

1. Key figures

1.1. Key income statement and balance sheet items

<i>(in millions of euros)</i>	2016	2015
Revenue	3,741.3	3,584.4
EBITDA	344.0	303.5
Operating profit on business activity	301.1	245.5
As % of revenue	8.0%	6.8%
Profit from recurring operations	267.8	225.0
As % of revenue	7.2%	6.3%
Operating profit	240.2	152.6
As % of revenue	6.4%	4.3%
Net profit attributable to the Group	150.4	84.4
As % of revenue	4.0%	2.4%
Total assets	3,884.9	3,821.3
Total non-current assets	2,251.3	2,302.1
Equity attributable to the Group	1,070.6	1,194.4
Minority interests	32.5	38.7
Number of shares at 31 December	20,531,795	20,446,723
Basic earnings per share <i>(in euros)</i> ⁽¹⁾	7.50	4.27
Fully diluted earnings per share <i>(in euros)</i> ⁽²⁾	7.49	4.26
Net dividend per share <i>(in euros)</i>	2.20 ⁽³⁾	1.70
Total workforce at 31 December	39,813	38,450

(1) Net profit attributable to the Group divided by the average number of shares during the year excluding treasury shares.

(2) Net profit attributable to the Group divided by the average number of shares during the year excluding treasury shares, taking into account the dilutive effect of instruments convertible into ordinary shares.

(3) Dividend to be proposed at the General Meeting of 13 June 2017.

1.2. Breakdown of revenue by reporting unit

<i>(as %)</i>	2016	2015
France	41%	38%
United Kingdom	25%	29%
Other Europe	19%	19%
Sopra Banking Software	9%	8%
Other Solutions	6%	6%
TOTAL	100%	100%

1.3. Revenue by vertical market

(as %)	2016	2015
Banking	22%	21%
Insurance	5%	5%
Public sector	23%	25%
Aerospace, Defence, Homeland Security	19%	16%
Energy, Utilities	8%	8%
Telecoms, Media and Games	6%	6%
Transport	6%	5%
Retail	2%	3%
Other	10%	11%
TOTAL	100%	100%

2. History of Sopra Steria Group

A PERFORMANCE-ENHANCING CORPORATE PLAN

Sopra Steria has reinforced its position as a European leader in digital transformation. Its shares are listed in the SBF 120 index and, in 2016, the Group posted €3.7 billion in revenue and employed almost 40,000 people in over 20 countries.

Sopra Steria was born from the merger in 2014 of two of France's oldest digital services companies, Sopra and Steria, founded respectively in 1968 and 1969 and both characterised by a strong entrepreneurial spirit as well as a firm collective commitment to serving their clients.

1968 – 1985

Meeting the needs of an increasingly digital society

The emerging IT services industry is in step with the demands of an increasingly modern society. Sopra and Steria set ambitious growth targets to achieve critical mass as quickly as possible, and to meet the needs of major clients with innovative products and services.

Sopra invests in software development and opens up new vertical markets. Meanwhile, Steria signs a series of major contracts from the public sector.

1985 – 2000

An era of rebuilding

After two decades of strong momentum, the IT services market enters a maturity phase and faces its first tests. In 1985, Sopra rethinks its fundamentals. A model combining two complementary businesses emerges, and the company focuses on systems integration and software development. The Group places financial performance at the heart of its strategy to ensure its long-term independence and prepare for its initial public offering, which takes place in 1990.

Steria also reorganises its functional structure. By rationalising and industrialising processes, it gets back on track winning major deals. Everything is ready for the company to plan its initial public offering in 1999.

2000 – 2014

Contributing to clients' digital transformation

In 2001, the Internet bubble bursts, accelerating market changes. Clients are looking for global players capable of assisting them in transforming their businesses.

Steria responds to these challenges by making major, structural acquisitions. The Group doubles in size by integrating Bull's European businesses in 2001, and boosts its consulting offering with the acquisition of German firm Mummert Consulting in 2005. Xansa, a British group specialising in BPO (Business Process Outsourcing), joins the Steria fold in 2007. In 2013, Steria signs one of the biggest contracts in its history with the UK government, strengthening its foothold in the public sector.

