**545,515**
Share capital increase										
Dividends paid (*)						(6,804)		**(6,804)**		**(6,804)**
Valuation of share-based payments						930		**930**		**930**
Treasury share transactions				398				**398**		**398**
Other						(56)		**(56)**	(1)	**(57)**
								,		
Gains/losses on hedging instruments							(7,876)	**(7,876)**	(40)	**(7,916)**
Changes in exchange differences						60,105		**60,105**	(21)	**60,084**
Net profit						15,883		**15,883**	77	**15,960**
As at 30 June 2009	**28,535,232**	**28,536**	**389,242**	**(37,769)**	**150,300**	**281,874**	**,(205,043)**	**607,540**	**570**	**608,110**
Share capital increase	813,307	813	10,783			(74)		**11,522**		**11,522**
Dividends paid (*)						(2,835)		**(2,835)**		**(2,835)**
Valuation of share-based payments						1,984		**1,984**		**1,984**
Treasury share transactions				14				**14**		**14**
Other						69		**69**	254	**323**
Gains/losses on hedging instruments							2,977	**2,977**	4	**2,981**
Changes in exchange differences						(20,398)		**(20,398)**	14	**(20,384)**
Net profit						32,306		**32,306**	441	**32,747**
As at 31 December 2009	**29,348,539**	**29,349**	**400,025**	**(37,355)**	**150,300**	**292,926**	**(202,066)**	**633,179**	**1,283**	**634,462**
Share capital increase	60,684	60	658					**718**		**718**
Dividends paid (*)						(6,869)		**(6,869)**		**(6,869)**
Valuation of share-based payments						109		**109**	7	**116**
Treasury share transactions				(215)				**(215)**		**(215)**
Other						(23)		**(23)**	(3)	**(26)**
Gains/losses on hedging instruments							3,290	**3,290**	2	**3,292**
Changes in exchange differences						72,886		**72,886**	183,	**73,069**
Net profit						25,161		**25,161**	70,	**25,231**
As at 30 June 2010	**29,409,223**	**29,409**	**400,683**	**(37,570)**	**150,300**	**384,190**	**(198,776)**	**728,236**	**1,542**	**729,778**

(*) Including the coupon paid on perpetual subordinated bonds convertible and/or exchangeable for new shares: €(2,865) thousand as at 30 June 2010 and 30 June 2009

Groupe Steria SCA’s share capital comprises 29,409,223 shares with a nominal value of €1 each.

The net dividend paid in 2010 was €0.12 per share (excluding the coupon paid on perpetual subordinated bonds convertible and/or exchangeable for new shares and excluding the portion of earnings paid to the general partner, i.e. €482 thousand).

Increases in share capital in 2010 were attributable to the exercise of share options in the amount of €60 thousand.

Treasury shares chiefly comprise 1,461,217 shares held by UK trusts included in the scope of consolidation, and 35,691 shares held by the parent company, Groupe Steria SCA, under the liquidity contract implemented in 2006.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 1: ACCOUNTING POLICIES

N1.1 Standards applied

The Groupe Steria SCA consolidated financial statements for the half-year ended 30 June 2010 include Groupe Steria SCA and its subsidiaries (hereinafter referred to as "The Group") and the Group's share in associates and jointly controlled companies.

The Groupe Steria SCA condensed consolidated financial statements for the half-year ended 30 June 2010 have been prepared in accordance with the IFRS standard, IAS 34, on interim financial reporting, as adopted by the European Union, which can be consulted on the http://ec.europa.eu/internal_market/accounting/ias/index_fr.htm website. The accounting policies and calculation methods applied to prepare the condensed consolidated financial statements for the half-year ended 30 June 2010 are identical to those applied for the consolidated financial statements for the year ended 31 December 2009, published in March 2010 (a description of these accounting policies and methods is provided in Note 1 to the consolidated financial statements for the year ended 31 December 2009), with the exception of the following new standards, amendments and interpretations, which have been of mandatory application since 1 January 2010:

- Revised IFRS 3 – *Business combinations* and amended IAS 27 – *Consolidated and separate financial statements*, which lay down new accounting policies for business combinations for prospective application as of 1 January 2010;
- Amended IFRS 2 – *Group cash-settled share-based payment transactions*, which clarifies how a group should account for cash-settled share-based payments;
- Amended IAS 39 – *Financial instruments: recognition and measurement*, which clarifies the items eligible for hedge accounting (time value of an option and the inflation component of a fixed-rate debt instrument);
- Amended IFRS 5 – *Non-current assets held for sale and discontinued operations* with respect to programmes involving the partial sale of securities in a subsidiary leading to the loss of exclusive control;
- IFRIC 12 – Service concession arrangements;
- IFRIC 15 – Agreements for the construction of real estate;
- IFRIC 16 – Hedges of a net investment in a foreign operation;
- IFRIC 17 – Distributions of non-cash assets to owners;
- IFRIC 18 – Transfers of assets from customers;
- Improvements to IFRSs. This procedure resulted particularly in amendments to:
    - Revised IAS 1 – *Presentation of financial statements*,
    - IAS 7 – *Statement of cash flows*,
    - IAS 17 – *Leases*,
    - IAS 36 – *Impairment of assets,*
    - IAS 38 – *Intangible assets*,
    - IAS 39 – *Financial instruments: recognition and measurement*,
    - Amended IFRS 5 – *Non-current assets held for disposal and discontinued operations*
    - IFRS 8 – *Operating segments*,

- IFRIC 9 – Reassessment of embedded derivatives,
- IFRIC 16 – Hedges of a net investment in a foreign operation.

These amendments and interpretations did not impact the consolidated financial statements.

The consolidated financial statements for the half-year ended 30 June 2010 were approved by management on 29 July 2010 after consultation with the Supervisory Board.

N1.2 Material judgements and estimates

The preparation of the Group financial statements requires management to make judgements, estimates and assumptions that have an impact on the amounts of the assets, liabilities, income and expenses recorded therein as well as on the information provided in respect of contingent liabilities. The factors underlying the main estimates are of the same nature as those detailed in the notes to the consolidated financial statements for the year ended 31 December 2009.

N1.3 Consolidation methods

Companies over which Groupe Steria SCA exercises control, directly or indirectly, are fully consolidated.

Companies over which the Group exercises joint control with a limited number of shareholders are equity accounted.

Companies over which the Group exercises significant influence are equity accounted.

All inter-company transactions are eliminated on consolidation.

N1.4 Corrections of errors

Two errors were identified in the preparation of the consolidated 2010 interim financial statements and have been corrected.

The first was the classification in the income statement for the half-year ended 30 June 2009 of sub-contracting costs, incorrectly recorded as bought-in costs relating to a British subsidiary. The amount of the restatement is €41,145 thousand.

The second concerns the German entity and relates to the incorrect classification on the balance sheet of interim project invoices as at 31 December 2009 and 1 January 2009. This reclassification had the effect on 31 December 2009 of:

- reducing “Advances and payments on account received” by €26,300 thousand in liabilities,
- reducing “Amounts due from customers” by €21,733 thousand in assets,
- increasing “Other current liabilities” by €4,567 thousand.

