Press release

www.steria.com

Paris, France, 28 February 2014

2013[1] annual results

Strong year-end momentum spells bright prospects for 2014

- **Order intake in the fourth quarter set off the Group's growth dynamic with an expectation of more than 6% growth in 2014**
- **Revenue for the fourth quarter of 2013 was up 2.0%, excluding the impact of the suspension of Ecotax's application at the end of the year**
- **Consolidated revenue for the full year stood at 1,754.9 million euros (-1.8% on a like-for-like basis) with the operating margin at 6.3% (6.4% in 2012)**
- **Attributable net income, impacted by non-recurring items, came to €8.9 million**
- **Free cash flow for the year grew to €89.4 million (against €10.6 million in 2012) while net financial debt at 31 December 2013 was cut to €224 million with net debt to EBITDA at 1.6x (as opposed to 2.0x at 31 December 2012[2])**

On 27/02/2014, the Steria SCA Group Supervisory Board reviewed the consolidated financial statements submitted by Management.

2013 consolidated results

		2012 Published	2012[3]	2013	Organic growth At constant perimeter and currency
Revenue	**€m**	1,827.2	1,827.2	**1,754.9**	**-1.8%**
Operating margin[2]	**€m**	117.4	117.5	**110.4**	
% of revenue	***%***	*6.4%*	*6.4%*	***6.3%***	
Operating income[4]	**€m**	72.6	88.3	**53.8**	
Attributable net income	**€m**	35.6	41.0	**8.9**	
% of revenue	***%***	*1.9%*	*2.2%*	***0.5%***	
Underlying attributable net income[5]	**€m**	79.7	73.2	**47.4**	
Underlying diluted earnings per share[6]	**€**	2.36	2.17	**1.54**	
Shareholders' equity	**€m**	**815.0**	**510.5**	**392.7**	
Net financial debt	**€m**	143.0	143.0	**224.0**	

[1]The consolidated financial statements have been audited. The Statutory Auditors' general report is underway.
[2]Net financial debt would have amounted to €295.4 million (€143.0 million + €152.4 million) at 31 December 2012 considering the hybrid convertible bonds that were issued in 2007 (€152 million classified as equity) and redeemed on 2 January 2013.
[3]2012 financial statements presented with the application of IAS19R as of January 1, 2013 – retrospective application.
[4]Operating income includes restructuring and reorganisation costs, capital gains or losses on disposals, the estimated fair value of share-based compensation, the impact of goodwill impairment tests and, for the financial statements published in 2012, actuarial gains and losses recognized within the framework of accounting for post-employment benefits (so-called corridor method).
[5]Attributable net income restated, after tax, for other operating income and expenses and amortisation of intangible assets.

Revenue

2013 consolidated revenue

In € million	31/12/2012	**31/12/2013**	**Growth**
Revenue	1,827.2	**1,754.9**	**-4.0%**
Change in consolidation scope	0.1		
Change due to currency effect	-40.1		
Pro-forma revenue	1,787.3	**1,754.9**	**-1.8%**

2013 revenue by geographic region

In € million	31/12/2012*	**31/12/2013**	**Organic growth**
United Kingdom	701.1	**691.5**	**-1.4%**
France	588.5	**555.4**	**-5.6%**
Germany	243.1	**239.1**	**-1.6%**
Other Europe	254.5	**268.9**	**5.7%**
Total	1,787.3	**1,754.9**	**-1.8%**

*Like-for-like (consolidation scope, exchange rates and organisational structure) revenue (base 2013)

Fourth quarter 2013 revenue by geographic region

In € million	4Q 2012*	4Q **2013**	**Organic growth**
United Kingdom	177.3	**187.0**	**5.5%**
France	154.4	**141.7**	**-8.2%**
Germany	67.6	**59.9**	**-11.4%**
Other Europe	70.8	**80.2**	**13.2%**
Total	470.1	**468.8**	**-0.3%**

*Like-for-like revenue (base 2013)

2013 operating performance

The Group reported a decrease of 1.8% in organic growth for the financial year. This change was impacted by the Ecotax project, due to a base effect in 2012 arising from non-recurrent sales (€12.5 million) as well as the fact that a portion of the 2013 revenue was not recognised, given the uncertainty in the project. After adjustment for both of these impacts, organic growth in 2013 revenue would be -0.6%.