Sopra combines internal and external growth to consolidate its European expansion and its areas of expertise: consulting, systems integration and solutions development. Axway, a subsidiary formed by bringing together the Group's software infrastructure divisions, is floated in 2011 to let it pursue its growth independently and set out to conquer the US market. Sopra is recognised for its expertise in financial services, leading to the creation of Sopra Banking Software in 2012. In 2014, dedicated human resources solutions are brought together in a single subsidiary, Sopra HR Software.

2014 – 2017

A new dimension and stepping up performance

Due to the changes resulting from digital transformation, business-related issues are becoming increasingly significant within the digital services market. In this context, a friendly tie-up between Sopra and Steria makes perfect sense, and on 31 December 2014, a new European leader in digital transformation is created: Sopra Steria. The two groups perfectly complement each other in terms of business activities, strategic vertical markets and geographic segments, and their business cultures are closely aligned.

In the first few months of 2015, the integration plan jointly designed by Sopra and Steria teams is successfully rolled out in the operational and functional departments of the new Group. At the same time, the Sopra Steria 2020 Project is launched in order to improve performance in all areas and increase added value.

By capitalising on an end-to-end offering delivered to major clients using a vertical approach, the project supports initiatives within the area of digital technology and puts the emphasis on advisory services and the development of software solutions, by means of organic growth and acquisitions. In 2016, the Group launches New Way, a three-year programme aiming to unite all employees around a single culture and shared fundamental values. The We Share employee shareholding plan makes employees even more involved in the Group's expansion. With around 8% of share capital held by its employees, Sopra Steria is France's leading digital services company in terms of employee shareholders.

To support the Sopra Steria 2020 Project, strategic investments continue in services, consulting and the development of business-specific solutions. The acquisition of CIMPA in October 2015 boosts the Group's presence in the PLM (product lifecycle management) market. Finalised in January 2017, the merger with software publisher Cassiopae strengthens Sopra Banking Software's position in managing specialised financing.

Sopra Steria provides end-to-end solutions to address the core business needs of large companies and organisations, helping them remain competitive and grow. Combining expert business knowledge and added value with innovative high-performance services, the company excels in guiding its clients through transformation projects to help them make the most of digital technology.

3. Sopra Steria's activities

3.1. A European leader in digital transformation

Sopra Steria, a European leader in digital transformation, has one of the most extensive portfolios of offerings available on the market, spanning consulting and systems integration, the development of industry- and technology-specific solutions, infrastructure management, cybersecurity and business process services (BPS).

The Group provides end-to-end solutions to address the core business needs of large companies and organisations, helping them remain competitive and grow throughout their transformation, from strategic analysis, programme guidance and implementation, and the conversion and operation of IT infrastructures, to designing and implementing solutions and outsourcing business processes.

Combining added value, innovative solutions and high-performance services, Sopra Steria's hybrid model capitalises on its substantial experience. Thanks to very close relationships with its clients, the Group is able to continually innovate to guarantee that its offerings remain relevant to the strategic challenges of each of its vertical markets.

Sopra Steria is an independent group whose founders and managers control 22.7% of its share capital and 32.9% of its theoretical voting rights. With almost 40,000 employees in over 20 countries, it pursues a strategy based on European key accounts.

Sopra Steria Group is also the preferred partner of Axway Software, whose exchange and digital enablement platforms play an important role in renovating information systems and opening them up to digital technology.

