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HALF-YEAR FINANCIAL REPORT
AT 30 JUNE 2019

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HALF-YEAR FINANCIAL REPORT

AT 30 JUNE 2019

CONTENTS

This document is a free translation into English of the original French "Rapport financier semestriel au 30 juin 2019", hereafter referred to as the "Half-year financial report at 30 June 2019". It is not a binding document. In the event of a conflict in interpretation, reference should be made to the French version, which is the authentic text.

SOCIÉTÉ ANONYME WITH SHARE CAPITAL OF €20,547,701 – 326 820 065 RCS ANNECY
REGISTERED OFFICE: PAE LES GLAISINS ANNECY-LE-VIEUX – FR 74940 ANNECY
HEAD OFFICE: 6 AVENUE KLÉBER – FR 75116 PARIS

1 BUSINESS REVIEW FOR THE SIX-MONTH PERIOD

1. Business activity during the first six months of the year

1.1. Consolidated income statement for first-half 2019 [(1)]

	First-half 2019		First-half 2018	
	(€m)	*(%)*	*(€m)*	*(%)*
Revenue	**2,207.1**		**2,014.0**	
Staff costs	-1,338.5		-1,235.6	
Operating expenses	-636.1		-624.4	
Depreciation, amortisation and provisions	-81.5		-21.2	
Operating profit on business activity	**151.0**	***6.8%***	**132.8**	***6.6%***
Share-based payment expenses	-4.3		-22.1	
Amortisation of allocated intangible assets	-13.6		-11.6	
Profit from recurring operations	**133.1**	***6.0%***	**99.2**	***4.9%***
Other operating income and expenses	-17.8		-19.1	
Operating profit	**115.3**	***5.2%***	**80.0**	***4.0%***
Cost of net financial debt	-4.4		-3.7	
Other financial income and expenses	-7.7		-3.2	
Tax expense	-34.4		-34.9	
Share of net profit from equity-accounted companies	-2.0		1.3	
Net profit	**66.8**	***3.0%***	**39.5**	***2.0%***
Attributable to the Group	**60.9**	***2.8%***	**38.4**	***1.9%***
Minority interests	5.9		1.1	
Weighted average number of shares outstanding excluding treasury shares *(in millions of shares)*	20.22		20.16	
Basic earnings per share *(in euros)*	3.01		1.90	

Strong business growth in the first half of 2019 powered a 9.6% increase in revenue. Changes in scope had a positive impact of €38.9 million, while currency fluctuations had almost no impact. **At constant scope and exchange rates, revenue** grew 7.4%. This performance reflects the effective positioning of Sopra Steria's solutions in a market driven by clients' digital transformation needs.

Operating margin on business activity came to €151.0 million, or a margin of 6.8%, up 0.2 points from its first-half 2018 level.

Sopra Steria pressed ahead with its strategy of raising the value of its offerings. To support this strategy, it invested in consulting, internal systems (DevOps platform on the Hybrid Cloud, Asset-based platforms), verticalisation of consulting and systems integration in France, and the Group's brand platform. In addition, it sold a low-margin, non-core recruitment business in the United Kingdom.

Sopra Banking Software project was also strengthened in the first half. Two landmark deals were completed. The acquisition of French vendor SAB has significantly strengthened Sopra Banking Software's position in France in core banking software, raising the prospect of product synergies being harnessed from the combined installed base, including through digital offerings. The strategic partnership with seven Sparda Banken has unlocked greater potential for the Sopra Banking Platform product. It will underpin the transformation of their core banking system in Germany. This partnership will seek to attract additional banks, which will be able to join the common platform shared by these seven Sparda Banken. Moreover, the organisation, management and reporting of the specialised loans business were tightened up as part of a turnaround plan introduced during the first quarter. The plan is underpinned by the development during 2019 of a standardised version of the product. The aim is to bring this new version to market in the first quarter of 2020.

(1) Alternative performance measures are defined in the glossary on page 10 of this document.

Comments on net profit for the first half of 2019

- **Operating profit on business activity** totalled €151.0 million.
- **Profit from recurring operations** came to €133.1 million. That figure reflects a substantial decrease in share-based payment expense to €4.3 million, versus €22.1 million in the first half of 2018.
- **Operating profit** was €115.3 million after a net expense of €17.8 million for other operating income and expenses (compared with a net expense of €19.1 million in first-half 2018), which included €14.3 million in reorganisation and restructuring expenses.
- **The tax expense** was €34.4 million in the half-year period, versus €34.9 million in the first half of 2018, translating to a Group-wide tax rate of 33.4%. The 2019 full-year tax rate is expected to be around 35%.
- **The share of the profit/loss from equity-accounted companies** (Axway Software) was -€2.0 million (profit of €1.3 million in first-half 2018).
- After deducting €5.9 million in **non-controlling interests, net profit attributable to the Group** came to €60.9 million, a rise of 58.8% on the first half of 2018.
- **Basic earnings per share** came to €3.0, up 58.3% compared with the first-half 2018 level of €1.9.

1.2. Performance by reporting unit

SOPRA STERIA: REVENUE BY REPORTING UNIT (€M/%) – FIRST-HALF 2019

	First-half 2019	First-half 2018 Restated*	First-half 2018	Organic growth	Total growth
France	914.9	849.1	849.1	+ 7.7%	+ 7.7%
United Kingdom	429.6	385.7	382.8	+ 11.4%	+ 12.2%
Other Europe	534.9	498.5	475.5	+ 7.3%	+ 12.5%
Sopra Banking Software	204.0	202.1	187.4	+ 0.9%	+ 8.9%
Other Solutions	123.6	119.2	119.2	+ 3.7%	+ 3.7%
SOPRA STERIA GROUP	**2,207.1**	**2,054.6**	**2,014.0**	**+ 7.4%**	**+ 9.6%**

* *Revenue at 2019 scope and exchange rates.*

SOPRA STERIA: REVENUE BY REPORTING UNIT (€M/%) – SECOND-QUARTER 2019

	Second-quarter 2019	Second-quarter 2018 Restated*	Second-quarter 2018	Organic growth	Total growth
France	457.8	422.8	422.8	+ 8.3%	+ 8.3%
United Kingdom	216.2	194.9	194.4	+ 10.9%	+ 11.2%
Other Europe	267.5	252.0	243.9	+ 6.1%	+ 9.7%
Sopra Banking Software	110.8	106.2	99.2	+ 4.3%	+ 11.7%
Other Solutions	63.4	61.8	61.8	+ 2.6%	+ 2.6%
SOPRA STERIA GROUP	**1,115.7**	**1,037.8**	**1,022.2**	**+ 7.5%**	**+ 9.2%**

* *Revenue at 2019 scope and exchange rates.*

SOPRA STERIA: PERFORMANCE BY REPORTING UNIT – FIRTST-HALF 2019

	First-half 2019		First-half 2018	
	(€m)	*(%)*	*(€m)*	*(%)*
France				
Revenue	914.9		849.1	
Operating profit on business activity	85.2	9.3%	76.0	9.0%
Profit from recurring operations	81.7	8.9%	60.5	7.1%
Operating profit	76.1	8.3%	56.1	6.6%
United Kingdom				
Revenue	429.6		382.8	
Operating profit on business activity	26.4	6.1%	17.1	4.5%
Profit from recurring operations	20.4	4.7%	10.5	2.7%
Operating profit	19.8	4.6%	2.2	0.6%
Other Europe				
Revenue	534.9		475.5	
Operating profit on business activity	34.5	6.5%	32.9	6.9%
Profit from recurring operations	32.7	6.1%	28.9	6.1%
Operating profit	28.6	5.4%	25.1	5.3%
Sopra Banking Software				
Revenue	204.0		187.4	
Operating profit on business activity	-9.5	-4.7%	-8.4	-4.5%
Profit from recurring operations	-15.6	-7.6%	-14.6	-7.8%
Operating profit	-21.2	-10.4%	-16.2	-8.6%
Other Solutions				
Revenue	123.6		119.2	
Operating profit on business activity	14.5	11.7%	15.1	12.7%
Profit from recurring operations	13.9	11.2%	13.9	11.7%
Operating profit	11.9	9.6%	12.8	10.8%

In France, revenue surged to €914.9 million. Organic revenue growth was 7.7%. Business growth was again driven by consulting, the transformation of IT infrastructure, including in relation to the cloud, and cybersecurity. Defence, aerospace, insurance, human resources and energy were the best-performing vertical markets. Operating margin on business activity came to 9.3%, up 0.3 points from its first-half 2018 level. Investments in digital technologies and in moving the offering upscale were stepped up, the aim being to build towards an operating margin in excess of 10% over the medium term.

