steria

Press Release

Paris, July 30, 2012

First half 2012 results
Organic revenue growth of 3.3%
Operating margin[1] of 5.1%

- **In a deteriorating first half environment, the Group's activity remained robust with like-for-like revenue growth of +3.3%, highlighting a profile and positioning adapted to a market undergoing transformation.**
- **The good commercial momentum was reflected in the pipeline which remains at the level equivalent to that of December 2011 (1.9x projected sales) and 9.3% growth in new orders, leading to an increased book to bill ratio of 1.11 at June 30, 2012.**
- **Under the effect of significant pricing pressure and an increase in the inter-contract rate, the operating margin contracted by €5.9 million on a comparable basis, resulting in a margin rate of 5.1% versus 6.1% during the first half of 2011[2].**
- **For the full year 2012, the Group expects an operating margin rate of above 6.0%.**
- **The Group is working on a project with an objective to generate, on an annual basis, between €15 million and €18 million of additional cost savings.**

On July 26, 2012, the Supervisory Board of Groupe Steria SCA examined the consolidated financial statements submitted by the General Management.

First half 2012[3] consolidated results

First half	2011 Reported	**2012**
Revenue (€m)	865.1	**926.6**
Operating margin[1] (€m)	*57.6*	***47.0***
% of revenue	*6.7%*	***5.1%***
Operating income[4] (€m)	34.5	**37.6**
Attributable net income (€m)	22.0	**23.8**
Underlying attributable net income[5] (€m)	38.3	**27.5**
Underlying diluted earnings per share[4] (€)	1.17	**0.81**
Shareholder Equity (€m)	696.3	**802.7**
Net financial debt (€m)	200.0	**212.7**

[1] Before amortisation of intangible assets arising from business combinations. The operating margin is the Group's key indicator. It is defined as the difference between revenue and operating expenses, the latter being equal to the total cost of services rendered (costs necessary for the implementation of projects), sales costs and general and administrative expenses.
[2] The comparison with the first half 2011 takes into account a restatement concerning the charge for paid holidays accrued at 30/06/2011 in France (-€4.7 million) on the basis of the methodology applied in 2012. A symmetrical adjustment will be booked in the second half of 2012 leading to a neutral impact for the full year.
[3] Limited Statutory Auditors' report published.
[4] Operating income includes restructuring costs, capital gains on disposals, expenses linked to share-based schemes granted to employees and other operating income and expenses.
[5] Attributable net income restated, after tax, for other operating income and expenses, amortisation of intangible assets and unrecognised deferred tax assets.

Revenue

First half 2012 consolidated revenue

In € million	H1 2011	H1 2012	Growth
Revenue	865.1	**926.6**	**7.1%**
Change in consolidation scope	11.3		
Change due to currency effect	20.4		
Pro-forma revenue	896.8	**926.6**	**3.3%**

First half 2012 revenue by geographic region

In € million	H1 2011*	H1 2012	Organic Growth
United Kingdom	356.3	**369.2**	**3.6%**
France	270.2	**295.3**	**9.3%**
Germany	119.9	**114.8**	**-4.2%**
Other Europe	150.4	**147.2**	**-2.1%**
Total	896.8	**926.6**	**3.3%**

*Like-for-like revenue (base 2012)

First half 2012 revenue by business line

In € million	H1 2011**	H1 2012	Organic growth
Infrastructure management and Business Process Outsourcing	347.1	**382.1**	**10.1%**
Consulting and Systems Integration	549.8	**544.5**	**-1.0%**

** Revenue on a like-for-like perimeter, currency and organisational structure (base 2012)

Second quarter 2012 revenue by geographic region

In € million	Q2 2011*	Q2 2012	Organic growth
United Kingdom	183.8	**190.1**	**3.4%**
France	132.6	**138.9**	**4.8%**
Germany	60.0	**56.4**	**-6.0%**
Other Europe	81.2	**75.4**	**-7.2%**
Total	457.5	**460.8**	**0.7%**

*Like-for-like revenue (base 2012)

Second quarter 2012 activity

Second quarter revenues showed organic growth of 0.7% (on a calendar base averaging one day less than in 2011), leading to a 3.3% increase over the first half (calendar base identical to 2011).

This performance was achieved within a weaker trading environment, characterised by pressure on volumes and prices. Within this context, the Group's activity thus demonstrated strong resilience highlighting a profile and positioning adapted to client expectations in a market undergoing a rapid transformation. For example, the recent launches of *Workplace On Command*, *RightApps Management* and *RightSecurity Services* offerings were well received by the market.

Over the quarter, the Group benefited from growth in the Public Sector (+1%), Insurance (+6%), Utilities (+9%) and Transport (+27%) sectors. Banking (-2%) and Telecommunications (-10%) were, however, negatively orientated.