On 1 January 2009, this reclassification had the effect of:

- reducing “Advances and payments on account received” by €24,551 thousand,
- reducing “Amounts due from customers” by €16,033 thousand,
- increasing “Other current liabilities” by €8,518 thousand.

The correction of these errors did not have any impact on operating margin, operating profit, net financial income, or net profit attributable to owners of the parent or equity.

NOTE 2: SCOPE OF CONSOLIDATION

N2.1 Changes in the scope of consolidation and legal restructurings

No change in the scope of consolidation took place in the first half of 2010.

In the first half of 2009, the Group undertook the legal restructuring of its consolidated entities in the United Kingdom, primarily involving partial asset transfers from the main Steria group operating entity prior to the acquisition of Xansa to the main entity resulting from the takeover of the Xansa Group, and the liquidation of dormant companies of the former Xansa Group.

N2.2 Scope of consolidation as at 30 June 2010

	Location	Consolidation method as at 30/06/10	% interest as at 30/06/10	% control as at 30/06/10	Consolidation method as at 30/06/09	% interest as at 30/06/09	% control as at 30/06/09
PARENT COMPANY							
Groupe Steria SCA	*France*						
Operating segment France							
Steria	*France*	FC	100	100	FC	100	100
Diamis	*France*	EA	40	40	EA	40	40
Intest	*France*	EA	43.99	43.99	EA	43.99	43.99
Sternet	*France*	FC	100	100	FC	100	100
Stepar	*France*	FC	100	100	FC	100	100
U-Services	*France*	FC	100	100	FC	100	100
Steria Asia	*Singapore*	FC	100	100	FC	100	100
Steria Medshore SAS	*Morocco*	EA	50	50	EA	50	50
Xansa SAS	*France*	FC	100	100	FC	100	100

FC: Full consolidation
EA: Equity associate

	Location	Consolidation method as at 30/06/10	% interest as at 30/06/10	% control as at 30/06/10	Consolidation method as at 30/06/09	% interest as at 30/06/09	% control as at 30/06/09
Operating segment United Kingdom							
Steria Holding Limited	*United Kingdom*	FC	100	100	FC	100	100
Steria Limited	*United Kingdom*	FC	100	100	FC	100	100
Steria Services Limited	*United Kingdom*	FC	100	100	FC	100	100
Caboodle	*United Kingdom*	FC	100	100	FC	100	100
ASL Information Services Limited	*United Kingdom*	FC	100	100	FC	100	100
Druid Group Limited	*United Kingdom*	FC	100	100	FC	100	100
OSI group Holdings Limited	*United Kingdom*	FC	100	100	FC	100	100
Xansa Employee Trustee company Limited	*United Kingdom*	FC	100	100	FC	100	100
Xansa Trustee Company limited	*United Kingdom*	FC	100	100	FC	100	100
FI Group Limited	*United Kingdom*	FC	100	100	FC	100	100
Druid Quest Limited	*United Kingdom*	FC	100	100	FC	100	100
OSI Group Limited	*United Kingdom*	FC	100	100	FC	100	100
Barclays Xansa Partnership Limited	*United Kingdom*	FC	100	100	FC	100	100
NHS Shared Employee Services Limited	*United Kingdom*	FC	51	51	FC	51	51
NHS Shared benefit Services Limited	*United Kingdom*	EA	50	50	EA	50	50
Steria Holding Corporate UK	*United Kingdom*	FC	100	100	FC	100	100
Mummert Partner UK Limited	*United Kingdom*	FC	100	100	FC	100	100
Zansa Limited	*United Kingdom*	FC	100	100	FC	100	100
Xansa Cyprus (n 1).Limited	*Cyprus*	FC	100	100	FC	100	100
Xansa Cyprus (n 2).Limited	*Cyprus*	FC	100	100	FC	100	100
Steria India Limited	*India*	FC	100	100	FC	100	100
Xansa Pte Ltd	*Singapore*	FC	100	100	FC	100	100
Xansa Holdings Inc.	*United States*	FC	100	100	FC	100	100
Xansa U.S Inc.	*United States*	FC	100	100	FC	100	100
Operating segment Germany							
Steria Mummert Consulting GmbH Vienna	*Austria*	FC	100	100	FC	100	100
Steria Mummert ISS GmbH	*Germany*	FC	100	100	FC	100	100
Steria Mummert Consulting.AG	*Germany*	FC	100	100	FC	100	100
Operating segment Rest of Europe							
Steria Benelux	*Belgium*	FC	100	100	FC	100	100
Steria Luxembourg	*Luxembourg*	FC	100	100	FC	100	100
Steria A/S	*Denmark*	FC	100	100	FC	100	100
Steria Iberica	*Spain*	FC	100	100	FC	100	100
Steria A/S	*Norway*	FC	100	100	FC	100	100
Steria Poland	*Poland*	FC	100	100	FC	100	100
Steria A.B	*Sweden*	FC	100	100	FC	100	100
Iocore	*Sweden*	FC	100	100	FC	100	100
Steria Schweiz Ag	*Switzerland*	FC	100	100	FC	100	100

FC: Full consolidation
EA: Equity associate

NOTE 3: SEGMENT REPORTING

As required by IFRS 8, *Operating segments*, the information presented reflects the internal performance reporting system used by management to assess the various segments. Segment reporting is based on operating margin.

Groupe Steria SCA is managed on the basis of eight geographical operating segments. Three are major individual countries: France, the UK and Germany. The other segments, comprising Spain, Scandinavia (Norway, Sweden and Denmark), Benelux (Belgium and Luxembourg), Switzerland and Poland, have been grouped together in a joint geographical area denominated “Rest of Europe” for the requirements of the IFRS 8 presentation. Group companies primarily operate in the countries in which they are located. However, operations in Africa and Asia are undertaken by Steria SA, and Austrian operations by Steria Mummert Consulting AG. As these operations are not yet material, they have been retained in the countries from which they are managed.

India is grouped with the UK given that its activity consists primarily in the provision of industrialised offshore services for customers under the operational management of the UK operating segment.

Each segment conducts its activity in two businesses:

- Managed Services which involves managing all or part of the information technology infrastructure of companies or their business processes (Business Process Outsourcing)
- Systems Integration (SI) which involves designing, developing and implementing projects for integration of systems and development of applications. SI includes Third-party Applications Maintenance, Consulting and any related equipment sales.

The columns of the table below present quantified information for each operating segment. The operating segments identified are distinct Group components that earn revenues and incur expenses, whose operating results are regularly reviewed by management and for which separate financial information is available.

The “Reconciling items” column includes intercompany eliminations, shared Group expenses and unallocated segment assets. It enables segment information to be reconciled with the Group’s consolidated financial statements.