In the United Kingdom, revenue (€429.6 million) posted a substantial increase. Growth at constant exchange rates and scope ran at 11.4%. In line with the full-year targets, operating margin on business activity came to 6.1%, up 1.6 points from its first-half 2018 level. This performance was chiefly driven by the improved showing at two public-sector joint ventures. Their revenue growth averaged 18.7%, and their profitability has now reached a normalised level. The other public-sector businesses were affected by a degree of hesitancy as a result of the current situation in the United Kingdom. A drive to shore up positions in the private sector, especially in banking, has been launched, with the requisite transformation set to continue for several half-year periods.

The **Other Europe** reporting unit posted organic growth of 7.3%, with revenue totalling €534.9 million. Revenue in Germany rose only modestly as a result of a significant drop in spending by some clients in the banking sector, which hit operating performance. Growth was upbeat outside the banking sector. Elsewhere in the reporting unit, growth was particular brisk in Scandinavia, Spain and Italy. Operating margin on business activity of the reporting unit edged down to 6.5% (6.9% in the first half of 2018).

Sopra Banking Software's revenue posted a small organic increase (up 0.9%) to €204.0 million, and its operating margin came at -€9.5 million (loss of €8.4 million in the first half of 2018). Financial year 2019 is a year of transition. Having said that, a large number of product deliveries (DxP, Platform, Amplitude and Cassiopae) were made in the first half-year period, with 108 go-lives. The goal is to deliver a gradual improvement in the reporting unit's operating margin on activity from 2020 onwards.

The **Other Solutions** reporting unit's performance was encouraging, with its revenue totalling €123.6 million. Organic growth ran at 2.3% in human resources solutions and 6.7% in real estate management solutions. Operating margin came to 11.7% compared with 12.7% in the first half of 2018, which provided a challenging comparison basis as the previous year was boosted by preparations for the introduction of income tax withholding in France.

1.3. Workforce

At 30 June 2019, the Group's workforce totalled 44,959 people (44,114 at 31 December 2018), with 19.2% working in X-Shore zones.

1.4. Financial position

Sopra Steria's **financial position** at 30 June 2019 is robust in terms of both financial ratios and liquidity.

Free cash flow for the first half of the year, traditionally a period of net cash outflows due to seasonal effects, amounted to a cash outflow of €21.8 million, far better than the €77.3 million[(1)] outflow of the first half of 2018.

Net financial debt stood at €624.3 million at 30 June 2019, or 1.6x pro forma 12-month rolling EBITDA, compared with 1.8x at 30 June 2018 (with the bank covenant stipulating a maximum of 3x).

On 5 July 2019, the Group completed a €250 million **Euro PP bond** issue on favourable terms (see press release dated 25 June 2019). This bond issue has enabled the Group to extend the maturity of its debt and continue the process of diversifying its funding sources.

2. Key events of the period

The Group announced the following transactions in the first half of 2019:

- Sopra Banking Software **acquired** a 70% shareholding in SAB, which will be fully consolidated from 1 July 2019 (see press release dated 10 April 2019).
- It **acquired** a 51% stake in the Sparda Banken's captive IT entity under the strategic partnership with seven of these banks. The unit will be fully consolidated in Sopra Steria's financial statements as part of the Other Europe reporting unit in the course of Q3 2019 (see press release dated 9 May 2019).
- It **divested** a non-core, low-margin recruitment business in the United Kingdom, which has been deconsolidated from 28 June 2019 (see press release dated 18 June 2019).

(1) After restating the 2017 working capital requirement for the €37 million in trade receivables sold and deconsolidated in 2017.

3. Risk factors and related-party transactions

3.1. Risk factors

A description of the main risks can be found in the 2018 Registration Document filed with the *Autorité des Marchés Financiers* (AMF) on 12 April 2019, available on our website: https://www.soprasteria.com.

The risk factors are of the same nature as those presented in Chapter 1, Section 8.1 (pages 28 to 37) of the 2018 Registration Document, and have not undergone any significant changes.

Sopra Steria's main risk factors are presented below. They are listed initially in order of importance, with regard to their probability of occurrence and the magnitude of their potential adverse impact, in the summary table below.

For each risk factor, a description is provided explaining how it may affect Sopra Steria as well as the risk management policies, procedures and action plans put in place.

SUMMARY TABLE OF MAIN RISKS AND RISK MANAGEMENT MEASURES

Main operating risks	Main risk management measures
Risk related to market developments and the transformation of the business model	■ Comprehensive annual strategy review ■ Governance of the transformation supervised by the Chairman and the Chief Executive Officer ■ Regular follow-up on the implementation of decisions and execution
Risk related to the adaptation of skills*	■ Recruitment selectivity ■ HR policy including the rollout of the DPEPP approach, which stands for *Dynamique Prospective Emplois et Parcours Professionnels* (Dynamic Forecasting of Workforce Requirements and Career Development) ■ Training programmes
Risk related to the protection and security of client data	■ Security policies and procedures, with an organisational structure led by the Chief Information Security Officer (CISO) ■ ISO 27001 certification and GDPR compliance programme ■ Support provided by the Toulouse security operations centre (SOC) ■ Large-scale training and awareness programme
Risk related to project delivery	■ Organisation and procedures (including the Quality System) for the pre-sales, production and quality control phases of projects ■ Reviews and audits by the Industrial Department
Risk related to continuity of service and information system security	■ Policy and procedures for the selection of locations for shared service centres, organisation and planning for continuity of service
Risk related to attracting and retaining talent*	■ Ambitious recruitment and retention policy
Risk related to the loss of a significant client	■ Policy and strategy for key accounts reviewed annually ■ Regular monitoring of the client portfolio by the Key Accounts and Partnerships Department
Risk related to activities in high-risk countries	■ Implementation of an export policy and procedure
Risk related to Brexit	■ Specific committee formed to monitor the associated risks and propose action plans
Risks related to retirement benefit obligations	■ Monitoring and management by finance departments at entity and Group levels

Main non-financial risks	Main risk management measures
Risk of breaches of ethics or violations of the law*	■ Reinforced ethics and compliance programme, including the implementation of a system for preventing and combating corruption and influence peddling ■ Internal Control and Risk Management Department set up to coordinate and monitor compliance, internal control and risk management issues in a cross-functional manner ■ Appointment of Compliance Officers, responsible for compliance issues as well as internal control at each entity

* *This risk also meets the requirements of the regulations set out in Articles L. 225-102-1-III and R. 225-105 of the French Commercial Code.*

Each of these main risks is presented in more detail on pages 30 and following of the 2018 Registration Document, including information describing the risk as well as the Group's risk management process.

As of the date this report was published, no material risks other than those mentioned in the 2018 Registration Document had been identified.

To comply with all legal and regulatory requirements and continue to follow the various recommendations issued, Section 2, "Disclosures arising from specific obligations – Other risks" of Chapter 7 of the 2018 Registration Document presents the risks which – in light of the Group's risk-mapping exercise – are not included among the key risks presented in Chapter 1 of this document but nonetheless require disclosure (pages 229 to 233).

The updated amounts of items related to financial risks at 30 June 2019 are presented in Note 5.3 and in Note 12 to the condensed consolidated financial statements (on pages 23 to 24 and 30 to 31, respectively).

3.2. Related-party transactions

These transactions are discussed in Note 15 to the condensed consolidated financial statements in this report (page 34).

4. Outlook

The Group has raised its full-year growth target and is reiterating its other full-year 2019 targets.

- Organic revenue growth of 6% or over (previously "Organic revenue growth of between 4% and 6%").
- A slight improvement in operating margin on business activity rate.
- Free cash flow in excess of €150 million.

5. Events subsequent to the period-end, 30 June 2019

- On 3 July 2019, the Group, via its subsidiary Sopra Banking Software, acquired a controlling stake in SAB, one of France's leading core banking software developers.
- In addition, on 5 July 2019 the Group completed a €250 million bond issue to top-tier institutional investors, composed of two tranches: one 7-year €130 million tranche with a fixed annual coupon of 1.749%, and one 8-year €120 million tranche with a fixed annual coupon of 2.0%. The proceeds from this bond issue will be partly used to refinance the bond issued by Groupe Steria in 2013, which matured on 12 July 2019 (see Note 12.2).