New orders saw strong growth over the quarter in France, Germany and the United Kingdom, driving a 9.3% increase in orders for the whole of the first half relative to the previous year.

At June 30, 2012, the Group's book to bill ratio stood at a satisfactory 1.11 (1.03 at June 30, 2011) and at 1.09 for the only cyclical activities, consulting and systems integration[6] (0.94 at June 30, 2011). As of the same date, the pipeline, measured as a multiple of revenue, amounted to 1.9x (comparable to its level of December 31, 2011).

- **In the United Kingdom**, on a like-for-like basis, second quarter revenue growth amounted to 3.4% thanks to the positive trend in the Public sector (+8%), driven by increased activity with the Ministry of Defence, the Ministry of Justice and the NHS through the NHS SBS entity. New orders saw a strong progression during the second quarter bringing the increase for the first half to 5.1%. At June 30, 2012, the book to bill ratio stood at 1.0 (0.94 at June 30, 2011).
- **In France**, like-for-like growth was 4.8% (+9.3% for the first half), driven by strong momentum in the Banking, Insurance and Transport sectors, the latter having been underpinned in particular by the EcoTax contract. There were a number of large contract wins in IT infrastructure transformation (Canal+, JC Decaux, large Ministries, etc.) and information systems transformation including application maintenance activities (a major European bank, public sector, energy sector, etc.). New orders were sharply higher in the second quarter propelling first half order growth to 37.7%. At June 30, 2012, the book to bill ratio stood at 1.32 (1.05 at June 30, 2011).
- **In Germany**, organic growth was -6.0% over the quarter (-4.2% for the first half), having been impacted by the difficult situation in the banking sector which represents a large proportion of the Group's revenue in this country. Activity was affected by project delays and significant price pressure. Inversely, new orders, including the Business Intelligence and Application Maintenance areas, experienced an acceleration during the second quarter amounting, at June 30, 2012, to a total identical to that of the previous year. At end June 2012, the book to bill ratio was 1.21 (1.16 at June 30, 2011).
- **The Other Europe region** posted a like-for-like decline of 7.2% (-2.1% for the first half), marked by an unfavourable base effect in Scandinavia and Belgium with the ending of the large European projects (Schengen and Visa impact) and by a lengthening in the decision-making cycle, particularly in Scandinavia.

[6] Consulting and systems integration in the strict sense, excluding testing and application maintenance

Results for the first half 2012

The first half was marked by stronger pricing pressure than the Group's initial expectations, with the negative impact on the operating margin amounting to some 100 basis points. Most of this effect was offset by productivity gains generated by the transformation programmes deployed across the Group.

At the same time, the climate of extreme caution prevailing amongst clients, marked by project cancellations and delays, was reflected, across the quasi-totality of the Group's geographies, by an increase in the average inter-contract rate relative to the first half 2011 (estimated impact €6 million).

As a result, despite higher volumes, the Group's operating margin contracted to €47 million versus €52.9 million[2] in the first half of 2011, resulting in an operating margin rate of 5.1%.

Other operating income and expenses for the half year represented a net expense of €6.2 million versus a net expense of €20.7 million in the previous year and notably included €9 million of net restructuring charges, a non-cash charge of €7.8 million corresponding to the amortisation of actuarial losses linked to the pension schemes and a €12.1 million gain linked to the application of the accounting treatment following the NHS SBS full consolidation of from January 1, 2012.

Taking into account a financial result of -€4.2 million and income tax expense of €8.4 milllion, underlying attributable net income amounted to €27.5 million versus €38.3 million in the previous year.

Outlook

The Group is working on a project with an objective to generate, on an annual basis, between €15 million and €18 million of additional cost savings.

In an uncertain environment, for the full year 2012, the Group expects like-for-like revenue growth of between +2% and +3.0% and an operating margin rate of above 6.0%.

An information meeting on the first half 2012 results will take place on July 30, 2012 at 9h00 CET by webcast at www.steria.com (investors section).

Next publication: third quarter 2012 revenue on Tuesday October 30, 2012 after the market close.

Appendices: Consolidated income statement, consolidated balance sheet, summary cash flow statement and operating margin rate by geographical region at June 30, 2012.