3.1.1. CONSULTING AND SYSTEMS INTEGRATION

a. Consulting

Sopra Steria Consulting, the Group's consulting brand, is one of the major players in the consulting sector. Sopra Steria Consulting has over 40 years' experience in business and technological consultancy for large companies and public bodies, with 2,000 consultants in France and Europe. Its aim is to accelerate the development and competitiveness of its clients by supporting them in their digital transformation. This support mainly involves understanding clients'

business issues using substantial sector-specific expertise, and then working to design transformation roadmaps (business processes, IT architecture, change management, etc.) enabling them to make the most of new digital technologies.

b. Systems integration

Systems integration is Sopra Steria's original core business, and covers all aspects of the information system lifecycle and major transformation programmes. Sopra Steria is equipped to address the full range of its clients' software asset needs:

Digital transformation

For Sopra Steria, helping its clients to succeed in their digital transformation means turning their strategic and business challenges into digital initiatives by means of an exclusive end-to-end offering. Whether this takes a vertical approach (from the ideation of a need through to execution) or a horizontal approach (driven by data continuity), Sopra Steria's approach enables it to offer multi-disciplinary teams trained in both new microservices platform management skills, in terms of DevOps and in-cloud development (hard skills), and new ways of designing, delivering and embedding teams (soft skills) that can address the two key elements of successful digital transformation: speed of execution (or delivery in "fast IT" mode), and openness to external ecosystems.

Design and integration

Sopra Steria's teams help their clients implement agile and industrial-scale projects. The Group undertakes to design and deliver systems in line with business requirements that are flexible and scalable, so that they can be adapted to the new requirements of digital transformation while guaranteeing compliance with sector-specific regulatory constraints. This is made possible by working closely with the Sopra Steria Consulting teams.

Performance and transformation

In addition to standard information systems maintenance, Sopra Steria takes a continuous transformation approach to guarantee optimised operational efficiency for its clients, suited to changes in their business. The transformation approach includes a well-equipped and documented procedure making it possible to combine the issues involved in reducing the time to market, and improving competitiveness and continuity of service.

Data and value of use

Once they have been integrated, the systems and technologies implemented give access to reliable, relevant and critical data, offering better analysis of user satisfaction and optimisation of service performance.

With the increasing number of diverse data sources relating to fundamental changes in use, data is a more valuable factor for the company than ever. To increase the value of these data, Sopra Steria has developed specific know-how and expertise to deal with the exponential growth in data volumes relating to new technologies and associated skills (data science, smart machines, automation,

artificial intelligence), secure the data regardless of their origin (mobile devices, smart objects, data privacy, the Cloud, multi-modal and multi-channel systems etc.) and use the data in the most relevant way by means of contextualised algorithms.

The Group's systems integration offering thus meets the challenges posed by both the obsolescence and modernisation of information systems, ensuring optimal flexibility and value creation.

3.1.2. IT INFRASTRUCTURE MANAGEMENT

Sopra Steria operates all or part of an IT infrastructure by delivering services such as:

- the service desk: technical and business assistance to users or client help desks;
- supervision of systems and network infrastructures;
- administration and operation of systems and network infrastructures;
- hosting infrastructures in data centres.

Infrastructure transformation is a major driver of this business.

As a result, upstream of the operating phase, the Group takes responsibility for developing its clients' practices and processes based on organisational and technological standards that are continually optimised, offering services such as:

Infrastructure as a Service (IaaS)

Sopra Steria supports its clients in their transformation by aggregating traditional infrastructure services with cloud services, in a comprehensive and secure IaaS offering.

Cloud service broker offering

Sopra Steria facilitates the integration of cloud services (IaaS, PaaS, SaaS) in the company's ecosystem, regardless of the sourcing method (private or public), via three functions:

- aggregating services within a portal based on service catalogues;
- customising services to suit user profiles;
- integrating services in the information system and orchestration.

End-user-centric approach

Sopra Steria offers an end-user-centric approach that enables users to access any application, any time, anywhere, regardless of the system used.

3.1.3 CYBERSECURITY

Amid an escalating number of increasingly sophisticated cyber-threats, decision-makers have to find the right balance between supporting digital transformation development opportunities and responding to growing regulatory demands.