Annex/Glossary

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

2 CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Consolidated statement of net income

(in millions of euros)	Notes	First-half 2019	First-half 2018
Revenue	*4.1*	**2,207.1**	**2,014.0**
Staff costs	*5.1*	-1,338.5	-1,235.6
External expenses and purchases		-625.1	-606.2
Taxes and duties		-16.1	-17.5
Depreciation, amortisation, provisions and impairment		-81.5	-21.2
Other current operating income and expenses		5.1	-0.8
Operating profit on business activity		**151.0**	**132.8**
as % of revenue		*6.8%*	*6.6%*
Expenses related to stock options and related items	*5.4*	-4.3	-22.1
Amortisation of allocated intangible assets		-13.6	-11.6
Profit from recurring operations		**133.1**	**99.2**
as % of revenue		*6.0%*	*4.9%*
Other operating income and expenses	*4.2*	-17.8	-19.1
Operating profit		**115.3**	**80.0**
as % of revenue		*5.2%*	*4.0%*
Cost of net financial debt	*12.1.1*	-4.4	-3.7
Other financial income and expenses	*12.1.2*	-7.7	-3.2
Tax expense	*6*	-34.4	-34.9
Net profit from associates	*10.1*	-2.0	1.3
Net profit from continuing operations		**66.8**	**39.5**
Net profit from discontinued operations		-	-
Consolidated net profit		**66.8**	**39.5**
as % of revenue		*3.0%*	*2.0%*
Non-controlling interests	*14.1.4*	5.9	1.1
NET PROFIT ATTRIBUTABLE TO THE GROUP		**60.9**	**38.4**
as % of revenue		*2.8%*	*1.9%*
EARNINGS PER SHARE *(in euros)*	*Notes*		
Basic earnings per share	*14.2*	3.01	1.90
Diluted earnings per share	*14.2*	3.00	1.90

Consolidated statement of comprehensive income

(in millions of euros)	Notes	First-half 2019	First-half 2018
Consolidated net profit		**66.8**	**39.5**
Other comprehensive income:			
Actuarial gains and losses on pension plans	*5.3*	-62.2	88.4
Tax impact		12.5	-14.8
Related to associates		-0.2	-
Change in fair value of financial assets (non-consolidated securities)		2.4	4.2
Subtotal of items recognised in equity and not reclassifiable to profit or loss		**-47.5**	**77.8**
Translation differences		5.1	-1.5
Change in net investment hedges		-0.3	-1.8
Tax impact on net investment hedges		0.1	0.5
Change in cash flow hedges		2.4	-4.6
Tax impact on cash flow hedges		-0.8	1.5
Related to associates		0.3	1.7
Subtotal of items recognised in equity and reclassifiable to profit or loss		**6.7**	**-4.2**
Other comprehensive income, total net of tax		**-40.8**	**73.6**
COMPREHENSIVE INCOME		**26.0**	**113.1**
Non-controlling interests		3.9	3.1
Attributable to the Group		**22.1**	**110.0**

Consolidated statement of financial position

Assets *(in millions of euros)*	**Notes**	**30/06/2019**	**31/12/2018**
Goodwill	*8.1*	1,710.3	1,708.5
Intangible assets		229.8	253.5
Property, plant and equipment		123.1	144.7
Right-of-use assets	*9.1*	284.1	-
Equity-accounted investments	*10.2*	193.0	195.1
Other non-current financial assets	*7.1*	48.2	38.9
Retirement benefits and similar obligations	*5.3*	2.0	2.0
Deferred tax assets		112.8	96.9
Non-current assets		**2,703.3**	**2,439.6**
Trade receivables and related accounts	*7.2*	1,161.1	1,091.0
Other current assets		333.3	286.8
Cash and cash equivalents	*12.2*	235.8	170.3
Current assets		**1,730.2**	**1,548.1**
Assets held for sale		-	-
TOTAL ASSETS		**4,433.5**	**3,987.7**

Liabilities and equity *(in millions of euros)*	**Notes**	**30/06/2019**	**31/12/2018**
Share capital		20.5	20.5
Share premium		531.5	531.5
Consolidated reserves and other reserves		650.6	619.1
Profit for the period		60.9	125.1
Equity attributable to the Group		**1,263.5**	**1,296.2**
Non-controlling interests		**29.2**	**32.9**
TOTAL EQUITY	*14.1*	**1,292.7**	**1,329.2**
Financial debt – Non-current portion	*12.2*	265.0	338.3
Lease liabilities – Non-current portion	*9.2*	216.6	-
Deferred tax liabilities		15.0	17.3
Retirement benefits and similar obligations	*5.3*	373.3	317.5
Non-current provisions	*11.1*	54.6	59.9
Other non-current liabilities	*7.4*	101.7	99.9
Non-current liabilities		**1,026.2**	**832.9**
Financial debt – Current portion	*12.2*	595.1	452.9
Lease liabilities – Current portion	*9.2*	87.8	-
Current provisions	*11.1*	24.7	21.6
Trade payables and related accounts		296.9	294.9
Other current liabilities		1,110.0	1,056.2
Current liabilities		**2,114.5**	**1,825.6**
Liabilities held for sale		-	-
TOTAL LIABILITIES		**3,140.8**	**2,658.5**
TOTAL LIABILITIES AND EQUITY		**4,433.5**	**3,987.7**

Consolidated statement of changes in equity

(in millions of euros)	Share capital	Share premium	Treasury shares	Consolidated reserves and retained earnings	Other compre-hensive income	Total attributable to the Group	Non-controlling interests	Total
At 31/12/2017	**20.5**	**531.5**	**-40.4**	**830.8**	**-135.9**	**1,206.5**	**30.7**	**1,237.2**
Share capital transactions	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	18.0	-	18.0	0.1	18.1
Transactions in treasury shares	-	-	-4.2	-16.4	-	-20.6	-	-20.6
Ordinary dividends	-	-	-	-49.3	-	-49.3	-	-49.3
Changes in scope	-	-	-	-	-	-	1.1	1.1
Put option on minority interests	-	-	-	-3.1	-	-3.1	-1.3	-4.3
Other movements	-	-	-	1.2	-1.0	0.2	-	0.2
Shareholder transactions	**-**	**-**	**-4.2**	**-49.6**	**-1.0**	**-54.8**	**-0.1**	**-54.9**
Net profit for the period	-	-	-	38.4	-	38.4	1.1	39.5
Other comprehensive income	-	-	-	-	71.6	71.6	2.0	73.6
Comprehensive income for the period	**-**	**-**	**-**	**38.4**	**71.6**	**110.0**	**3.1**	**113.1**
At 30/06/2018	**20.5**	**531.5**	**-44.6**	**819.6**	**-65.3**	**1,261.7**	**33.7**	**1,295.4**
Share capital transactions	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	1.8	-	1.8	0.1	1.8
Transactions in treasury shares	-	-	1.8	-3.0	-	-1.2	-	-1.2
Ordinary dividends	-	-	-	0.6	-	0.6	-	0.6
Put option on minority interests	-	-	-	-1.5	-	-1.5	-1.3	-2.8
Other movements	-	-	-	-0.2	-0.1	-0.3	-	-0.3
Shareholder transactions	**-**	**-**	**1.8**	**-2.4**	**-0.1**	**-0.7**	**-1.2**	**-1.9**
Net profit for the period	-	-	-	86.8	-	86.8	2.5	89.2
Other comprehensive income	-	-	-	-	-51.5	-51.5	-2.1	-53.6
Comprehensive income for the period	**-**	**-**	**-**	**86.8**	**-51.5**	**35.3**	**0.4**	**35.6**
At 31/12/2018	**20.5**	**531.5**	**-42.8**	**903.9**	**-116.9**	**1,296.2**	**32.9**	**1,329.2**
Share capital transactions	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	3.6	-	3.6	0.1	3.7
Transactions in treasury shares	-	-	6.6	-7.5	-	-0.9	-	-0.9
Ordinary dividends	-	-	-	-38.0	-	-38.0	-2.3	-40.3
Put option on minority interests	-	-	-	1.4	-	1.4	-4.3	-2.9
First-time application of IFRS 16	-	-	-	-20.4	-	-20.4	-0.4	-20.8
Other movements	-	-	-	-0.5	-0.1	-0.6	-0.6	-1.2
Shareholder transactions	**-**	**-**	**6.6**	**-61.4**	**-0.1**	**-54.8**	**-7.6**	**-62.4**
Net profit for the period	-	-	-	60.9	-	60.9	5.9	66.8
Other comprehensive income	-	-	-	-	-38.8	-38.8	-2.0	-40.8
Comprehensive income for the period	**-**	**-**	**-**	**60.9**	**-38.8**	**22.1**	**3.9**	**26.0**
AT 30/06/2019	**20.5**	**531.5**	**-36.3**	**903.5**	**-155.7**	**1,263.5**	**29.2**	**1,292.7**

