



Press Release

[www.steria.com](http://www.steria.com)

Paris, France, July 25, 2014

## First half 2014 results<sup>1</sup>

- Organic growth of 7.2% in the first half 2014
- Strong dynamic in the United Kingdom, underpinned by numerous opportunities in Business Process Services and shared services platforms
- Operating margin rate<sup>2</sup> of 5.7% (5.2% at June 30, 2013)
- Net financial debt of €260 million (€281 million at June 30, 2013)
- Pension fund deficit, net of taxes, reduced by €14 million compared to December 31, 2013

On July 24, 2014, the Supervisory Board of Groupe Steria SCA examined the consolidated financial statements submitted by the General Management.

### First half 2014 consolidated results

		2013	2014	<b>Organic growth</b> At constant perimeter and currency  <b>7.2%</b>
<b>Revenue</b>	€m	<b>873.8</b>	<b>940.8</b>	
<b>Operating margin<sup>2</sup></b> % of revenue	€m %	<b>45.7</b> <b>5.2%</b>	<b>53.8</b> <b>5.7%</b>	
<b>Operating income<sup>3</sup></b>	€m	<b>26.6</b>	<b>33.8</b>	
<b>Attributable net income</b>	€m	<b>7.4</b>	<b>0.9</b>	
% of revenue	%	<b>0.8%</b>	<b>0.1%</b>	
<b>Underlying net attributable income<sup>4</sup></b>	€m	<b>20.6</b>	<b>14.4</b>	
<b>Underlying diluted earnings per share<sup>4</sup></b>	€	<b>0.68</b>	<b>0.45</b>	
<b>Shareholders' equity</b>	€m	<b>377.0</b>	<b>440.4</b>	
<b>Net financial debt</b>	€m	<b>280.7</b>	<b>260.2</b>	

<sup>1</sup>The limited review procedures for the condensed half-year consolidated financial statements have been carried out. The Statutory Auditor's limited review report is being issued.

<sup>2</sup>Before amortisation of intangible assets arising from business combinations. The operating margin is the Group's key indicator. It is defined as the difference between revenue and operating expenses, the latter being equal to the total cost of services rendered (costs necessary for the implementation of projects), sales costs and general and administrative expenses.

<sup>3</sup>Operating income includes restructuring and reorganisation costs, capital gains or losses on disposals, the estimated fair value of share-based compensation and the impact of goodwill impairment tests.

<sup>4</sup>Attributable net income restated, after tax, for other operating income and expenses and amortisation of intangible assets.

## Revenue

### First half 2014 consolidated revenue

In € million	30/06/2013	30/06/2014	Growth
Revenue	873.8	940.8	7.7%
Change in consolidation scope	0.0		
Change due to currency effect	3.9		
<u>Pro forma revenue</u>	<u>877.7</u>	<u>940.8</u>	<u>7.2%</u>

### First half 2014 revenue by geographic area

In € million	30/06/2013*	30/06/2014	Organic growth
United Kingdom	355.1	424.7	19.6%
France	278.7	268.4	-3.7%
Germany	118.9	108.9	-8.4%
Other Europe	125.0	138.9	11.1%
<u>Total</u>	<u>877.7</u>	<u>940.8</u>	<u>7.2%</u>

\* Like-for-like revenue (constant consolidation scope, exchange rates and organizational structure) (base 2014)

### Second quarter 2014 revenue by geographic region

In € million	Q2 2013*	Q2 2014	Organic growth
United Kingdom	178.8	221.7	24.0%
France	134.7	132.4	-1.7%
Germany	60.3	53.0	-12.1%
Other Europe	66.9	69.9	4.4%
<u>Total</u>	<u>440.7</u>	<u>477.0</u>	<u>8.2%</u>

\* Like-for-like revenue (constant consolidation scope, exchange rates and organizational structure) (base 2014)

### **First half 2014 operating performance**

Consolidated revenue increased by 7.2% like-for-like over the first half 2014, benefiting from the strong growth in the United Kingdom and Scandinavia.

Long cycle or recurring activities, which represented 67% of revenue (62% at June 30, 2013), grew by 16.1%: applications maintenance +3.4%, IT infrastructure management +3.0%, business process services +51%. The consulting and systems integration businesses declined by 6.5%.

**In the United Kingdom**, first half revenue enjoyed robust growth (+19.6% like-for-like). Activity was particularly buoyant in the public sector thanks, in particular, to the ramp-up of the SSCL contract but also the positive dynamic in defence (+6%) and homeland security (+26%). The telecommunications/utilities /transport sector also saw strong growth while Finance declined. Business Process Services activities posted very robust growth over the first half and represented more than 50% of the area's revenue at June 30, 2014. This area offers significant opportunities as witnessed by the June 24, 2014 decision by the UK Ministry of Justice and Home Office to select Steria as preferred framework supplier for the provision of their shared services platform project.

**In France**, revenue declined by 3.7%. The trend was positive in the banking (+6%) and energy sectors (+4%) while telecoms and the public sector saw revenue declines.