Half-year ended 30 June 2010

(in thousands of euro)	France	UK	Germany	Rest of Europe	Reconciling items		Group total
					Elimina-tions	*Group expenses*	
Third-party revenue	**259,901**	**325,343**	**115,220**	**131,598**			**832,062**
% of total revenue	*31.2%*	*39.1%*	*13.8%*	*15.8%*			*100.0%*
Inter-segment sales	848	4,301	1,279	6,370	(12,798)		
Total revenue	260,749	329,644	116,499	137,968	(12,798)		**832,062**
Operating margin (1)	14,564	26,930	5,230	5,256		2,822	**54,803**
% of revenue	*5.60%*	*8.28%*	*4.54%*	*3.99%*			*6.59%*
Group expenses	2,814	3,386	1,297	1,270		(8,767)	
Operating margin (1) (2)	**17,378**	**30,316**	**6,527**	**6,526**		**(5,945)**	**54,803**
% of revenue	*6.69%*	*9.32%*	*5.67%*	*4.96%*		*(0.71)%*	*6.59%*
Operating profit	**13,559**	**20,387**	**5,216**	**4,983**		**1,981**	**46,126**
Cost of net borrowings							(5,801)
Other financial income and expenses							(3,908)
Income tax expense							(11,036)
Share of profit/(loss) of associates							(150)
Net profit/(loss) from operations held for sale							-
Net profit							**25,231**
Attributable to owners of the parent							**25,161**
Employees:							
Average employees	5,676	8,779	1,635	2,222		84	18,396
Of which: in India		*5,079*					*5,079*
Employees at the end of the period	5,659	8,718	1,631	2,259		86	18,353
Of which: in India		*5,044*					*5,044*

(1) After amortisation of customer relationship assets recognised on the acquisition of Xansa in the amount of €(2,330) thousand as at 30 June 2010

(2) Before Group expenses

Half-year ended 30 June 2009

(in thousands of euro)	France	UK	Germany	Rest of Europe	Reconciling items		Group total
					Elimina-tions	*Group expenses*	
Third-party revenue	**250,379**	**320,308**	**111,833**	**122,898**			**805,417**
% of total revenue	*31.1%*	*39.8%*	*13.9%*	*15.3%*			*100.0%*
Inter-segment sales	855	1,952	1,718	4,031	(8,556)		
Total revenue	251,234	322,260	113,551	126,929	(8,556)		**805,417**
Operating margin (1)	13,156	29,298	4,838	4,166		2,045	**53,504**
% of revenue	*5.25%*	*9.15%*	*4.33%*	*3.39%*			*6.64%*
Group expenses	3,273	4,435	1,488	1,499		(10,695)	
Operating margin (1) (2)	**16,429**	**33,733**	**6,326**	**5,665**		**(8,649)**	**53,504**
% of revenue	*6.56%*	*10.53%*	*5.66%*	*4.61%*		*(1.07)%*	*6.64%*
Operating profit	**11,824**	**27,507**	**4,838**	**(1,203)**		**487**	**43,453**
Cost of net borrowings							(7,255)
Other financial income and expenses							(5,597)
Income tax expense							(14,445)
Share of profit/(loss) of associates							(196)
Net profit/(loss) from operations held for sale							
Net profit							**15,960**
Attributable to owners of the parent							**15,883**
Employees:							
Average employees	5,884	9,264	1,676	2,147		70	19,041
Of which: in India		*5,638*					*5,638*
Employees at the end of the period	5,831	9,115	1,672	2,157		66	18,841
Of which: in India		*5,510*					*5,510*

(1) After amortisation of customer relationship assets recognised on the acquisition of Xansa in the amount of €(2,268) thousand as at 30 June 2009

(2) Before Group expenses

For each business, third-party revenue breaks down as follows:

(in thousands of euro)	Half-year ended 30/06/10	Half-year ended 30/06/09
SI revenue	507,232	514,251
Managed Services revenue	324,830	291,166
Consolidated revenue	**832,062**	**805,417**

No single customer represents more than 10% of the Group's revenue.

NOTE 4: NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Preliminary comment: all amounts are expressed in thousands of euro, unless stated otherwise.

N4.1 Goodwill

(in thousands of euro)	Goodwill 31/12/09	Impairment	Exchange differences	Other items	Goodwill 30/06/10
United Kingdom	565,196		48,849		614,045
France	10,337				10,337
Germany	88,273				88,273
Norway	20,990		862		21,852
Sweden	7,456		568		8,024
Denmark	2,206		(2)		2,204
Benelux	5,581				5,581
Switzerland	6,378		746		7,124
Total goodwill	**706,417**		**51,023**		**757,440**

The Group performs impairment tests once annually and more frequently when key indicators suggest a loss in value.

The Group has not identified any indicators of a loss in value.

N4.2 Other intangible assets

(in thousands of euro)	Total	Development costs	Concessions, patents, licences, software	Other intangible assets
Gross value as at 31/12/09	**128,704**	**11,180**	**59,813**	**57,711**
Purchases	5,349	1,210	1,388	2,751
Disposals – scrapping	(462)		1,920	(2,382)
Other movements	7,444		3,104	4,340
Gross value as at 30/06/10	**141,035**	**12,390**	**66,225**	**62,420**
Amortisation as at 31/12/09	**62,403**	**3,344**	**48,107**	**10,952**
Charges	5,427	563	2,434	2,430
Reversals				
Other movements	4,051		3,030	1,021
Amortisation as at 30/06/10	**71,881**	**3,907**	**53,571**	**14,403**
Carrying amount as at 31/12/09	**66,301**	**7,836**	**11,706**	**46,759**
Carrying amount as at 30/06/10	**69,154**	**8,483**	**12,654**	**48,017**

Intangible assets have finite useful lives.

The net impact of exchange differences on intangible assets is included in other movements in the amount of €3,394 thousand.

The increase in development costs essentially reflects customer solution development in Germany.

Other intangible assets mainly comprise customer relationships recognised subsequent to the acquisition of Xansa in the gross amount of €54,559 thousand. They are amortised over a period of 11 years.

N4.3 Property, plant and equipment

(in thousands of euro)	Total	Technical facilities including finance leases	Land and buildings held under finance leases	Fittings, fixtures and facilities including finance leases	Other items of PP&E (1)
Gross value as at 31/12/09	**239,554**	**11,554**	**40,100**	**57,399**	**130,501**
Purchases	6,905	57	42	1,584	5,222
Disposals – scrapping	(1,525)	(25)	(2)	(207)	(1,291)
Other movements	16,138	1,015	15,144	(8,156)	8,135
Gross value as at 30/06/10	**261,072**	**12,601**	**55,284**	**50,620**	**142,567**
Depreciation as at 31/12/09	**165,550**	**8,884**	**8,296**	**41,944**	**106,426**
Charges	10,414	427	454	2,160	7,373
Reversals	(1,442)	(25)		(190)	(1,227)
Other movements	10,644	895	12,148	(8,186)	5,787
Depreciation as at 30/06/10	**185,166**	**10,181**	**20,898**	**35,728**	**118,359**
Carrying amount as at 31/12/09	**74,004**	**2,670**	**31,804**	**15,455**	**24,075**
Carrying amount as at 30/06/10	**75,906**	**2,420**	**34,386**	**14,892**	**24,208**

(1) Other items of PP&E include office and computer equipment, furniture, vehicles and other items.