Consolidated cash flow statement

(in millions of euros)	Notes	First-half 2019	First-half 2018
Consolidated net profit (including non-controlling interests)		**66.8**	**39.5**
Net increase in depreciation, amortisation and provisions		101.2	36.3
Unrealised gains and losses related to changes in fair value		-2.6	-0.7
Expenses and income related to stock options and related items	*5.4*	3.7	18.1
Gains and losses on disposal		-1.9	0.1
Share of net profit/(loss) of equity-accounted companies	*10.1*	2.0	-1.3
Cost of net financial debt (including cost related to lease liabilities)	*12.1.1*	8.9	3.7
Tax expense	*6*	34.4	34.9
Cash from operations before change in working capital requirement (A)		**212.5**	**130.6**
Tax paid (B)		-34.3	-34.9
Change in operating working capital requirement (C)		-112.2	-169.4
Net cash from operating activities (D) = (A + B + C)		**66.0**	**-73.8**
Purchase of property, plant and equipment and intangible assets	*13.1*	-20.6	-25.7
Proceeds from sale of property, plant and equipment and intangible assets		-	0.1
Change in right-of-use assets		-24.7	-
Purchase of non-current financial assets		-0.2	-1.5
Proceeds from sale of non-current financial assets		0.1	-
Cash impact of changes in scope		2.0	-15.4
Proceeds from/(Payments on) loans and advances granted		-1.0	-0.8
Net interest received		0.1	0.1
Net cash from/(used in) investing activities (E)		**-44.2**	**-43.3**
Purchase and sale of treasury shares		-3.4	-18.3
Dividends paid to shareholders of the parent company		-	-
Dividends paid to the minority interests of consolidated companies		-2.3	-
Proceeds from/(Payments on) borrowings	*13.2*	95.9	109.0
Change in lease liabilities	*13.2*	-22.1	-
Net interest paid (including interest on lease liabilities)		-4.7	0.3
Additional contributions related to defined-benefit pension plans	*13.1*	-11.7	-11.2
Other cash flows relating to financing activities		-0.1	-
Net cash from/(used in) financing activities (F)		**51.6**	**79.7**
Impact of changes in foreign exchange rates (G)		0.5	-2.0
NET CHANGE IN CASH AND CASH EQUIVALENTS (D + E + F + G)		**73.9**	**-39.3**
Opening cash position		159.8	155.9
Closing cash position		233.7	116.7

Notes to the condensed consolidated financial statements

NOTE 1 OVERVIEW OF MAIN ACCOUNTING POLICIES

The Group's consolidated financial statements for the six-month period ended 30 June 2019 were approved by the Board of Directors at its meeting held on 25 July 2019.

1.1. Basis of preparation

The consolidated financial statements for the period ended 30 June 2019 were prepared in accordance with IAS 34 Interim Financial Reporting, part of the International Financial Reporting Standards (IFRSs) published by the International Accounting Standards Board (IASB) as adopted in the European Union and available online at http://ec.europa.eu/finance/company-reporting/ifrs-financial-statements/index_en.htm.

The accounting policies used to prepare the condensed consolidated financial statements for the six-month period ended 30 June 2019 were the same as those used in the consolidated financial statements for the year ended 31 December 2018 and described in Chapter 4, Note 1 of the 2018 Registration Document (filed on 12 April 2019 with the *Autorité des Marchés Financiers* under No. D.19-0319, available online at https://www.soprasteria.com), with the exception of the new standards and interpretations applicable to accounting periods beginning on or after 1 January 2019, presented in Note 1.2.

1.2. Application of new standards and interpretations

The following new standards, amendments to existing standards and interpretations adopted by the European Union are required for accounting periods beginning on or after 1 January 2019:

- IFRS 16 *Leases*;
- IFRIC 23 *Uncertainty over Income Tax Treatments.*

The implementation of these changes is described in Sections 1.2.1 and 1.2.2, respectively.

1.2.1. Impact of the first-time application of IFRS 16 *Leases*

IFRS 16 *Leases* replaces IAS 17 *Leases* and related interpretations. The standard enters into force at 1 January 2019. It introduces a single lessee accounting model under which lessees recognise a non-current asset and a lease liability for most leases, no longer just finance leases.

The Group launched a project comprising an initial phase that consisted of collecting all the information that may be required by the new standard and simulating the impacts of the various options it offers. This was followed by a second, more operational phase that involved rolling out and implementing changes in order to be able to apply the standard as from 1 January 2019.

The Group has chosen to apply the standard to all its leases identified as such under IAS 17 retrospectively by recognising the cumulative effect of its initial application at 1 January 2019 in equity within *Consolidated reserves*. At that date, in balance sheet liabilities, it recognised a lease liability for each lease corresponding to the present value of lease payments to be made, determined using the lessee's incremental borrowing rate at 1 January 2019 based on the initial lease term. For each lease, the Group also recognised a corresponding right-of-use asset in the amount of the lease liability, adjusted for any prepaid lease payments, incentives received from the lessor or initial direct costs immediately before the date of initial application.

In accordance with its decision to use this transition method, the Group did not restate any of its prior financial statements presented for comparison with the financial statements for the period ended 30 June 2019.

The Group applied lease terms corresponding to the non-cancellable period of each lease, and systematically assessed whether it was reasonably certain that any cancellation or renewal options set out in the lease would be used.

In addition, the Group chose to use the exemptions provided by the standard and not to apply the recognition principles described above to the leases concerned, namely short-term leases (lease term of 12 months or less) and leases of low-value assets. It also chose not to apply the practical expedient that allows a lessee, by class of underlying asset, not to separate non-lease components from lease components. The accounting policies applicable to leases are presented in Note 9.1.

As part of the transition, the Group opted not to exclude from the new rules leases for which the lease term ends within 12 months of the date of initial application and to reclassify, at the date of initial application, the carrying amounts of fixed assets and finance lease liabilities under leases previously identified as finance leases under IAS 17, within *Right-of-use assets* and *Lease liabilities*, respectively.

For the assets and liabilities identified as part of the first-time application of IFRS 16, the Group recognised corresponding deferred tax liabilities and assets, respectively, at the transition date.

At 1 January 2019, the application of IFRS 16 *Leases* was therefore reflected by the recognition of *Right-of-use assets* in balance sheet assets and *Lease liabilities* in balance sheet liabilities, with the difference taken to equity and its impact breaking down as follows:

Assets *(in millions of euros)*	**01/01/2019**
Property, plant and equipment	-17.9
Right-of-use assets	304.2
Deferred tax	6.9
Non-current assets	**293.3**
Other current assets	-5.6
Current assets	**-5.6**
TOTAL ASSETS	**287.7**

Liabilities and equity *(in millions of euros)*	**01/01/2019**
Consolidated reserves and other reserves	-20.4
Equity attributable to the Group	**-20.4**
Non-controlling interests	**-0.4**
TOTAL EQUITY	**-20.8**
Financial debt – Non-current portion	-8.6
Lease liabilities – Non-current portion	235.2
Deferred tax	-0.2
Non-current liabilities	**226.4**
Financial debt – Current portion	-8.3
Lease liabilities – Current portion	90.4
Current liabilities	**82.2**
TOTAL LIABILITIES	**308.6**
TOTAL LIABILITIES AND EQUITY	**287.7**

The difference between total lease liabilities and off-balance sheet commitments for operating leases recognised at 31 December 2018 breaks down as follows:

(in millions of euros)

Lease commitments at 31/12/2018 as presented in the consolidated financial statements	**364.9**
Impact of discounting according to rates at 1 January 2019	-36.3
Impact of exemptions and conditions of first-time application	-3.0
LEASE LIABILITIES RECOGNISED AT 1 JANUARY 2019	**325.6**

The application of IFRS 16 *Leases* had a marginally positive impact on *Operating profit on business activity* due to the replacement of lease expenses with slightly lower expenses related to the depreciation of right-of-use assets. *EBITDA* – which is split out in the analysis of *Change in net financial debt* – changed significantly due to the restatement of lease expenses. *Other financial expenses* also changed, as they now include net interest expenses on lease liabilities.

In addition, the Group has chosen to exclude lease liabilities from *Net financial debt*, which makes it possible to compare *Free cash flow* determined within *Change in net financial debt* with this item in previous financial years.

Lastly, the financial covenants described in Note 12.2 will not be affected by the application of IFRS 16 *Leases*, since they are calculated using a consistent method.

1.2.2. Impact of the first-time application of IFRIC 23 *Uncertainty over Income Tax Treatments*

The Group retrospectively applied the provisions of this new interpretation at 1 January 2019, without adjusting the financial statements for previous periods presented for comparison purposes. Its application does not have any impact on the Group's equity, and requires the portion of *Provisions for tax risks* related to current tax to be reclassified under *Income tax liabilities*. This reclassification came to €4.7 million at 1 January 2019.

1.3. Material estimates and accounting judgments

The preparation of the interim financial statements entails the use of estimates and assumptions in measuring certain consolidated assets and liabilities, as well as certain income statement items. Group management is also required to exercise judgment in the application of its accounting policies.

Such estimates and judgments, which are continually updated, are based both on historical information and on a reasonable anticipation of future events according to the circumstances. However, given the uncertainty implicit in assumptions as to future events, the related accounting estimates may differ from the ultimate actual results.

The main assumptions and estimates that may leave scope for material adjustments to the carrying amounts of assets and liabilities in the subsequent period are as follows:

- measurement of the recoverable amount of property, plant and equipment and intangible assets, and of goodwill in particular (see Note 8);
- measurement of retirement benefit obligations (see Note 5.3);
- revenue recognition (see Note 4.1);
- lease terms and the valuation of assets and liabilities recognised for leased assets (see Note 9);
- measurement of deferred tax assets;
- amounts payable to non-controlling interests (see Note 14.1.4);
- provisions for contingencies (see Note 11.1).