The first half performance was impacted by the suspension in the application of the "Ecotax" decided by the French government in 2013. Excluding Ecotax effects, first half revenue would have been slightly down (-0.3%). On June 27, 2014, an agreement was signed between Ecomouv' and the French government to resolve the situation created by the suspension decision. The signature of this agreement clarifies the conditions related to the contract execution in this new context.

Additionally, in view of the April 8, 2014 announcement of the tie-up project between Sopra and Steria, the application of the "Ere 2016" turnaround programme, whose cost-saving contribution in 2014 had been estimated at €7 million, has been suspended.

**In Germany**, revenue contracted by 8.4%. The appointment of a new management team in 2013 to evolve the historic business model generated the departure of some consultants leading to a temporary revenue decline. Furthermore, cost-cutting measures were launched to recreate the necessary conditions for profitability consistent with the potential in this region.

**In Other Europe**, organic revenue growth reached +11.1%, benefiting from the strong growth in Scandinavia. The banking (+8.8%), public (+12.8%) and telecommunication /energy/transport (+10.5%) sectors were all positively oriented. This growth was accompanied by a significant increase in staff over the first half leading to a marked seasonability in the profitability improvement expected in the region over the year.

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### **First half 2014 net income**

The operating margin rose by 17.6% to €53.8 million versus €45.7 million at June 30, 2013, driven by the increased contribution from the UK activities, the other regions having suffered a contraction.

Other operating income and expenses (mostly comprising restructuring charges) stood at -€16.8 million during the first half (versus -€16.0 million in the first half 2013).

The net financial result amounted to -€13.2 million (-€12.1 million in 2013) and the tax charge was €12.7 million (€5.3 million in 2012).

Attributable net income, including the increase in the tax charge and minority interests, stood at €0.9 million (€7.4 million in 2013).

### **Financial situation**

The increase in working capital requirement during the first half linked, notably, to the ramp up of the SSCL contract for an amount of €20 million remained under control, enabling the Group to confirm its Full Year 2014 objectives.

At June 30, 2014, net financial debt stood at €260.2 million (€280.7 million at June 30, 2013) representing 1.9x EBITDA (maximum: 2.5x) and the pension fund deficit, net of taxes, stood at €211 million, €14 million lower than at December 31, 2013.

### **Outlook**

Based on first half performance and taking into account the perspectives of the second half, the Group is targeting for the Full Year 2014, organic revenue growth of between +6% and +8% and an operating margin increase in absolute value of around 10%.

### **On-going Public Exchange Offer**

The friendly tie-up between Sopra and Groupe Steria is progressing well: on July 17, 2014, following the European Commission decision to approve the merger, the AMF confirmed the closing date for the Public Exchange Offer (July 30, 2014).

Since June 26, 2014 (the opening date of the Public Exchange Offer), Steria shareholders have had the opportunity to tender their shares to the Offer and contribute to the creation of a European leader in digital transformation.

*This announcement has been released for information purposes only and does not constitute and must not be considered as an offer to purchase Groupe Steria or Sopra shares. The release of this announcement may be restricted by law in certain jurisdictions and, therefore, any person holding this document must enquire about applicable legal restrictions and comply with them. Therefore, Groupe Steria and Sopra decline all liability whatsoever with regards to the potential violation, by any person, of these restrictions.*

*An information meeting on the first half 2014 results will take place on Friday, July 25, 2014 at 9h00 CET by webcast available at [www.steria.com](http://www.steria.com) (investors section)*

*Next news: Q3 2014 revenue Thursday, October 30, 2014 before the market opening*

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**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:** [www.steria.com](http://www.steria.com)

Steria delivers IT enabled business services which help organisations in the public and private sectors to operate more efficiently and profitably. By combining in-depth understanding of its clients' businesses with expertise in IT and business process outsourcing, Steria takes on clients' challenges and develops innovative solutions to address them. Through its highly collaborative consulting style, the company works with clients to transform their businesses, enabling them to focus on what they do best. Steria's 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 Africa and South East Asia and generated 2012 revenues of €1.83 billion. More than 20 per cent (\*) of Steria's capital is owned by its employees. Headquartered in Paris, Steria is listed for trading on the Euronext Paris market.

*(\*) : Including "SET Trust" and "XEBT Trust" (4.15% of the share capital)*

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### Consolidated income statement at June 30, 2014