The net impact of exchange differences on property, plant and equipment is included in other movements in the amount of €5,031 thousand and accounts for the majority of the change over the period, alongside acquisitions and depreciation charges for the period.

N4.4 Equity associates and joint ventures

(in thousands of euro)	Value of shares as at 31/12/09	Distribution	Net profit/(loss) for the period	Exchange differences	Other	Value of shares as at 30/06/10
Diamis	1,393		(64)			1,329
Intest	204					204
Steria Medshore	(475)		(159)	(18)		(652)
NHS Shared Business Services Ltd	5,059		73	444	28	5,604
Total equity associates	**6,181**		**(150)**	**426**	**28**	**6,485**

N4.5 Available-for-sale financial assets

Non-consolidated equity investments are classified under the IFRS balance sheet category of available-for-sale assets, irrespective of whether the Group wishes to sell these investments.

(in thousands of euro)	Total	Travelsoft	Other shares
Gross value as at 31/12/09	**1,864**	**1,781**	**83**
Additions			
Decrease			
Gross value as at 30/06/10	**1,864**	**1,781**	**83**
Impairment of shares as at 31/12/09	**55**		**55**
Charge			
Reversal			
Impairment of shares as at 30/06/10	**55**		**55**
Carrying amount as at 31/12/09	**1,809**	**1,781**	**28**
Carrying amount as at 30/06/10	**1,809**	**1,781**	**28**

Groupe Steria does not exercise significant influence over these investments.

N4.6 Other financial assets

(in thousands of euro)	Total	Other loans to equity investments	Loans	Deposits, guarantees and other financial assets	Derivative financial instruments – foreign currency (1)	Derivative financial instruments – interest rates (1)
Gross value as at 31/12/09	**3,977**	**364**	**363**	**589**	**2,661**	**-**
Change in Group structure						
Additions	98		4			94
Decrease	(795)		(32)	(16)	(747)	
Other movements	(1,042)	64	6	13	(1,125)	
Gross value as at 30/06/10	**2,238**	**428**	**341**	**586**	**789**	**94**
Impairment as at 31/12/09						**-**
Reversal						
Impairment as at 30/06/10						**-**
Carrying amount as at 31/12/09	**3,977**	**364**	**363**	**589**	**2,661**	**-**
Carrying amount as at 30/06/10	**2,238**	**428**	**341**	**586**	**789**	**94**

(1) See note 4.17

The net impact of exchange differences on other financial assets is included in other movements in the amount of €466 thousand. Changes in the fair value of cash flow hedging instruments totalled €(1,509) thousand. They are included in Other movements.

Amounts recognised in respect of deposits represent a reasonable approximation of their fair value.

N4.7 Income tax

- *Reconciliation of the total income tax charge recognised and the theoretical charge*

(in thousands of euro)	Half-year ended 30/06/10	Half-year ended 30/06/09
Consolidated net profit	25,231	15,960
Income tax expense	11,036	14,445
Net profit before tax	**36,267**	**30,405**
Tax rate applicable in France	**34.43%**	**34.43%**
Theoretical tax charge	**12,487**	**10,468**
Effect of impairment of goodwill	-	1,676
Effect of tax losses carried forward net of losses not recognised	500	2,375
Effect of permanent differences	(950)	1,086
Effect of profit/(loss) of associates	51	68
Effect of different tax rates	(768)	(1,204)
Other items	(284)	(24)
Effective tax charge	**11,036**	**14,445**
Effective tax rate	**30.43%**	**47.51%**

In December 2009, the Group decided to qualify the Contribution on Added Value payable under the Territorial Economic Contribution, a new tax introduced in France with the 2010 budget, as income tax in order to ensure consistency with the accounting treatment of similar taxes in other foreign countries. It represented a tax charge of €(3,553) thousand (included in permanent differences). Accordingly, a deferred tax liability of €447 thousand was recognised as at 30 June 2010.

Excluding the impact of the Contribution on Added Value, the reduction in the Group’s tax rate is mainly attributable to non-recurrent tax charges recorded in the first half of 2009 and to a more favourable impact from various tax arrangements.

As at 30 June 2009, the items relating to the “Effect of tax losses carried forward net of losses not recognised” mainly reflected the derecognition of previously recognised Spanish tax-loss carry-forwards. Given the economic environment in Spain, it was considered, as a matter of prudence, no longer probable that sufficient taxable profits would be realised to enable the offset of a portion of these losses which may only be carried forward a limited period of time. The impact on the tax charge was €2,502 thousand.

- *Breakdown between current and deferred taxes in the income statement*

(in thousands of euro)	France 30/06/10	International 30/06/10	Total 30/06/10	Total 30/06/09
Current tax	(6,191)	(4,136)	(10,327)	(13,896)
Deferred tax	2,020	(2,729)	(709)	(549)
Tax	**(4,171)**	**(6,865)**	**(11,036)**	**(14,445)**

- *Deferred taxes recognised as at 30 June 2010*

(in thousands of euro)	31/12/09	Profit or loss impact	Equity impact (reserves)	Exchange differences and other mvts	30/06/10
Intangible assets	(16,527)	(258)		(1,218)	(18,003)
Property, plant and equipment	6,106	764		479	7,349
Property, plant and equipment finance leases	(5,688)	(436)		30	(6,094)
Non-current financial assets	(362)	(63)		1	(424)
Inventories and work in progress	(3,158)	(638)		2	(3,794)
Other current assets	6,351	(1,797)	510	(226)	4,838
Retirement benefit obligations	(6,626)	95		(925)	(7,456)
Provisions	2,101	(272)		174	2,003
Other current liabilities	(5,113)	2,502	(2,262)	272	(4,601)
Tax loss carry-forwards	16,726	(606)		69	16,189
Total net deferred tax assets	**(6,190)**	**(709)**	**(1,752)**	**(1,342)**	**(9,993)**
Deferred tax assets recognised	**10,560**				**10,971**
Deferred tax liabilities recognised	**16,750**				**20,964**

Exchange differences had a total impact of €(1,412) thousand.

- ***Deferred tax assets not recognised as at 30 June 2010***

Deferred tax assets not capitalised as at 30 June 2010 total €25,144 thousand:

- On tax losses carried forward: €23,626 thousand
- On other temporary differences: € 1,518 thousand

Breakdown of deferred tax assets not recognised by country (in thousands of euro)	Total as at 31/12/09	Total as at 30/06/10	Expiry date < 2 years	Expiry date > 2 years
Germany (2)	859	861		861
Austria	930	951		951
Denmark	1,564	1,314		1,314
Spain	9,503	10,174		10,174
France (2)	3,119	3,120		3,120
United Kingdom	773	840		840
Sweden	4,511	4,668		4,668
Singapore (2)	844	937		937
Other countries (1) (2)	1,951	2,279		2,279
Total deferred tax assets not recognised	**24,054**	**25,144**		**25,144**

(1) Canada, Cyprus, United States, Luxembourg

(2) Deferred tax assets mainly arising from the acquisition of Xansa

N4.8 Inventories

(in thousands of euro)

Gross value as at 31/12/09	**9,835**
Net change during the period	515
Gross value as at 30/06/10	**10,350**
Impairment of inventories as at 31/12/09	**641**
Net change during the period	5
Impairment of inventories as at 30/06/10	**646**
Carrying amount as at 31/12/09	**9,194**
Carrying amount as at 30/06/10	**9,704**

The amount of inventories and work-in-progress relates primarily to outstanding services undertaken during the start-up phase of major contracts in France and the United Kingdom.