NOTE 2 SCOPE OF CONSOLIDATION

- **Apak** – On 18 October 2018, through its subsidiary Sopra Banking Software, Sopra Steria acquired 100% of Apak, which develops specialised lending solutions for car loans and asset finance.

  The Apak group's companies have been consolidated in Sopra Steria's financial statements since 18 October 2018. The allocation of assets acquired and liabilities assumed is still only provisional, but no adjustments have been made with respect to the position presented at 31 December 2018. The only impact recognised in the first half was a €2.7 million earnout payment, which increased goodwill by the same amount.

  The final purchase price allocation period runs until 17 October 2019.
- **Sopra Steria Recruitment Ltd** – On 28 June 2019, the Group sold 100% of its recruitment subsidiary in the United Kingdom to Resource Solutions Group. This transaction generated a small gain on disposal, net of fees, which is presented within *Other non-current operating income and expenses* (see Note 4.2) and allocated to the United Kingdom reporting unit.
- **Other** – The assets acquired and liabilities assumed from it-economics, BLUECARAT and O.R. System, acquired in 2018, did not give rise to any adjustments with respect to those presented at 31 December 2018. The final purchase price allocation periods have now ended.

NOTE 3 SEGMENT INFORMATION

3.1. Results by reporting unit

a. France

(in millions of euros)	First-half 2019		First-half 2018	
Revenue	914.9		849.1	
Operating profit on business activity	85.2	9.3%	76.0	9.0%
Profit from recurring operations	81.7	8.9%	60.5	7.1%
Operating profit	76.1	8.3%	56.1	6.6%

b. United Kingdom

(in millions of euros)	First-half 2019		First-half 2018	
Revenue	429.6		382.8	
Operating profit on business activity	26.4	6.1%	17.1	4.5%
Profit from recurring operations	20.4	4.7%	10.5	2.7%
Operating profit	19.8	4.6%	2.2	0.6%

c. Other Europe

(in millions of euros)	First-half 2019		First-half 2018	
Revenue	534.9		475.5	
Operating profit on business activity	34.5	6.5%	32.9	6.9%
Profit from recurring operations	32.7	6.1%	28.9	6.1%
Operating profit	28.6	5.4%	25.1	5.3%

d. Sopra Banking Software

(in millions of euros)	First-half 2019		First-half 2018	
Revenue	204.0		187.4	
Operating profit on business activity	-9.5	-4.7%	-8.4	-4.5%
Profit from recurring operations	-15.6	-7.6%	-14.6	-7.8%
Operating profit	-21.2	-10.4%	-16.2	-8.6%

e. Other Solutions

(in millions of euros)	First-half 2019		First-half 2018	
Revenue	123.6		119.2	
Operating profit on business activity	14.5	11.7%	15.1	12.7%
Profit from recurring operations	13.9	11.2%	13.9	11.7%
Operating profit	11.9	9.6%	12.8	10.8%

f. Group

(in millions of euros)	First-half 2019		First-half 2018	
Revenue	2,207.1		2,014.0	
Operating profit on business activity	151.0	6.8%	132.8	6.6%
Profit from recurring operations	133.1	6.0%	99.2	4.9%
Operating profit	115.3	5.2%	80.0	4.0%

3.2. Revenue by geographic area

(in millions of euros)	France	Outside France	Total
First-half 2018	1,017.4	996.7	2,014.0
First-half 2019	**1,071.5**	**1,135.6**	**2,207.1**

NOTE 4 OPERATING PROFIT

4.1. Revenue

(in millions of euros)	First-half 2019		First-half 2018	
France	914.9	41.5%	849.1	42.2%
United Kingdom	429.6	19.5%	382.8	19.0%
Other Europe	534.9	24.2%	475.5	23.6%
Sopra Banking Software	204.0	9.2%	187.4	9.3%
Other Solutions	123.6	5.6%	119.2	5.9%
TOTAL REVENUE	**2,207.1**	**100.0%**	**2,014.0**	**100.0%**

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

4.2. Other non-current operating income and expenses

(in millions of euros)	First-half 2019	First-half 2018
Expenses arising from business combinations (fees, commissions, etc.)	-2.3	-0.4
Net restructuring and reorganisation costs	-14.3	-18.0
▪ *Integration and reorganisation of activities*	*-1.2*	*-1.5*
▪ *Separation costs*	*-13.1*	*-16.5*
Other operating expenses	-1.2	-0.7
Total other operating expenses	**-17.8**	**-19.1**
Other operating income	-	-
Total other operating income	**-**	**-**
TOTAL	**-17.8**	**-19.1**

In the first half of 2019, the Group restructured and reorganised its activities, mainly in France, in Consulting and Systems Integration and at Sopra Banking Software, but also in Spain and Germany.

NOTE 5 EMPLOYEE BENEFITS

5.1. Staff costs

(in millions of euros)	First-half 2019	First-half 2018
Wages and salaries	-1,008.8	-935.0
Social security contributions	-310.8	-293.2
Net expense for post-employment and similar benefit obligations	-18.8	-7.4
TOTAL	**-1,338.5**	**-1,235.6**

5.2. Workforce

Workforce at period-end	First-half 2019	First-half 2018
France	19,343	19,056
International	25,616	23,723
TOTAL	**44,959**	**42,779**

5.3. Retirement benefits and similar obligations

Retirement benefits and similar obligations break down as follows:

(in millions of euros)	30/06/2019	31/12/2018
Post-employment benefit assets	-2.0	-2.0
Post-employment benefit liabilities	365.9	310.3
Net post-employment benefits	**364.0**	**308.3**
Other long-term employee benefits	7.4	7.2
TOTAL	**371.3**	**315.5**

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

The net liability in respect of retirement benefits and similar obligations was calculated at the balance sheet date based on the most recent valuations available as at the close of the preceding financial year. A review of actuarial assumptions was performed to take into account any half-year changes or one-off impacts. The market value of plan assets was reviewed as at the closing date.

In the first half of 2019, net liabilities arising from the main post-employment benefit plans changed as follows:

(in millions of euros)	Defined-benefit pension funds – United Kingdom	Retirement bonuses – France	Defined-benefit pension funds – Germany	Other	Total
Net liability at 31 December 2018	**147.5**	**115.3**	**41.3**	**4.2**	**308.3**
Net expense recognised in the income statement	4.0	5.3	0.4	0.5	10.1
■ *Operating charges for service cost*	*2.0*	*4.3*	*0.1*	*0.4*	*6.7*
■ *Net interest expense*	*2.0*	*1.1*	*0.3*	-	*3.4*
Net expense recognised in equity	43.4	14.1	4.2	0.6	62.2
■ *Return on plan assets*	*-158.8*	-	-	-	*-158.8*
■ *Experience adjustments*	*1.7*	*-0.2*	-	*0.1*	*1.6*
■ *Impact of changes in financial assumptions*	*200.4*	*14.3*	*4.2*	*0.5*	*219.4*
Contributions	-13.7	-1.0	-0.7	-0.3	-15.6
■ *Employer contributions*	*-13.7*	*-1.0*	*-0.7*	*-0.3*	*-15.6*
■ *Employee contributions*	-	-	-	-	-
Exchange differences	-1.2	-	-	-	-1.2
Changes in scope	-	-	-	-	-
Other movements	-	-	-	-	0.1
NET LIABILITY AT 30 JUNE 2019	**180.0**	**133.8**	**45.2**	**5.0**	**364.0**

The actuarial assumptions used to measure these liabilities are as follows at 30 June 2019:

	United Kingdom	France	Germany	Other
Discount rate	2.28%	0.85% to 1.06%	0.85% to 1.66%	0.80% to 7.09%
Rate of inflation or salary increase	3.12%	2% to 2.5%	2% to 2.5%	3% to 9%

At 31 December 2018, they were as follows:

	United Kingdom	France	Germany	Other
Discount rate	2.89%	1.66% to 1.89%	1.24% to 1.66%	0.80% to 7.09%
Rate of inflation or salary increase	3.15%	2% to 2.5%	2% to 2.50%	3% to 9%

5.4. Expenses related to stock options and related items

5.4.1. Free share allotment plan

No new free share plans have been set up beyond those approved on 24 June 2016, 24 February 2017 and 16 February 2018, described in Note 5.4.1 to the consolidated financial statements in Chapter 4 of the 2018 Annual Financial Report.

Expenses related to free performance share plans totalled €3.6 million for the first half of 2019.