In € thousands	30/06/2014	30/06/2013
Revenue	<b>940,778</b>	<b>873,794</b>
Cost of sales and sub-contracting costs	(163,199)	(166,006)
Personnel costs	(541,962)	(510,558)
Bought-in costs	(169,751)	(132,066)
Taxes (excluding income taxes)	(10,781)	(11,420)
Other current operating income and expenses	14,694	8,266
Net charges for depreciation and amortisation	(18,028)	(17,987)
Net additions to provisions	(1,016)	(1,614)
Impairment of current assets	(156)	211
<b>Operating margin (*)</b>	<b>50,579</b>	<b>42,619</b>
Other operating income and expenses	(16,762)	(16,014)
<b>Operating income</b>	<b>33,817</b>	<b>26,605</b>
Net cost of borrowings	(3,450)	(2,213)
Other financial income and expenses	(9,760)	(9,910)
<b>Net financial expense</b>	<b>(13,210)</b>	<b>(12,123)</b>
Income tax expense	(12,652)	(5,316)
Share of income/(loss) of associates	108	113
<b>Net income from continuing operations</b>	<b>8,063</b>	<b>9,280</b>
<b>Net income for the year</b>	<b>8,063</b>	<b>9,280</b>
<b>Attributable net income</b>	<b>884</b>	<b>7,363</b>
<b>Non-controlling interests</b>	7,179	1,917
<b>Underlying<sup>4</sup> diluted earnings per share (in euros)</b>	<b>0.45</b>	<b>0.68</b>

(\*)After amortisation of the customer relationships recognised on the acquisition of Xansa and NHS SBS and amounting to €(3,241) thousand at 30/06/2014 and €(3,129) thousand at 30/06/2013.

### Consolidated balance sheet at June 30, 2014

In € thousands	30/06/2014	30/06/2013
Goodwill	789,428	746,853
Other intangible assets	97,442	98,476
Property, plant and equipment	52,341	56,068
Investments in associates	1,789	1,654
Available-for-sale assets	1,055	2,594
Other financial assets	5,405	4,414
Retirement benefits assets	-	-
Deferred tax assets	93,094	107,437
Other non-current assets	2,003	4,458
<b>Non-current assets</b>	<b>1,042,556</b>	<b>1,021,954</b>
Inventories	22,689	8,584
Net trade receivables and similar accounts	172,853	217,633
Amounts due from customers	222,377	218,481
Other current assets	68,491	56,115
Current portion of non-current assets	3,675	3,687
Current tax assets	42,763	37,656
Prepaid expenses	54,034	31,907
Cash and cash equivalents	213,847	167,861
<b>Current assets</b>	<b>800,729</b>	<b>741,924</b>
Non-current assets classified as held for sale	6,598	6,979
<b>Total assets</b>	<b>1,849,883</b>	<b>1,770,857</b>
<b>Shareholders' equity</b>	<b>424,989</b>	<b>369,269</b>
Non-controlling interests	15,453	7,726
<b>Total equity</b>	<b>440,442</b>	<b>376,995</b>
Long-term borrowings	381,724	381,085
Retirement benefit obligations	274,640	302,304
Provision for non-current liabilities and charges	7,988	11,700
Deferred tax liabilities	344	4,261
Other non-current liabilities	39,412	41,472
<b>Non-current liabilities</b>	<b>704,108</b>	<b>740,822</b>
Short-term borrowings	92,325	67,509
Provisions for non-current contingencies and charges	22,360	20,543
Net trade payables and similar accounts	190,463	152,064
Gross amounts due to customers and advance payments received	74,197	72,806
Current tax liabilities	48,645	45,259
Other current liabilities	276,677	294,153
<b>Current liabilities</b>	<b>704,666</b>	<b>652,334</b>
Non-current liabilities classified as held for sale	667	706
<b>Total liabilities</b>	<b>1,849,883</b>	<b>1,770,857</b>

### Summary cash flow statement at June 30, 2014

In € million	30/06/2014	30/06/2013
<b>EBITDA</b>	<b>69.0</b>	<b>61.6</b>
Non cash adjustments	0.2	-0.9
Change in WCR (cash components)	-54.7	29.5
<b>Operating cash flow</b>	<b>14.4</b>	<b>90.2</b>
Net industrial investment	-12.3	-16.2
Income tax	-10.0	-11.2
Net interest paid	-6.8	-4.9
Restructuring	-15.8	-19.5
Additional contribution to pension funds	-9.6	-7.8
<b><u>Operating free cash flow</u><sup>5</sup></b>	<b><u>-40.1</u></b>	<b><u>30.5</u></b>

Dividends <sup>6</sup>	0.0	-8.7
Net financial investment	0.2	-0.9
Capital increase	0.0	0.0
Change in consolidation scope	-1.6	0.0
Currencies and other effects	5.3	-6.2
<b>Change in net cash (before hybrid bond)</b>	<b>-36.2</b>	<b>14.7</b>
Redemption of hybrid convertible bond	0.0	-152.4
<b>Change in net cash (after hybrid bond)</b>	<b>-36.2</b>	<b>-137.7</b>

### Operating margin rate<sup>2</sup> 2014 by geographic region at June 30, 2014

In % of revenue	30/06/2014	30/06/2013
United Kingdom	10.7%	7.8%
France	0.6%	2.2%
Germany	4.1%	6.6%
Other Europe	5.9%	7.1%
Corporate expenses	-0.6%	-0.5%
<b>Group</b>	<b>5.7%</b>	<b>5.2%</b>

<sup>5</sup> Before investments, financing and currency effects

<sup>6</sup> Including the coupon on the subordinated hybrid convertible bonds: €8.7 million at June 30, 2013