N4.9 Trade receivables and other debtors

(in thousands of euro)	30/06/2010	31/12/09 restated (*)
Trade receivables - gross value	289,816	283,598
Impairment	(2,101)	(2,152)
Trade receivables and related accounts	**287,716**	**281,445**
Amounts due from customers	**212,081**	**165,725**
Customer deposits and advances	517	638
Receivables from employees and social security and tax authorities	33,123	20,540
Current accounts	488	427
Debtors – gross value	3,771	6,107
Derivative financial instruments – interest rates (1)	982	1,802
Derivative financial instruments – foreign currency (1)	9,911	6,515
Impairment	(205)	(13)
Other current assets	**48,587**	**36,017**
Current loans and guarantees	3,175	2,963
Current portion of non-current assets (< 1 year)	**3,175**	**2,963**
Current tax assets	**24,905**	**27,340**
Prepaid expenses	**31,602**	**24,491**
Trade receivables and other debtors	**608,066**	**537,981**

(*) See note 1.4 Corrections of errors

(1) See note 4.17

During the first half of 2010, the Group transferred €12,000 thousand of trade receivables in France and €1,385 thousand in Spain without recourse. Trade receivables transferred without recourse against the transferor in the event of non-payment by the debtor are considered to have resulted in the transfer of substantially all the risks and rewards associated with the assets, thus enabling these receivables to be derecognised from the balance sheet, the risk of late payment being considered marginal for the receivables in question.

N4.10 Equity instruments

On 12 November 2007, and in order to finance the acquisition of Xansa, the Group issued perpetual subordinated bonds, convertible and/or exchangeable for new shares. As at 14 November 2007, 4,080,549 bonds had been issued for a total of €152,449 thousand, or €150,300 thousand after deduction of issue costs.

The Group has classified these bonds as equity instruments in accordance with IFRS. Indeed, in accordance with the contractual terms of these bonds presented in the AMF prospectus no. 07-394 dated 12 November 2007, the Group has no contractual obligation to make payments to bondholders since all payment decisions are at its discretion:

1. The payment of coupons may be suspended by the Group whenever a dividend payment has not been decided since the last interest payment date. Deferred interest is cumulated and bears interest, but payment remains at the discretion of the Group for so long as no dividend distribution has been decided.

2. Other than early redemption decided by the Group, the only instances of mandatory redemption of the bonds are liquidation or the expiry of the company's corporate term as provided in the Articles of association. These two situations do not disqualify the bonds from classification as equity instruments under IFRS.
3. Finally, the bondholders' option to convert their bonds into ordinary shares does not disqualify the bonds from classification as equity instruments as the conversion parity is fixed.

Subject to any decision by the Group to suspend payment, the bonds bear interest at the annual rate of 5.70% until 1 January 2013 and at three month Euribor plus 800 basis points thereafter. These rates would be increased by 500 basis points in the event of a change in control of the company. In accordance with their classification as equity instruments, the interest paid on the bonds is treated as a dividend payment and does not impact the income statement. A payment of €2,865 thousand net of tax was made on 30 June 2010 (€2,864 thousand on 30 June 2009).

N4.11 Net indebtedness

Net cash and cash equivalents are calculated as follows:

(in thousands of euro)	30/06/10	31/12/09
Other marketable securities	116,319	108,189
Cash at bank and in hand	32,310	41,670
Cash and cash equivalents	**148,629**	**149,859**
Current bank facilities	(20,965)	(4,304)
Accrued interest payable on bank overdrafts	(257)	(242)
Net cash and cash equivalents per the balance sheet	**127,406**	**145,312**
Deposits and cash balances of discontinued operations	-	-
Net cash and cash equivalents per the cash flow statement	**127,406**	**145,312**

Other marketable securities comprise short-term money market investments, other short-term deposits and funds advanced under the liquidity contract. They are subject to a negligible risk of changes in value.

Breakdown of borrowings recorded in the balance sheet and determination of net indebtedness:

(in thousands of euro)	31/12/09	Change in Group structure	Net change during the period	30/06/10
Bank borrowings	269,938		6,094	276,032
Borrowings – property-related finance leases	-			-
Borrowings – other finance leases	-			-
Other borrowings	63		(1)	62
Total long-term borrowings (a)	**270,001**		**6,093**	**276,094**
Current bank facilities	4,304		16,661	20,965
Bank borrowings	60,437		572	61,009
Other related liabilities	216		(43)	173
Borrowings in respect of property and other finance leases	1,667		(1,613)	54
Accrued interest payable on bank overdrafts	242		15	257
Total short-term borrowings (b)	**66,866**		**15,592**	**82,458**
Total borrowings (c) = (a) + (b)	336,867		21,685	358,552
Total cash and cash equivalents (d)	149,859		(1,230)	148,629
Net indebtedness (e) = (c) – (d)	**187,008**		**22,915**	**209,923**

Bond issue costs to be amortised totalled €3,428 thousand as at 30 June 2010.

The total borrowing capacity of the Group as at 30 June 2010, excluding bond issue costs to be amortised, amounted to a euro-equivalent of €586.3 million, as follows:

- GBP 77.6 million of bank facilities (all drawn as at 30 June 2010),
- €243.2 million of bank facilities (all drawn as at 30 June 2010),
- €45.3 million of current bank lines (drawn €21.0 million as at 30 June 2010),
- €200 million of revolving credit facilities (unused as at 30 June 2010),
- €0.5 million and GBP 2 million of other drawn credit facilities.

The bank terms and conditions to which the syndicated loan is subject notably include a commitment to comply with certain bank covenants.

The Company must comply with two financial ratios calculated every six months based on the published consolidated financial statements, on a 12-month rolling basis:

- the first, the leverage ratio, is equal to net debt/EBITDA,
- the second, the interest coverage ratio, is equal to operating margin before amortisation of customer relationships/cost of net borrowings

The Group complied with all bank covenants as at 30 June 2010.

N4.12 Retirement benefit obligations

Provisions for retirement benefit obligations cover the obligations of Groupe Steria towards its employees with respect to lump-sum retirement benefits in France and defined-benefit plans in the UK, Germany, Belgium and Norway.

Assets and obligations are valued annually at the year-end and the actuarial assumptions used as at 31 December 2009 have been maintained to value obligations as at 30 June 2010.

Pursuant to IAS 19, *Employee Benefits*, the Group applies the corridor method. Only actuarial gains and losses in excess of 10% of the defined benefit obligation or the fair value of plan assets are recognised and amortised over the expected average remaining working lives of plan participants.

In accordance with this method and the rules set out in IAS 34, *Interim Financial Reporting*, the amounts recognised in the interim income statement and balance sheet are based on an extrapolation of the most recent annual actuarial valuation: service cost, interest cost on the liability and expected return on plan assets.