5.4.2. Employee share ownership plan

No employee share ownership programmes were set up in the first half of 2019. Expenses related to the programme set up in the first half of 2018 amounted to €17.1 million, including €13.9 million in IFRS 2 charges, recognised in *Profit from recurring operations.*

NOTE 6 CORPORATE INCOME TAX EXPENSE

(in millions of euros)	First-half 2019	First-half 2018
Current tax	-33.8	-35.3
Deferred tax	-0.6	0.4
TOTAL	**-34.4**	**-34.9**

In the first half of 2019, the Group's effective tax rate was 33.4%, compared with an effective tax rate of 47.8% recognised in the first half of 2018.

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

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

7.1. Other non-current financial assets

(in millions of euros)	30/06/2019	31/12/2018
Non-consolidated securities	14.6	12.2
Other loans and receivables	27.9	22.2
Derivatives	5.7	4.5
TOTAL	**48.2**	**38.9**

Non-consolidated securities mainly comprise CS Communication & Systèmes shares (€12.3 million at 30 June 2019).

7.2. Trade receivables and related accounts

(in millions of euros)	30/06/2019	31/12/2018
Trade receivables – Gross value	636.6	724.0
Impairment of trade receivables	-18.1	-17.3
Trade receivables – Net value	**618.5**	**706.6**
Customer contract assets	542.6	384.3
TOTAL	**1,161.1**	**1,091.0**

At 30 June 2019, the Group had sold trade receivables with recourse for €39.8 million. They were not removed from the balance sheet.

7.3. Other current assets

During the first half of the year, the Group completed a sale of its remaining 2018 CICE (French tax credit for competitiveness and jobs) receivables for €0.8 million and removed them from the balance sheet.

7.4. Other non-current liabilities

(in millions of euros)	30/06/2019	31/12/2018
Put options granted	67.9	65.2
Other liabilities – Non-current portion	32.0	32.6
Derivatives	1.9	2.2
TOTAL	**101.7**	**99.9**

In the United Kingdom, the put option granted by the Group to the Cabinet Office for the shares it holds in the SSCL joint venture, which may be exercised between 1 January 2022 and 31 December 2023, represented a non-current liability of €60.3 million at 30 June 2019.

The Group also entered into an irrevocable commitment to acquire the shares held by minority shareholders in Tecfit – the holding company of Galitt, which was acquired in the second half of 2017 – by way of a put option granted to these shareholders. The related non-current liability totalled €7.6 million as at 30 June 2019.

NOTE 8 PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

8.1. Goodwill

8.1.1. Statement of changes in goodwill

Movements in the first half of 2019 were as follows:

(in millions of euros)	Gross value	Impairment	Carrying amount
31 December 2018	1,787.6	79.1	1,708.5
Acquisitions			
Adjustments for business combinations	2.7	-	2.7
Removal from the scope of consolidation	-1.3	-	-1.3
Impairment	-	-	-
Translation adjustments	0.4	-0.1	0.5
30 JUNE 2019	**1,789.3**	**79.0**	**1,710.3**

Adjustments for business combinations are described in Note 2 “Scope of consolidation”.

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

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

(in millions of euros)	30/06/2019	31/12/2018
France	498.7	498.7
United Kingdom	567.7	570.3
Other Europe [(1)]	328.9	326.9
Sopra Banking Software	302.5	300.1
Sopra HR Software	12.5	12.5
TOTAL	**1,710.3**	**1,708.5**

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

8.1.3. Impairment testing

The Group performs impairment tests annually or where there is an indication of impairment.

There were no indications of impairment at 30 June 2019. No impairment tests were performed.

8.2 Property, plant and equipment and intangible assets

There were no significant changes in property, plant and equipment or intangible assets aside from ordinary activities during the first half of 2019.

NOTE 9 LEASES

9.1. Right-of-use assets by category of leased assets

(in millions of euros)	Leased premises	Leased vehicles	Leased IT equipment	Other leased property, plant and equipment	Total
GROSS VALUE					
31 December 2018	**-**	**-**	**-**	**-**	**-**
First-time application of IFRS 16	515.6	42.0	39.0	6.3	602.9
Changes in scope	-	-	-	-	-
Acquisitions	17.9	2.9	7.0	-	27.8
Disposals – Scrapping	-8.3	-4.3	-4.7	-0.2	-17.4
Other movements	-	-	-	-	-
Translation adjustments	0.8	-	-	-	0.8
30 JUNE 2019	**526.1**	**40.6**	**41.2**	**6.2**	**614.1**
DEPRECIATION					
31 December 2018	**-**	**-**	**-**	**-**	**-**
First-time application of IFRS 16	253.3	19.9	21.8	3.7	298.7
Changes in scope	-	-	-	-	-
Charges	33.8	5.8	4.8	1.0	45.4
Disposals – Scrapping	-5.2	-4.2	-4.7	-0.2	-14.3
Other movements	-	-	-	-	-
Translation adjustments	0.2	-	-	-	0.2
30 JUNE 2019	**282.2**	**21.4**	**21.9**	**4.5**	**330.0**
NET VALUE					
31 December 2018	**-**	**-**	**-**	**-**	**-**
30 JUNE 2019	**243.9**	**19.2**	**19.4**	**1.7**	**284.1**

Leases

Leases are recorded in the balance sheet at the lease commencement date – the date at which the lessor makes the underlying asset available to the lessee – with an asset recognised under *Right-of-use assets* and a liability under *Lease liabilities*. The value of *Lease liabilities* corresponds to the value of minimum future payments discounted over the lease term using either the interest rate implicit in the lease or the incremental borrowing rate of the lessee of the asset. The lease term comprises fixed periods but also any renewal or cancellation options that are reasonably certain to be exercised. At the lease commencement date, the value of the right-of-use asset corresponds to the lease liability, adjusted for any initial direct costs incurred in obtaining the lease, prepaid lease payments, incentives received from the lessor at that date and any costs to be incurred by the lessee in dismantling and removing the underlying asset.

Minimum future payments include fixed lease payments, variable lease payments that depend on an index or a rate, residual value guarantees, the exercise price of a purchase option, and termination or non-renewal penalties if the Group is reasonably certain to exercise or not to exercise such options. Some of these values may change over the course of the lease, in which case lease liabilities and right-of-use assets are increased or decreased accordingly. They do not include service components that may be included in the lease, which continue to be recognised within expenses.

On the balance sheet, *Lease liabilities* are broken down into non-current and current portions. *Right-of-use assets* are subject to depreciation on a straight-line basis over the lease term or over the useful life of the underlying asset if the lease provides for the transfer of ownership of the asset to the lessee, or if the lessee is reasonably certain of exercising a purchase option. In the income statement, these depreciation expenses are included in *Depreciation, amortisation, provisions and impairment* under *Operating profit on business activity. Net interest expense on lease liabilities* is broken out under *Other financial income and expenses*.

Lastly, as an exception, short-term leases (with lease terms of 12 months or less) and leases of low-value assets (whose individual value is less than 5,000 USD) are directly expensed and therefore not restated on the balance sheet. Likewise, variable lease payments are recognized within expenses according to the use (or revenue generated by the use) of the underlying asset.

9.2. Breakdown of lease liabilities by maturity

(in millions of euros)	Carrying amount	Current	Non-current	Breakdown of non-current portion				
				1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years
LEASE LIABILITIES	**304.4**	**87.8**	**216.6**	**60.6**	**44.3**	**31.9**	**24.6**	**55.1**

The interest expense on lease liabilities is presented in Note 12.1.2 of this document on page 30.

NOTE 10 EQUITY-ACCOUNTED INVESTMENTS

10.1. Net profit from associates

(in millions of euros)	30/06/2019	% held at 30/06/2019	31/12/2018	% held at 31/12/2018
Share of net profit of Axway Software	-2.0	32.57%	3.6	32.57%
TOTAL	**-2.0**		**3.6**	

10.2. Carrying amount of investments in associates

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

EQUITY-ACCOUNTED INVESTMENTS

(in millions of euros)	Axway Software shares		
	Gross value	Impairment	Carrying amount
31 December 2018	**195.1**	**-**	**195.1**
Changes in scope	-	-	-
Share capital transactions	-	-	-
Dividends paid	-	-	-
Net profit	-2.0	-	-2.0
Translation adjustments	0.3	-	0.3
Changes in shareholding	-	-	-
Disposal	-	-	-
Other movements	-0.4	-	-0.4
30 JUNE 2019	**193.0**	**-**	**193.0**

At 30 June 2019, the Axway Software shares held by Sopra Steria Group represented 32.57% of the share capital, unchanged from 31 December 2018.

Given the seasonal nature of Axway Software's business, which makes it difficult to forecast the company's annual profitability, the Group did not update the estimated value in use of its investment, which will be reviewed at the end of the 2019 financial year. In addition, Axway Software confirmed its 2019 targets for organic growth and operating profit on business activity in the press release of 24 July 2019 announcing its results for the first half of the year.