As a major player in the Cybersecurity sector, Sopra Steria helps its clients rise to this challenge by offering a full range of consulting, solution integration and managed services to meet prevention,

protection, detection and reaction needs, with five key areas of expertise:

- **Governance, Risk and Compliance (GRC):** high value-added advisory services coupled with GRC solution integration in order to provide well-equipped security governance focusing on the management of business risks;
- **Regulatory compliance:** comprehensive help with ensuring compliance with major security regulations (NIS/LPM, GDPR/CNIL, sector-specific regulations), based on both legal and technical expertise;
- **Application security:** a complete programme for securing applications, including a Security by Design project approach and unique code as a service audit capacity;
- **Data security:** an end-to-end and innovative range of data services: strategy, analysis and classification, protection solutions (DLP, DRM), supervision and dashboards;
- **Security Operations Center (SOC) managed services:** a comprehensive and evolving information management solution able to anticipate, detect, analyse and respond to cyberattacks as quickly and accurately as possible thanks to artificial intelligence innovations.

As an operator that is trusted and recognised, in particular by the French national digital security agency (ANSSI), Sopra Steria draws on a network of 700 experts around the world (300 of them in France) and next-generation cybersecurity centres in Europe and Singapore to protect information assets and guarantee service continuity for governments, vitally important operators and sensitive large corporates.

3.1.4. INDUSTRY-SPECIFIC SOLUTIONS

Sopra Steria offers its business expertise to clients via packaged solutions in three areas: Banking, Human Resources and Property Management. The Group adapts and deploys its application solutions to offer its clients high-performance enterprise software packages, in line with the development of their company and the latest information technology, know-how and expertise.

Banking

Sopra Banking Software (a wholly-owned subsidiary of Sopra Steria) produces software solutions for a wide range of banking operations, enabling financial institutions to improve their responsiveness, agility and more generally their productivity. In addition to its software offering, Sopra Banking Software offers deployment, support and training services. In 2016, the subsidiary – with over 800 clients in over 75 countries – showed itself to be a recognised market leader in the world of retail banking, as well as in asset finance, following the acquisition of Cassiopae.

Solutions: Sopra Banking Software's offerings are suitable for retail (direct or branch-based) banks, as well as for private banks. These services also cover more specific needs such as Islamic banking, microfinance and the implementation of 'factory'-style globalised solutions (such as payment and credit solutions). Sopra

Banking Suite meets general needs by offering integrated systems, but also more specific vertical market needs such as loan services, payment transactions, management of bank cards and accounts, banking distribution, cash management and regulatory compliance via a wide range of business components which may be linked together. It should be noted that it is also possible to implement these solutions one component at a time, allowing a gradual step by step approach.

With a view to achieving broad coverage in terms of both size of banks and geography, Sopra Banking Suite relies on its two flagship solutions: Amplitude, an integrated solution designed to provide a very broad business offering in emerging markets and among mid-sized banks thanks to its modularity, flexibility and openness, and Platform, designed to provide a comprehensive, innovative and robust solution in mature markets through a blend of components based on a service-oriented architecture.

Services: Sopra Banking Software, a comprehensive service provider, offers a number of services linked to its solution offering. From consulting to analysis, planning, training of teams, implementation and maintenance, Sopra Banking Software supports clients throughout their project.

As well as operating its own solutions, Sopra Banking Software also offers SaaS solutions, notably for direct banks and for regulatory reporting purposes.

Human Resources

Sopra Steria Group also develops human resource management solutions via Sopra HR Software (a wholly-owned subsidiary of Sopra Steria). Sopra HR Software is present in 10 countries, providing comprehensive HR solutions perfectly suited to the needs of human resources departments. Sopra HR Software currently has a workforce of 1,300 people and manages over 12 million employees for 850 clients.

Sopra HR Software is a partner for successful digital transformation of companies and anticipates new generations of HR solutions.

Solutions: The Sopra HR Software offerings are based on the most innovative business practices and cover a wide range of functions, including Core HR, Payroll, Time and Activity, Talent Management, HR Space, and Analytics. The offering is based on two product lines (Pléiades and HR Access) aimed at large and medium-sized organisations in the public or private domain, regardless of their business sector, organisational complexity or location.

Services: Sopra HR Software, a comprehensive service provider, offers a number of services linked to its solution offering. Sopra HR Software supports its clients throughout their projects, from consulting through to implementation, including staff training, maintenance and business process services.