As at 30 June 2010, the net charges recorded in the income statement include an amortisation charge relating to the €5,156 thousand actuarial loss recorded in the income statement under “Other operating expenses”. As stated in Note 4.12 “Retirement benefit obligations” to the consolidated financial statements for the year ended 31 December 2009, this amortisation charge relates to defined-benefit plans in the United Kingdom. No actuarial differences were amortised in the half-year ended 30 June 2009.

Furthermore, subsequent to legislative reform in Norway, pension obligations with respect to certain categories of employees have been modified. The effect of the change in the system has been to reduce the Group’s pension obligations in Norway, leading to the recognition of a gain of €430 thousand, recorded under “Other operating income”.

Changes in net liabilities relating to the main retirement benefit obligations during the first half of 2010 are presented in the following table:

(in thousands of euro)	Defined benefit pension funds - UK	Defined benefit pension funds - Germany	Retirement termination benefits - France
	30/06/2010	30/06/2010	30/06/2010
Net liability at the beginning of the period (with corridor)	(42,230)	17,459	10,623
Net expense recognised in the income statement	12,312	642	1,086
Contributions and benefits	(12,746)	(453)	(162)
Exchange rate fluctuations	(3,678)		
Net (asset)/liability at the end of the period	**(46,342)**	**17,648**	**11,547**

As at 30 June 2010, long-term retirement obligations in Belgium and Norway totalled €2,339 thousand and €1,642 thousand, respectively.

To recap, changes in net liabilities relating to the main retirement benefit obligations during 2009 are presented in the following table:

(in thousands of euro)	Defined benefit pension funds - UK 31/12/2009	Defined benefit pension funds - Germany 31/12/2009	Retirement termination benefits - France 31/12/2009
Net liability at the beginning of the period (with corridor)	4,122	16,931	9,342
Net expense recognised in the income statement	4,662	1,393	1,911
Contributions and benefits	(51,157)	(865)	(630)
Exchange rate fluctuations	145		
Net liability at the end of the period	**(42,230)**	**17,459**	**10,623**

As at 30 December 2009, long-term retirement obligations in Belgium and Norway totalled €1,650 thousand and €2,151 thousand, respectively.

N4.13 Provisions for liabilities and charges

In the first half of 2010, changes in provisions for liabilities and charges were as follows:

(in thousands of euro)	31/12/09	Charge	Reversal	Other movements	Exchange differences	30/06/10	*Non-current*	*Current*
Provisions for litigation	10,405	287	(1,754)		112	9,050	*1,434*	*7,616*
Provisions for losses to completion on contracts	2,305	3,892	(2,527)		225	3,895		*3,895*
Other provisions for liabilities	24,667	2,498	(8,984)	438	1,408	20,027	*10,487*	*9,540*
Provisions for restructuring	12,996	1,426	(2,605)	(438)	630	12,009	*6,361*	*5,648*
Provisions for tax	2,746		(2,298)			448		*448*
Total provisions for liabilities and charges	**53,119**	**8,103**	**(18,168)**	**0**	**2,375**	**45,429**	***18,282***	***27,147***

Provisions for litigation primarily concern employee disputes in France and the United Kingdom and major contract disputes deemed as non-recurring.

The majority of provisions for losses to completion concern UK contracts and were primarily recorded by the former Xansa Group and, to a lesser extent, contracts in France.

Other provisions for liabilities mainly concern trade receivable risks in France and the United Kingdom in the amount of €9,102 thousand and the cost of refurbishing UK premises in the amount of €9,896 thousand.

Provisions for restructuring mainly concern the cost of premises left vacant in the United Kingdom and in France following the acquisition of the Xansa Group and infrastructure reorganisation measures.

The provision for liabilities relating to the audit of Steria SA’s financial statements for the 2005, 2006 and 2007 financial years was entirely reversed following the payment of the reassessments notified.

N4.14 Other non-current liabilities

(in thousands of euro)	31/12/09	Net change during the period	30/06/10
Government grants	19		19
Other long-term liabilities	4,523	103	4,626
Derivative financial instruments – interest rate (1)	-	430	430
Derivative financial instruments – foreign currency (1)	900	(205)	695
Adjustments to other liabilities	24	(31)	(7)
Total	**5,466**	**297**	**5,763**

(1) See note 4.17

Other long-term liabilities comprise in particular French profit-sharing liabilities in the amount of €4,090 thousand.

N4.15 Trade payables and other creditors

(in thousands of euro)	30/06/10	31/12/09 restated (*)
Suppliers of goods and services and related accounts	**145,441**	**148,386**
Gross amounts due to customers	**89,679**	**78,024**
Prepayments and advances received	**3,118**	**4,533**
Current tax liabilities, income tax	**35,041**	**34,900**
Employee-related liabilities	153,531	150,012
Tax-related liabilities	98,752	90,952
Current account	12	-
Interest payable	-	3
Dividends payable	9,162	9,029
Derivative financial instruments – interest rate (1)	6,039	11,044
Derivative financial instruments – foreign currency (1)	596	25
Other sundry liabilities	3,627	4,143
Total other current liabilities	**271,719**	**265,208**
Total trade payables and other creditors	**544,998**	**531,051**

(*) See note 1.4 Corrections of errors

(1) See note 4.17

N4.16 Breakdown of the cash flow statement

Change in working capital requirements (WCR) breaks down as follows:

(in thousands of euro)	30/06/10	31/12/09 restated (*)	*Net change*	Of which non-WCR items	Of which WCR items	Of which WCR items with no cash impact		Of which cash flow statement items
						Change	Other	
Change relating to inventories			***515***	**-**	**515**	**219**	**-**	**(296)**
Trade receivables	287,716	281,445	*6,270*	-	6,270	7,598	-	1,328
Customer deposits and advances	(3,118)	(4,533)	*1,415*	-	1,415	(21)	4,469	3,034
Amounts due from customers	212,081	170,292	*41,789*	-	41,789	7,125	(4,123)	(38,787)
Gross amounts due to customers	(89,679)	(78,024)	*(11,655)*	-	(11,655)	(3,584)	5	8,077
Change relating to trade receivables			***37,819***	**-**	**37,819**	**11,119**	**351**	**(26,349)**
Trade payables and similar accounts	(145,441)	(148,386)	*2,945*	1,845	1,101	(5,917)	273	(6,745)
Change relating to trade payables			***2,945***	**1,845**	**1,101**	**(5,917)**	**273**	**(6,745)**
Other non-current assets	1,065	1,059	*6*	-	6	98	-	92
Other current assets (excluding derivative financial instruments)	69,296	52,191	*17,105*	-	17,105	3,079	56	(13,970)
Other non-current liabilities	(4,620)	(4,546)	*(74)*	-	(74)	(242)	-	(168)
Other current liabilities	(255,924)	(249,679)	*(6,244)*	-	(6,244)	(6,683)	(355)	(793)
Change relating to other receivables and payables			***10,793***	**-**	**10,793**	**(3,748)**	**(298)**	**(14,840)**
Change in working capital requirements relating to operations					**50,228**	**1,672**	**326**	**(48,229)**

(*) See note 1.4 Corrections of errors

N4.17 Financial instruments and the management of interest rate and foreign currency risk

As part of its overall risk management policy and due to the substantial size of its production activities in India and Poland, the Group enters into transactions designed to hedge its exposure to foreign currency risk through the use of derivatives and firm or optional instruments listed on regulated markets, or concluded over-the-counter with first-class counterparties.