NOTE 11 PROVISIONS AND CONTINGENT LIABILITIES

11.1. Current and non-current provisions

(in millions of euros)	01/01/2019	Changes in scope	Charges	Reversals (used)	Reversals (not used)	Other	Translation adjustments	30/06/2019	Non-current portion	Current portion
Provisions for disputes	4.8	-	0.9	-1.1	-0.3	-	-	4.2	1.0	3.2
Provisions for guarantees	0.6	-	0.2	-0.5	-	-	-	0.4	0.3	0.1
Provisions for losses on contracts	1.2	-	8.1	-0.9	-	-	-	8.4	-	8.4
Provisions for tax risks	44.2	-	-	-	-	-4.7	-	39.5	39.5	-
Provisions for restructuring	7.0	-	1.8	-3.5	-	-	-	5.4	0.2	5.2
Provisions for the cost of renovating premises	-	-	0.1	-	-0.1	5.3	-0.1	5.1	4.6	0.5
Other provisions for contingencies	23.6	-	1.7	-1.0	-3.3	-5.0	0.2	16.2	9.0	7.2
TOTAL	**81.5**	**-**	**12.8**	**-6.9**	**-3.7**	**-4.5**	**0.1**	**79.3**	**54.6**	**24.7**

Provisions for disputes mainly cover disputes before employment tribunals and end-of-contract bonuses for employees (€3.6 million at 30 une 2019, versus €4.1 million at 31 December 2018).

Provisions for tax risks concern risks relating to the R&D tax credit in France.

Provisions for restructuring correspond to the cost of one-off restructuring measures in Germany (€2.9 million) and Sopra Steria integration costs mainly relating to facilities (€2.4 million in France).

Other provisions for contingencies mainly cover risks relating to clients and projects (€5.2 million, including €2.6 million in the United Kingdom and €1.7 million in Germany), contractual risks (€2.8 million) and employee-related risks (€4.0 million).

11.2. Contingent liabilities

The contingent liabilities described in Note 10.2 to the 2018 Registration Document did not change significantly during the first half of 2019.

NOTE 12 FINANCING AND FINANCIAL RISK MANAGEMENT

12.1. Financial income and expenses

12.1.1. Cost of net financial debt

(in millions of euros)	First-half 2019	First-half 2018
Interest income	2.5	2.6
Income from cash and cash equivalents	**2.5**	**2.6**
Interest expenses	-6.3	-5.7
Gains and losses on hedges of gross financial debt	-0.6	-0.7
Cost of gross financial debt	**-6.8**	**-6.3**
COST OF NET FINANCIAL DEBT	**-4.4**	**-3.7**

The average cost of borrowing after hedging was 1.62% in the first half of 2019, compared with 1.61% in the first half of 2018.

12.1.2. Other financial income and expenses

(in millions of euros)	First-half 2019	First-half 2018
Foreign exchange gains and losses	**0.6**	**-0.6**
Other financial income	**0.6**	**0.6**
Net interest expense on retirement benefit obligations	-3.4	-3.8
Net interest expense on lease liabilities	-4.5	-
Expense on unwinding of discounted non-current liabilities	-0.5	-0.5
Change in the value of derivatives	-	1.9
Gain or loss on disposal of financial assets	-	-
Other financial expenses	-0.5	-1.0
Total other financial expenses	**-8.9**	**-3.3**
TOTAL OTHER FINANCIAL INCOME AND EXPENSES	**-7.7**	**-3.2**

12.2. Financial debt – Net debt

(in millions of euros)	Current	Non-current	30/06/2019	31/12/2018
Bonds	187.4	-	187.4	185.0
Bank borrowings	23.9	218.7	242.5	242.3
Finance lease liabilities	-	-	-	16.9
Other sundry financial debt	381.7	46.4	428.1	336.5
Current bank overdrafts	2.1	-	2.1	10.5
FINANCIAL DEBT	**595.1**	**265.0**	**860.2**	**791.2**
Short-term investment securities	-43.5	-	-43.5	-50.3
Cash and cash equivalents	-192.3	-	-192.3	-120.0
NET FINANCIAL DEBT	**359.3**	**265.0**	**624.4**	**620.9**

Short-term investment securities and cash

Short-term investment securities and other investments include money-market holdings and short-term deposits. The risk of a change in value on these investments is negligible.

Entities in India contributed €46.7 million to net cash and cash equivalents. Should this cash be repatriated in the form of dividends, a withholding tax would apply, for which a provision has been recognised.

Financial debt

The Group has:

- bank credit lines for a total euro equivalent of €1,225 million, comprised of a syndicated loan, an undrawn bilateral line of €50 million, a €60 million fixed-rate non-amortising loan with a member of the Group's bank pool maturing in January 2021 and overdraft facilities. These bank credit lines were 9% drawn at 30 June 2019. Aside from the €60 million loan, they are floating rate and are hedged for interest rate risk;
- a fixed-rate bond issue of €180 million, fully drawn. It was fully repaid at 12 July 2019;
- a NEU CP programme of up to €700 million (€261 million drawn) paying floating rates, with a spread at each issue date;
- a NEU MTN programme of up to €300 million (€99 million drawn) paying fixed or floating rates, with a spread at each issue date. The NEU MTN issues mature within two to four years.

The syndicated loan and bond issue are subject to contractual terms and conditions, including the requirement to comply with financial covenants.

Two financial ratios must be complied with, calculated every six months using the published consolidated financial statements on a 12-month rolling basis:

- the first – known as the leverage ratio – is equal to net financial debt divided by pro forma EBITDA;
- the second – known as the interest coverage ratio – is equal to pro forma EBITDA divided by the cost of net financial debt.

The first ratio must not exceed 3.0 at any reporting date and the second ratio must not fall below 5.0 at any reporting date.

Net financial debt is defined on a consolidated basis as all loans and related borrowings (excluding intercompany liabilities), adjusted for the impact of the application of IFRS 16 *Leases*, less available cash and cash equivalents.

Pro forma EBITDA is consolidated operating profit on business activity adding back depreciation, amortisation and provisions included in operating profit on business activity and adjusted for the impact of the application of IFRS 16 *Leases* in order to maintain a consistent calculation method. It is calculated on a 12-month rolling basis and is therefore restated so as to be presented in the financial statements at constant scope over 12 months.

The cost of net financial debt is also determined on a rolling 12-month basis. It does not include the net interest expense on lease liabilities.

The above financial covenants were complied with at 30 June 2019.

12.3. Financial instruments and interest rate and foreign exchange risk management

12.3.1. Management of interest rate risk

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

At 30 June 2019, the Group had taken out a number of interest rate swaps. The notional amount of those swaps was €400 million and their fair value was -€1.9 million.

Interest rate derivatives designated as cash flow hedges had a nominal amount of €350 million. Interest rate derivatives not qualifying for hedge accounting had a nominal amount of €50 million.

The total amount of gross borrowings subject to interest rate risk was €583 million.

Interest rate hedges in force at 30 June 2019 reduced this exposure.

12.3.2. Management of foreign exchange risk

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

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

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

Their fair value at 30 June 2019 was €12.6 million for a total notional amount of €160 million.

NOTE 13 CASH FLOWS

13.1. Change in net financial debt

Net cash from operating activities is measured using *Operating profit on business activity*, after deducting the depreciation, amortisation and the provisions it includes, which gives EBITDA, and other non-cash items adjusted for tax paid, restructuring and integration costs, and the change in the working capital requirement. It differs from *Net cash from operating activities* as shown in the consolidated cash flow statement presented in the financial statements on page 16, in that this caption includes the cash impact of *Other financial income and expenses* (see Note 12.1.2).

Free cash flow is defined as net cash from operating activities adjusted for the impact of purchases (net of disposals) of property, plant and equipment and intangible assets during the period; changes in right-of-use assets and lease liabilities; financial income and expenses payable or receivable; and additional contributions paid to cover any deficits in certain defined-benefit pension plans.

Adjusted for net cash generated by financing activities, the impact of exchange rate fluctuations on net debt, and the impact of changes in accounting methods, this explains the change in net financial debt.