In the fourth quarter of 2013, the Group saw an improved momentum as compared to the rest of the year with a practically stable organic growth (-0.3% compared to the fourth quarter of 2012 and +2% after adjustment for unrecognised revenue relative to Ecotax). The last quarter also saw the signing of the SSCL contract with the UK government, a contract related to the modernisation and outsourcing of its back office functions. With an estimated amount of over one billion pounds over ten years, this contract is the biggest ever in Steria's history.

Sustained by the vigorous order intake in the fourth quarter of the year 2013, the book-to-bill ratio at 31 December 2013 stood at 1.05 (1.03 at 31 December 2012). As regards the cyclical part of the business (consulting/systems integration/testing), the book-to-bill ratio was 0.97 (1.10 at 31 December 2012).

In the United Kingdom, revenue for the year declined by 1.4% on a like-for-like basis. The second half of the year however showed an upturn, auguring well for a strong growth momentum in the months to come. Steria has strengthened its leading position in providing IT services to public bodies for their transformation, notably in the police, justice, and health sectors as well as in the Cabinet Office itself. The Energy-Utilities/Telco-Media/Transport sector also gained momentum, recording a strong growth. At end-December 2013, the book-to-bill ratio was 1.19 (as opposed to 0.82 at 31 December 2012). The ratio for cyclical business was 0.92 at 31 December 2013.

In France, revenue was down 5.6% (-2.1% after restatement for the impact of Ecotax). The fourth quarter showed slight improvement with negative growth limited to 1.3% as opposed to -2.3% over the first nine months (excluding the non-recurring impact of Ecotax). The book-to-bill ratio stood at 1.01 at 31 December 2013 compared to 1.18 at 31 December 2012. The ratio was 0.99 at 31 December 2013 for cyclical business.

Operating margin in IT infrastructure management business, in this region, declined sharply due to an exceptional situation related to the Ecotax infrastructure build-up, a delay in the evolution of our delivery model for new transforming contracts and extra costs related to a datacenter consolidation programme.

A turnaround programme known as "ERE 2016" has been launched. It has two components – growth and value, and productivity. The measures planned under this programme are aimed at reviving the growth dynamic right from 2014 and generate 16 to 20 million euros of savings by 2015, aiming at a profitability of 7% in 2016.

In Germany, revenue declined by 1.6%. Growth for the fourth quarter was notably affected by a particularly unfavourable comparison effect owing to the brisk pace of business in the fourth quarter of 2012. The public sector maintained a strong momentum thoughout the year, whereas the banking sector tapered off slightly and the Energy-Utilities/Telco-Media/Transport sector was negatively oriented. At 31 December 2013, the book-to-bill ratio was 0.95 (1.13 at 31 December 2012).

In the Other Europe region, organic growth was strong (+5.7%), particularly in the public sector and the Energy-Utilities/Teleco-Media/Transport sector. Scandinavia gained considerable momentum with an organic growth of 13.3%. Following several consecutive years of strong growth, the Scandinavian region posted revenue of almost €200 million.

2013 net income

Despite the decline in revenue (-1.8%), operating margin for 2013 held up well, sustained by various actions such as the 3P plan implemented in the different countries as of the second half of 2012. It stood at 6.3% (€110.4 million) compared to 6.4% in 2012, despite the negative impact due to the introduction of Ecotax whose application bas being suspended at the end of the year.

For operations outside of France, accounting for 70% of the Group's revenue, operating margin moved up by 60 basis points (8.2% compared to 7.6% in 2012).

Other operating income and expenses, mostly comprising restructuring expenses of €35.2 million and a non-current provision of €8.0 million in connection with the Ecotax contract, stood at -€50.3 million. The amount of -€38.3 million reported in the previous year included a non-taxable non-recurrent capital gain of €12.3 million from the accounting impact of the takeover of NHS SBS.

The financial result stood at -€25.8 million (-€7.9 million reported in 2012) mainly due to the application of the Revised IAS 19 that led to a €14.1 million increase in financial expense (with no cash impact) relating to the pension fund deficit for the financial year 2013. The tax expense of €15.5 million (€12.1 million reported in 2012) factors in the decision to not activate deferred taxes on a portion of the results in France; the impact of this decision being €10 million on the income tax expense for 2013.

Impacted by non-recurrent items, attributable net income came to €8.9 million (€35.6 million reported in 2012).

Financial position at end-2013

The Group's financial debt stood at €224.0 million at 31 December 2013, down €71.5 million compared to the debt[2] at 31 December 2012, despite the unfavourable impact of currency fluctuations amounting to €17.0 million.