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Consolidated income statement at June 30, 2012

In thousands of euros	30/06/2012	30/06/2011
Revenue	926,601	865,124
Cost of sales and sub-contracting costs	(186,005)	(151,931)
Personnel costs	(538,753)	(520,237)
Bought-in costs	(133,888)	(120,249)
Taxes (excluding income taxes)	(10,967)	(10,121)
Change in inventories	(18)	30
Other current operating income and expenses	4,618	4,630
Net charges for depreciation and amortisation	(20,338)	(14,210)
Net charges for provisions	2,638	3,678
Net charges for current asset impairment	(87)	(1,480)
Operating margin (*)	**43,801**	**55,234**
Operating profitability	4.7%	**6.4%**
Other operating income and expenses	(6,188)	**(20,704)**
Operating income	**37,613**	**34,530**
Cost of net borrowings	(1,631)	**715**
Other financial income and expenses	(2,585)	**(2,427)**
Net financial expense	**(4,217)**	**(1,713)**
Income tax expense	(8,445)	**(10,940)**
Share of profit/(loss) of associates	85	**364**
Net income from continuing operations	**25,036**	**22,241**
Net income/(loss) from operations held for sale	-	**-**
Net income for the year	**25,036**	**22,241**
Attributable net income	**23,837**	**21,966**
Attributable to minority interests	**1,199**	**275**

Underlying[4] diluted earnings per share (euros)	**0.81**	**1.17**

(*) After amortisation of the customer relationships arisen from business combinations and amounting to **€3.237 million** at June 30, 2012 and €2.335 million at June 30, 2011

Consolidated balance sheet at June 30, 2012

In thousands of euros	30/06/2012	31/12/2011	30/06/2011
Goodwill	785,965	744,456	701,082
Other intangible assets	102,427	71,072	63,953
Property, plant and equipment	59,214	58,642	49,912
Investments in associates	1,578	10,938	7,962
Available-for-sale financial assets	2,552	2,273	1,808
Other financial assets	3,905	3,484	3,323
Retirement benefit assets	61,052	58,212	48,132
Deferred tax assets	32,543	27,332	21,010
Other non-current assets	2,185	3,418	3,655
Non-current assets	**1,051,421**	**979,826**	**900,838**
Inventories	7,506	9,218	7,409
Net trade receivables and similar accounts	286,744	299,468	290,786
Amounts due from customers	244,609	176,345	224,123
Other current assets	42,757	31,225	32,918
Current portion of non-current assets	3,863	3,565	3,538
Current tax assets	42,952	35,213	31,558
Prepaid expenses	28,492	23,001	31,041
Cash and cash equivalents	139,602	170,369	122,675
Current assets	**796,526**	**748,403**	**744,048**
Non-current assets classified as held for sale	8,912	9,095	23,507
Total assets	**1,856,859**	**1,737,324**	**1,668,393**

Shareholders' equity	**796,406**	**764,493**	**694,284**
Minority interests	6,283	1,897	2,052
Total equity	**802,689**	**766,390**	**696,337**
Long-term borrowings	292,927	263,626	277,667
Retirement benefit obligations	41,436	40,247	35,838
Provision for non-current liabilities and charges	14,407	14,122	16,709
Deferred tax liabilities	20,556	20,939	18,227
Other non-current liabilities	25,421	6,817	6,203
Non-current liabilities	**394,746**	**345,750**	**354,644**
Short-term borrowings	59,376	32,648	44,972
Provisions for current liabilities and charges	29,261	34,638	31,789
Net trade payables and similar accounts	146,185	152,179	159,399
Gross amounts due to customers and advances and payments on account received	91,540	70,900	74,639
Current tax liabilities	56,157	54,971	48,425
Other current liabilities	275,772	278,694	253,757
Current liabilities	**658,292**	**624,030**	**612,981**
Liabilities directly associated with non-current assets classified as held for sale	1,131	1,155	4,432
Total equity and liabilities	**1,856,859**	**1,737,324**	**1,668,393**

Summary cash flow statement at June 30, 2012

In € million	30/06/12	30/06/11
EBITDA	**60.7**	**67.0**
Non-cash adjustments	0.4	3.0
Net financial costs	-2.6	-0.4
Cash flow before tax	**58.5**	**69.6**
Income tax	-13.9	-9.3
Change in WCR (cash elements)	-75.6	-107.7
Operating cash flow	**-31.0**	**-47.5**
Net industrial investment	-21.8	-14.9
Restructuring	-12.8	-12.6
Operating free cash flow	**-65.5**	**-75.0**
Dividends[7]	-8.7	-8.7
Net financial investment	0.2	-0.5
Capital increase	0.0	0.0
Change in consolidation scope	-0.4	0.0
Additional contribution to pension fund	-8.9	-9.6
Other	-3.5	-5.0
Free cash flow	**-86.8**	**-98.8**

Operating margin rate[8] in the first half by geographical region

In € million	**H1 2012**	H1 2011 Restated[2]	H1 2011 Reported
United Kingdom	8.4%	9.1%	9.1%
France	4.7%	5.1%	6.8%
Germany	3.7%	6.5%	6.5%
Other Europe	2.6%	4.2%	4.2%
Group costs	-0.7%	-0.5%	-0.5%
Group	5.1%	6.1%	6.7%

[7] Of which coupon on the hybrid convertible bond: €8.7 million at June 30, 2012 and June 30, 2011

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