(in millions of euros)	30/06/2019	30/06/2018
Operating profit on business activity	**151.0**	**132.8**
Depreciation, amortisation and provisions (excluding allocated intangible assets)	81.5	22.9
EBITDA	**232.5**	**155.7**
Non-cash items	-3.7	-2.7
Tax paid	-34.3	-34.9
Impairment of current assets	-0.9	-0.8
Change in operating WCR	-112.2	-169.4
Reorganisation and restructuring costs	-16.7	-20.7
Net cash flow from operating activities	**64.8**	**-72.8**
Purchase of property, plant and equipment and intangible assets	-20.6	-25.7
Proceeds from sale of property, plant and equipment and intangible assets	-	0.1
Net change from investment activities involving property, plant and equipment and intangible assets	-20.6	-25.7
Changes in assets and liabilities related to leased assets	-46.8	-
Net interest	-7.5	-4.6
Additional contributions related to defined-benefit pension plans	-11.7	-11.2
Free cash flow	**-21.8**	**-114.3**
Impact of changes in scope	7.3	-15.7
Impact of payments relating to non-current financial assets	-1.9	-2.7
Impact of receipts relating to non-current financial assets	0.8	0.3
Dividends paid	-2.3	-
Purchase and sale of treasury shares	-3.4	-18.3
Other cash flows relating to investing activities	-	-
Net cash flow	**-21.1**	**-150.6**
Impact of changes in foreign exchange rates	0.8	-1.6
Impact of changes in accounting policies (IFRS 16)	16.9	-
CHANGE IN NET FINANCIAL DEBT	**-3.4**	**-152.3**
Cash and cash equivalents – Beginning of period	159.8	155.9
Non-current financial debt – Beginning of period	-338.3	-398.9
Current financial debt – Beginning of period	-442.4	-267.1
Net financial debt – Beginning of period	**-620.9**	**-510.1**
Cash and cash equivalents – End of period	233.7	116.7
Non-current financial debt – End of period	-265.0	-526.8
Current financial debt – End of period	-592.9	-252.3
Net financial debt – End of period	**-624.3**	**-662.4**
CHANGE IN NET FINANCIAL DEBT	**-3.4**	**-152.3**

Free cash flow for the first half of the year – which is traditionally a period of net cash outflows due to seasonal effects – amounted to an outflow of €21.8 million compared with an outflow of €114.3 million for the first half of 2018; the prior-year figure included the €37.0 million unfavourable impact of the December 2017 sale without recourse of trade receivables in France (receivables removed from the balance sheet). This improvement was mainly due to EBITDA growth before the positive impact of applying IFRS 16 Leases as well as better management of working capital.

Cash flows from investing activities reflected outflows relating to purchases of property, plant and equipment and intangible assets for €20.6 million as well as the net change in right-of-use assets (included in the change in the value of assets and liabilities recognised for leased assets), which was negative by €24.7 million, mainly corresponding to the impact of newly leased assets.

Lastly, free cash flow also included the additional contributions paid in the amount of €11.7 million to reduce the deficit of defined-benefit pension plans in the United Kingdom.

In addition, net financial debt benefited from the positive impact of changes in scope, including at 30 June 2019 the impact of the disposal of Sopra Steria Recruitment Ltd (see Note 2) for €8.9 million, less the earnout payment of €1.6 million for Apak (see Note 2).

13.2. Other cash flows in the consolidated cash flow statement

In addition to proceeds from and payments on borrowings, cash flows from financing activities included the net outflow of €22.1 million relating to the repayment of liabilities for leased assets, corresponding to lease payments made and new leases signed during the first half of 2019.

NOTE 14 EQUITY AND EARNINGS PER SHARE

14.1. Equity

The consolidated statement of changes in equity is presented on page 15.

14.1.1. Changes in the share capital

At 30 June 2019, Sopra Steria Group had a share capital of €20,547,701. It is represented by 20,547,701 fully paid-up shares with a par value of €1 each.

14.1.2. Transactions in treasury shares

At 30 June 2019, the value of treasury shares recognised as a deduction from consolidated equity was €36.3 million, consisting of 314,840 shares, including 282,015 shares held by UK trusts falling within the consolidation scope, 24,475 shares acquired through the share buyback programme to be used for share-based payments and 8,350 shares acquired under the liquidity agreement.

14.1.3. Dividends

At Sopra Steria Group's General Meeting of 12 June 2019, the shareholders resolved to distribute an ordinary dividend of €38.0 million in respect of financial year 2018, equating to €1.85 per share. The dividend was paid on 4 July 2019 for a total of €38.0 million, net of the dividend on treasury shares.

14.1.4. Non-controlling interests

Due to the accounting treatment of the put option granted in respect of SSCL and Tecfit (Galitt) shares, the amount of non-controlling interests on the balance sheet mainly relates to the UK Department of Health's share in the net assets of NHS SBS, i.e. €29.3 million.

In the income statement, the amounts attributable to non-controlling interests came to €4.3 million for SSCL and €1.4 million for NHS SBS.

14.2. Earnings per share

	First-half 2019	First-half 2018
Net profit attributable to the Group *(in millions of euros)* (a)	60.9	38.4
Weighted average number of ordinary shares outstanding (b)	20,547,701	20,547,701
Weighted average number of treasury shares (c)	326,619	389,408
Weighted average number of shares outstanding excluding treasury shares (d) = (b) - (c)	20,221,082	20,158,293
Basic earnings per share *(in euros)* **(a / d)**	**3.01**	**1.90**

	H1 2019	H1 2018
Net profit attributable to the Group *(in millions of euros)* (a)	60.9	38.4
Weighted average number of shares outstanding excluding treasury shares (d)	20,221,082	20,158,293
Dilutive effect of instruments that give rise to potential ordinary shares (e)	47,851	71,209
Theoretical weighted average number of equity instruments (f) = (d) + (e)	20,268,933	20,229,502
DILUTED EARNINGS PER SHARE *(in euros)* **(a / f)**	**3.00**	**1.90**

The method used to calculate earnings per share is set out in Chapter 4, Note 13.2 of the 2018 Registration Document.

Treasury shares are detailed in Note 13.1.2.

Potentially dilutive instruments are presented in Note 5.4.1.

NOTE 15 RELATED-PARTY TRANSACTIONS

Agreements entered into with parties related to Sopra Steria Group were presented in Sopra Steria's 2018 Registration Document filed with the *Autorité des Marchés Financiers* on 12 April 2019, in Note 14 "Related-party transactions".

Other than those set out in the 2018 Registration Document, no new agreements were entered into with parties related to Sopra Steria Group during the first half of 2019.

NOTE 16 OFF-BALANCE SHEET COMMITMENTS

The Group's off-balance sheet commitments are those granted or received by Sopra Steria Group and its subsidiaries. They have not undergone any material change relative to those presented at 31 December 2018 in Note 15, "Off-balance sheet commitments" in the 2018 Registration Document, except for contractual lease obligations, which are now presented in the balance sheet, in line with IFRS 16 *Leases*.

NOTE 17 SUBSEQUENT EVENTS

- On 3 July 2019, the Group, via its subsidiary Sopra Banking Software, acquired a controlling stake in SAB, one of France's leading core banking software developers.
- In addition, on 5 July 2019 the Group completed a €250 million bond issue to top-tier institutional investors, composed of two tranches: one 7-year €130 million tranche with a fixed annual coupon of 1.749%, and one 8-year €120 million tranche with a fixed annual coupon of 2.0%. The proceeds from this bond issue will be partly used to refinance the bond issued by Groupe Steria in 2013, which matured on 12 July 2019 (see Note 12.2).

Statutory Auditors' report on the interim financial information

To the Shareholders,

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

- conducted a limited review of the accompanying condensed consolidated interim financial statements of Sopra Steria Group for the period from 1 January 2019 to 30 June 2019;
- verified the disclosures provided in the business review for the six-month period.

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

I – CONCLUSION ON THE FINANCIAL STATEMENTS

We conducted our limited review in accordance with the professional standards applicable in France.

A limited review consists essentially of inquiries with the management personnel responsible for financial and accounting matters, and of analytical procedures. The work performed is lesser in scope than a full audit conducted in accordance with the professional standards applicable in France. Consequently, a limited review provides only moderate assurance that the financial statements taken as a whole are free from material misstatement, as opposed to the higher level of assurance provided by an audit.

Based on our limited review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements were not prepared, in all material respects, in accordance with IAS 34 as adopted by the European Union applicable to interim financial reporting.

Without qualifying the above conclusion, we draw your attention to Notes 1.2.1 and 9.1 to the condensed consolidated interim financial statements regarding the first-time application of IFRS 16 *Leases* as of 1 January 2019.

II – SPECIFIC VERIFICATION

We also verified the disclosures provided in the business review for the six-month period on the condensed consolidated interim financial statements that were the focus of our limited review.

We have no matters to report as to their fair presentation and their consistency with the condensed consolidated interim financial statements.

Paris and Courbevoie, 31 July 2019,

The Statutory Auditors

French original signed by

Auditeurs & Conseils Associés – ACA Nexia	Mazars
Olivier Juramie	Bruno Pouget

Statement by the person responsible for the half-year financial report

I hereby declare that, to the best of my knowledge, the condensed consolidated financial statements for the half-year period have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and profit or loss of Sopra Steria Group and of all the entities included in the scope of consolidation; that the business review for the six-month period provided on pages 1 to 10 gives a fair view of the main events that occurred in the first six months of the financial year, their impact on the financial statements and the main transactions between related parties; and that it describes the main risks and uncertainties for the remaining six months of the financial year.

Paris, 31 July 2019

Vincent Paris

Chief Executive Officer

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