The reduction in net financial debt stems from the tight control over capital investments (Capex) that decreased by 25% compared to the year 2012, combined with strict management of working capital that was improved by €81.5 million for the financial year. The latter change included a recurrent and deconsolidating programme of non-recourse securitisation of receivables, initiated in the second half of 2013, for a net amount of €49.6 million.

This highly favourable change in the Group's financial debt must be seen from the perspective of the strong priority given in the beginning of 2013 to cash management and debt reduction.

At 31 December 2013, the Group had a sound financial position in terms of both its financial ratios (gearing of 60%, EBITDA leverage ratio at 1.6x against a maximum of 2.5x and interest cost cover ratio of 17.3 compared with a minimum of 5.0x) and liquidity (approximately €378 million in available undrawn credit facilities).

The pension fund deficit, net of tax remained stable at 31 December 2013 compared to 30 June 2013 (despite the rise in sterling in the second half-year) and was reduced by €78 million compared to 31 December 2012 pro-forma.

Dividends

The Steria SCA General Management, the Supervisory Board and the Soderi Board of Directors proposed a dividend[6] payment of €0.10 per share for the financial year 2013 (€0.20 in 2012).

Outlook

In light of the order intake in the fourth quarter of 2013, and the expected strong growth in the United-Kingdom, the Group has set its targets for organic growth in revenue between +6% and +8% for the financial year 2014 and an increase of at least 10% in the absolute value of its operating margin.

-ENDS-

An information meeting on the 2013 annual results will be held on Friday, 28 February 2014 at 11:00 CET and will be webcast on www.steria.com (Investors section)

Next release: First quarter 2014 revenue
Tuesday, 29 April 2014 before market opening

Steria is listed on NYSE Euronext Paris, Eurolist (Section B)

ISIN code: FR0000072910, Bloomberg code: RIA FP, Reuters code: TERI.PA

SBF 120 General Index, NEXT 150, CAC MID&SMALL, CAC MID 60, CAC Soft&CS, CAC Technology, Euronext FAS IAS

For further information, see the website: http://www.steria.com

About Steria: www.steria.com

Steria delivers IT enabled business services and is the Trusted Transformation Partner for private and public sector organisations across the globe. By combining in depth understanding of our clients' businesses with expertise in IT and business process outsourcing, we take on our clients' challenges and develop innovative solutions to address them efficiently and profitably. Through our highly collaborative consulting style, we work with our clients to transform their business, enabling them to focus on what they do best. Our 20,000 people, working across 16 countries, support the systems, services and processes that make today's world turn, touching the lives of millions around the globe each day.

Founded in 1969, Steria has offices in Europe, India, North African and South-East Asia. The Group generated revenue of €1.75 billion in 2013. Over 20%(*) of its capital is held by its employees. Headquartered in Paris, Steria is listed on the Euronext Paris market.

(*): including "SET Trust" and "XEBT Trust" (4.15% of the capital)

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[6] Subject to the shareholders' approval at the Shareholders' General Meeting of Thursday 22 May 2014. Ex-date is fixed on Friday 30 June 2014. The dividend will be payable as from Thursday 3 July 2014.

2013 consolidated income statement

In € million	31/12/2013	31/12/2012[3]	31/12/2012 reported
Revenue	**1,754,925**	**1,827,197**	**1,827,197**
Cost of sales and sub-contracting costs	(332,939)	(359,240)	(359,240)
Personnel costs	(1,012,896)	(1,042,289)	(1,042,319)
Bought-in costs	(259,822)	(259,306)	(259,306)
Taxes (excluding income tax)	(21,680)	(22,870)	(22,870)
Change in inventories	339	(22)	(22)
Other current operating income and expenses	10,158	5,759	5,759
Net charges for depreciation and amortisation	(35,802)	(38,137)	(38,137)
Net additions to provisions	1,609	107	107
Impairment of current assets	263	(304)	(304)
Operating margin after amortisation of intangible assets recognised in connection with business combinations(*)	**104,156**	**110,894**	**110,864**
Other operating income and expenses	(50,339)	(22,581)	(38,288)
Operating income	**53,817**	**88,313**	**72,576**
Net cost of borrowings	(6,373)	(2,527)	(2,527)
Other financial income and expenses	(19,414)	(14,087)	(5,338)
Financial result	**(25,787)**	**(16,614)**	**(7,866)**
Income tax expense	(15,493)	(13,723)	(12,073)
Share of income(loss) from equity-consolidated companies	206	116	116
Net income from continuing operations	**12,743**	**58,092**	**52,753**
Total net income	**12,743**	**43,173**	**37,834**
Attributable net income	**8,857**	**41,005**	**35,596**
Non-controlling interests	3,886	2,168	2,237
Underlying[5] diluted earnings per share (in euros)	**1.54**	**2.17**	**2.36**