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

In accordance with IAS 39, derivative financial instruments are measured at fair value in the consolidated balance sheet.

If a derivative is designated as a fair value hedge of assets or liabilities recognised in the consolidated balance sheet, changes in the value of both the derivative and the hedged item are recognised in profit or loss of the same period.

If a derivative is designated as a cash flow hedge, the change in value of the effective portion of the derivative is recognised in equity and transferred to profit or loss when the hedged item is itself recorded in profit or loss. The change in value of the ineffective portion of the derivative is credited or charged directly to profit or loss.

Changes in fair value of derivatives not qualifying for hedge accounting are credited or charged directly to profit or loss.

- Foreign currency hedging:

Foreign currency hedging primarily comprises GBP/INR cover for Steria India and EUR/PLN cover for Steria Polska. The hedges taken out apply both to invoiced items and to future cash flows.

The fair value of these contracts was €8,608 thousand as at 30 June 2010, compared with €8,251 thousand as at 31 December 2009.

- Interest-rate hedging

The Group enters into swap contracts with leading financial institutions to hedge its debt. These contracts are management by the Group Treasury Department.

As at 30 June 2010, the Group had entered into several interest rate swaps, with a notional value of GBP 75,000 thousand and €400,000 thousand and a fair value of €(5,393) thousand compared with €(9,242) thousand as at 31 December 2009.

Taking account of interest rate hedges as at 30 June 2010, total gross borrowings subject to interest rate risk amount to €358.6 million.

N4.18 Sales and provision of services

(in thousands of euro)	Half-year ended 30/06/10	Half-year ended 30/06/09
Sales of goods	11,403	18,829
Provision of services	820,659	786,588
Sales and provision of services	**832,062**	**805,417**

N4.19 Other current operating income and expenses

Other current operating income and expenses mainly consist of foreign exchange gains and losses on trade receivables and Steria India foreign currency hedges in the amount of €4,263 thousand. These foreign exchange gains and losses totalled €6,201 thousand for the half-year ended 30 June 2009.

N4.20 Net charges to provisions

(in thousands of euro)	Half-year ended 30/06/10	Half-year ended 30/06/09
Charges to provisions	(6,303)	(3,376)
Reversals of provisions	10,847	5,155
Net charges to operating provisions	**4,544**	**1,779**
Charges in respect of current assets	(570)	(442)
Reversals in respect of current assets	44	18
Net charges in respect of current assets	**(526)**	**(424)**
Net charges to provisions	**4,018**	**1,355**

N4.21 Other operating income and charges

(in thousands of euro)	Half-year ended 30/06/10	Half-year ended 30/06/09
Share options and other share-based payments	(205)	(922)
Impairment of assets	-	(4,867)
Net restructuring and integration costs	(3,812)	(4,198)
Amortisation of actuarial differences and modification of pension regimes	(4,726)	-
Other operating income	66	-
Other operating expenses	-	(63)
Other operating income and expenses	**(8,677)**	**(10,051)**
- of which operating income	*530*	*-*
- of which operating expenses	*(9,207)*	*(10,051)*

- *Share-based payment*

Expenses relating to share-based payments take into account performance-based free share plans in force as at 30 June 2010.

- *Restructuring and integration costs:*

The Group's restructuring and integration efforts in 2010 have continued to focus on the reorganisation of operations following the acquisition of Xansa, in particular the streamlining of infrastructures. These costs totalled €2,061 thousand.

In addition, the Group undertook to adapt its resources to the economic environment. These costs totalled €1,541 thousand.

- *Impairment of assets*

Asset impairments in the half-year ended 30 June 2009 correspond to the goodwill impairment of the Spanish subsidiary in the amount of €4,867 thousand.

- *Other items*

With respect to the method used to treat pension obligations in the United Kingdom, the corridor limits were exceeded due to the adverse change in actuarial parameters at the end of 2009 and the resulting change in actuarial differences. The amortisation of this excess over the average projected life of employees benefiting from the relevant pension schemes led to the recognition of a charge of €5,156 thousand (see Note 4.12).

Furthermore, subsequent to changes with respect to certain pension obligations for categories of employees in Norway, the Group recognised a non-recurrent gain of €430 thousand (see Note 4.12).

N4.22 Net financial expense

(in thousands of euro)	Half-year ended 30/06/10	Half-year ended 30/06/09
Interest income from cash and cash equivalents	1,692	1,670
Income from cash and cash equivalents	**1,692**	**1,670**
Interest expense on financing operations	(2,284)	(5,586)
Gains/(losses) on interest rate and foreign currency derivatives hedging cash equivalents	(5,209)	(3,339)
Cost of gross borrowings	**(7,493)**	**(8,925)**
Cost of net borrowings	**(5,801)**	**(7,255)**
Net foreign currency gains on cash management operations	5,466	1,889
Net foreign currency losses on cash management operations	(2,143)	(2,405)
Discounts granted	(360)	(442)
Change in fair value of interest rate derivatives - Income	-	915
Change in fair value of interest rate derivatives - Expenses	(794)	-
Change in fair value of foreign currency derivatives - Income	180	-
Change in fair value of foreign currency derivatives - Expenses	(1,410)	(35)
Net interest expense on retirement benefit obligations	(3,681)	(4,009)
Discounting of provisions for liabilities and charges	(806)	(668)
Impairment of available-for-sale assets	-	(309)
Other financial income	527	198
Other financial expenses	(886)	(731)
Total other financial income and expenses	**(3,908)**	**(5,597)**
- of which other financial income	*6,173*	*2,976*
- of which other financial expenses	*(10,080)*	*(8,572)*
Net financial expense	**(9,709)**	**(12,852)**

Other financial expenses primarily concern the amortisation of bond issue costs.

N4.23 Earnings per share

Potential dilutive ordinary shares primarily include free shares, share options and the 4,080,549 perpetual subordinated bonds, convertible and/or exchangeable for new shares, issued on 14 November 2007 and classified as equity instruments.

Coupons paid on these bonds are deducted from Group profit when determining profit attributable to shareholders.