(*) Amortisation of customer relationships recognised in connection with the acquisition of Xansa and NHS SBS accounting for (6,269) thousand euros at 31 December 2013 and (6,566) thousand euros at 31 December 2012

2013 consolidated balance sheet

In € million	31/12/2013	31/12/2012[3]	31/12/2012 reported
Goodwill	762,579	779,171	779,171
Intangible assets	99,505	102,758	102,758
Property, plant and equipment	52,871	60,212	60,212
Investments in associates	1,681	1,541	1,541
Available-for-sale assets	878	2,531	2,531
Other financial assets	4,427	9,495	9,495
Retirement benefits assets	-	-	62,552
Deferred tax assets	95,480	117,439	43,202
Other non-current assets	4,233	1,830	1,830
Non-current assets	**1,021,654**	**1,074,978**	**1,063,293**
Inventories	21,039	9,013	9,013
Net trade receivables and similar accounts	207,045	266,744	266,744
Amounts due from customers	164,313	202,607	202,607
Other current assets	58,672	42,285	42,285
Current portion of non-current assets	3,461	3,948	3,948
Current tax assets	39,723	33,333	33,333
Prepaid expenses	35,065	22,865	22,865
Cash and cash equivalents	209,441	145,579	145,579
Current assets	**738,757**	**726,373**	**726,373**
Non-current assets classified as held for sale	6,354	7,475	7,475
Total assets	**1,766,765**	**1,808,826**	**1,797,141**
Shareholders' equity	**382,813**	**504,722**	**807,490**
Non-controlling interests	9,855	5,763	7,543
Total equity	**392,668**	**510,484**	**815,033**
Long-term borrowings	363,393	245,810	245,810
Retirement benefits liabilities	291,369	382,966	48,613
Provision for non-current contingencies and charges	7,041	12,396	12,396
Deferred tax liabilities	1,572	1,036	20,701
Other non-current liabilities	52,984	23,989	23,989
Non-current liabilities	**716,358**	**666,197**	**351,510**
Short-term borrowings	70,015	42,786	42,786
Provisions for current contingencies and charges	29,740	24,652	24,652
Net trade payables and similar accounts	171,205	148,751	148,751
Gross amounts due to customers and advance payments received	71,369	81,822	81,822
Current tax liabilities	41,348	41,126	41,126
Other current liabilities	273,420	292,283	290,738
Current liabilities	**657,097**	**631,420**	**629,874**
Non-current liabilities classified as held for sale	642	724	724
Total liabilities	**1,766,765**	**1,808,826**	**1,797,141**

2013 cash flow statement

In €m	31/12/2013	31/12/2012
EBITDA	**136.5**	**147.4**
Non-cash adjustments	2.1	0.6
Change in WCR (cash components)	81.5	-14.6
Operating cash flow	**220.1**	**133.4**
Net industrial investment	-30.4	-40.7
Income tax	-27.2	-25.1
Net financial interest paid	-12.1	-4.6
Restructuring	-43.1	-33.4
Retirement benefits	-17.9	-19.0
Free cash flow[7]	**89.4**	**10.6**

Dividends[8]	-11.5	-19.1
Net financial investment	1.4	-1.3
Capital increase	9.2	8.6
Change in consolidation scope	0.0	-7.4
Currencies and other paper	-17.0	-8.5
Change in net cash (before hybrid bond)	**71.5**	**-17.1**
Redemption of hybrid convertible bond	-152.4	0.0
Change in net cash (after hybrid bond)	**-80.9**	**-17.1**

2013 operating margin[2] by geographic region

% of revenue	31/12/2013	31/12/2012
United Kingdom	10.0%	9.4%
France	4.2%	5.7%
Germany	5.3%	4.4%
Other Europe	6.1%	5.7%
Corporate expenses	-0.6%	-0.6%
Group	**6.3%**	**6.4%**

[7] Before investment, financing and currency translation effects
[8] Including subordinated hybrid convertible bond coupon: €8.7 million in 2013 and 2012