	Half-year ended 30/06/10	Half-year ended 30/06/09
Numerator (in thousands of euro)		
Net profit attributable to owners of the parent (a)	25,161	15,883
Net profit attributable to shareholders (b)	22,296	13,019
Of which: net profit/(loss) from operations held for sale	-	-
Denominator		
Weighted average number of shares outstanding (c)	29,368,320	28,535,232
Weighted average number of treasury shares (d)	(1,461,217)	(1,422,563)
Weighted average number of shares outstanding excluding treasury shares (e) = (c) + (d)	27,907,103	27,112,669
Weighted average number of subordinated hybrid convertible bonds	4,202,965	4,202,965
Dilutive effect of share options	-	-
Dilutive effect of free shares reserved for employees	279,862	162,369
Theoretical weighted average number of equity instruments (f)	32,389,930	31,478,003
Earnings per share (in euro) (b/e)	0.80	0.48
- ***Of which: from continuing operations***	0.80	0.48
- ***Of which: from operations held for sale***	-	-
Diluted earnings per share (in euro) (a/f)	0.78	0.50
- ***Of which: from continuing operations***	0.78	0.50
- ***Of which: from operations held for sale***	-	-

N4.24 Information on income and expense items not recorded in profit or loss

(in thousands of euro)	Half-year ended 30/06/10	Half-year ended 30/06/09
Gains and losses on cash flow hedges:		
• Gains / (Losses) arising during the period	2,379	(6,603)
• Less: reclassification of (gains) / losses in the income statement	2,664	(5,409)
Total	**5,044**	**(12,012)**

NOTE 5: OFF-BALANCE SHEET COMMITMENTS

Off-balance sheet commitments given and received by the Group break down as follows:

(in thousands of euro)	As at 30/06/10	As at 31/12/09	(in thousands of euro)	As at 30/06/10	As at 31/12/09
Commitments given			**Commitments received**		
Endorsements, pledges and guarantees	6,729	7,035	Endorsements		
Commitments given on customer contracts	293,119	228,419	Bank guarantees on contracts (joint venture)		
Vendor warranties	195	187	Overdraft facilities (current bank loans)		
Individual legal right to training	3,815	3,586	- authorised	45,297	44,682
Other commitments given	3,575	4,479	- utilised (balance sheet)	*20,965*	*4,304*
			- not utilised (off-balance sheet)	**24,332**	**40,378**
			Medium-term loan		
			- authorised	200,000	200,000
			- utilised (balance sheet)		*0*
2			- not utilised (off-balance sheet)	**200,000**	**200,000**
Total commitments given	**307,433**	**243,706**	**Total commitments received**	**224,332**	**240,378**

Commitments given to customers in respect of services provided

In the context of information technology service contracts entered into with its customers, the Group has occasion, following formal requests by its customers, to provide parent company guarantees to its subsidiaries in respect of their performance of their obligations under contracts signed directly with customers.

Such guarantees are mainly requested by UK and Scandinavian public sector customers.

To date, these guarantees have never been called.

Other off-balance sheet commitments

The nominal value of future rental payments under operating leases is €93,713 thousand for property-related contracts and €12,731 thousand for other operating leases. In addition, the nominal value of future rental payments receivable under sub-lease contracts is €16,842 thousand.

Risks regarding the repayment of borrowings are described in Note 4.11.

Readers are reminded that since the date of acquisition of Xansa (17 October 2007), all Group companies are covered by a Master General and Professional third-party liability policy, with a contractual general indemnity limit of €135,000,000 per claim and per year

Similarly, all Group companies are covered by a Master property damages and business interruption (PDBI) policy, with a contractual general indemnity limit (all damages and business interruption losses combined) of €150,000,000 per year and for 2010.

Complex commitments:

➢ ***Commitments related to the sale of companies: warranties***

- Warranties received by Groupe Steria SCA and Steria SA on the acquisition of Mummert Consulting

  A warranty to cover liabilities was given to Groupe Steria SCA under normal business conditions.

  The warranties expired on 11 January 2007, except for those warranties concerning matters governed by French company law and tax matters which will expire in January 2015.

  Groupe Steria SCA designated Steria SA as nominee. As such, the Mummert securities are now held by Steria SA, which is subject to all the rights and obligations underwritten by Groupe Steria SCA in the acquisition agreement. Groupe Steria SCA remains jointly and severally liable in respect of the obligations now incumbent upon Steria SA.

- Warranties provided on the sale of SYSINTER

  Stepar sold all its shares in Sysinter on 4 January 2008 and provided the acquirer, Kobaltt Group, with vendor warranties subject to a maximum ceiling of €500 thousand and a cumulative deductible of €15 thousand. Those warranties will expire on 31 December 2010 with the exception of any tax (or similar), customs or employee related liabilities which will remain in force until such time as any applicable claims become time-barred.

➢ ***Commitments under shareholders' agreements***

- Commitments given and received by Stepar in connection with Travelsoft

  Various commitments have been given to guarantee the valuation of the interest held by Stepar in Travelsoft (currently 23.3% of share capital) notably in the event of a share capital increase and to enable Stepar to withdraw from the company.

  Other commitments given or received are immaterial.

NOTE 6: POST-BALANCE SHEET EVENTS

No material events have taken place since 30 June 2010.

III. Statutory Auditors' Report on the financial information for the half-year ended 30 June 2010

This is a free translation into English of the statutory auditors' review report issued in French and is provided solely for the convenience of English-speaking users. This report should be read in conjunction with and construed in accordance with French law and professional auditing standards applicable in France

PIMPANEAU & ASSOCIES
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S.A.S. au capital de € 120.000

Commissaire aux Comptes
Membre de la compagnie
régionale de Paris

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S.A.S. à capital variable

Commissaire aux Comptes
Membre de la compagnie
régionale de Versailles

Groupe Steria S.C.A.

Period from January 1 to June 30, 2010

To the Shareholders,

In compliance with the assignment entrusted to us by your shareholders' general meetings and in accordance with article L. 451-1-2 III of the French monetary and financial code (Code Monétaire et Financier), we hereby report to you on:

- our review of the accompanying condensed half-yearly consolidated financial statements of Groupe Steria S.C.A. for the period from January 1 to June 30, 2010, and

- the verification of the information contained in the interim management report.

These condensed half-yearly consolidated financial statements are the responsibility of the management. Our role is to express a conclusion on these financial statements based on our review.

1. Conclusion on the financial statements

We conducted our review in accordance with professional standards applicable in France. A review of interim financial information consists in making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that the financial statements, taken as a whole, are free from material misstatements, as we would not become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that these condensed half-yearly consolidated financial statements are not prepared in all material respects in accordance with IAS 34 – IFRS as adopted by the European Union applicable to interim financial information.

2. Specific verification

We have also verified the information provided in the interim management report in respect of the condensed half-yearly consolidated financial statements that were the object of our review.

We have no matters to report on the fairness and consistency of this information with the condensed half-yearly consolidated financial statements.

Paris and Neuilly-sur-Seine, July 29, 2010

The statutory auditors
French original signed by

PIMPANEAU ET ASSOCIES NEXIA INTERNATIONAL	ERNST & YOUNG et Autres
Olivier Lelong	Denis Thibon

IV. Declaration from the person responsible for the half-yearly financial report

I hereby declare that to the best of my knowledge, the condensed consolidated financial statements for the half year ended 30 June 2010 have been prepared in accordance with applicable accounting standards and present a fair view of the assets, financial position and results of the company and all companies included in the scope of consolidation and that the management report fairly presents all major events during the first six months of the year, their impact on the accounts and the main transactions between related parties and provides a description of the main risks and uncertainties facing the Group in the remaining six months of the year.

29th July 2010,

____

Mr. François Enaud
General Manager