Sopra HR Software operates its own solutions in on-premises or outsourced mode, as well as offering a wide range of managed services.

Property Management

Sopra Steria provides property management solutions for all segments of the social and private property markets. Those solutions' coverage of different operational needs ensures optimised management for companies in these markets according to the type of property managed: offices, housing, shopping centres, warehouses, etc.

Companies' new strategies require them to change how they are organised in order to simplify, facilitate and increase the efficiency of business teams. The aim is to develop business activities by increasing client satisfaction and profitability.

This Sopra Steria Group vision also applies to property management, an area in which information systems are no longer focused on applications but on the real estate asset instead. This innovative approach has changed digital architectures, which need to streamline, share and improve management of information and processes by breaking down the barriers between business lines in the property sector.

The Property Management Information System combines all digital services around a single data repository for the building, the occupant and for the management of real estate assets.

A range of solutions offers clients business functions, from project management to facility management, based on a state-of-the-art property management platform. From a digital standpoint, mobile applications, extranets and collaborative platforms are integrated in these solutions. Data are crucial for companies, and are enhanced since they are based on business processes. The cross-disciplinary nature of these processes leads to an improvement in productivity thanks to the constant connection between users of the information system. Decisions are backed up and made more secure by integrated and customisable analyses.

Sopra Steria Property Solutions offers support solutions suited to each client. Customisation through training and data quality are key themes of these services. Its consultants provide know-how and knowledge throughout the life of the information system.

Property Solutions are offered to clients as a service, leaving them free to focus on their core business.

3.1.5. BUSINESS PROCESS SERVICES

Through its business process services offering, Sopra Steria transforms and operates, for its clients, all or part of a process, a function or many functions within the company.

The Group has become a leading player in optimising operational performance, rationalising costs and improving flexibility within organisations, as well as improving financial control and offering solutions to outsource processes in many different fields:

- finance and administration (F&A and procurement) functions;
- human resources (staff administration and payroll) functions;
- middle office activities (regulatory compliance, billing, etc.);

- front office services (command control room processes for the police, the emergency services and call centres for prisons, etc.).

The teams comprise experts specialising in services and continuous improvement (based on the Lean Six Sigma methodology), applying workforce organisation, process re-engineering and automation in areas ranging from consulting to robotics, machine learning (semantic analysis algorithms) and the design of new operating models. Thanks to many years' experience, they create new value chains, capitalising on practices that achieve the most effective results at a lower cost for our clients.

Sopra Steria is a leader in the business process services market in Europe. In particular, the Group operates the largest Business Processes as a Service (BPaaS) platform in Europe for shared services handling financial and accounting processes (NHS SBS). Moreover, the Group was the first IT service provider to take over the operation of part of the business and back-office processes for a police force in Europe (Cleveland police in the United Kingdom). Winning the SSCL ⁽¹⁾ contract at the end of 2013 – with the potential to meet all the British government's front, middle and back office process requirements – considerably strengthened this position. A further breakthrough came in 2015 with the signing of an agreement with the Metropolitan Police Service, the largest police force in the United Kingdom, for Sopra Steria to create a BPaaS platform for the police. This platform is intended to serve several police forces in a similar way to Sopra Steria's multi-client health platform (NHS SBS).

3.2. Business expertise at the heart of our strategy

Sopra Steria has chosen eight major vertical markets that constitute its areas of excellence and make up 90% of revenue. The Group has a comprehensive offering in each of these fields, meeting the specific challenges of each of its clients.

3.2.1. BANKING

This rapidly evolving sector is undergoing major changes. In an environment where regulatory requirements are constantly changing, the digital revolution has led to the emergence of digital banking and increased the expectations of clients who now have multiple banking relationships, and whose behaviour has changed considerably due to technological advancements, particularly in their relationships with banks.

Faced with these new challenges, Sopra Steria aims to be a partner for banks, helping to facilitate and accelerate this transformation.

Sopra Steria Group and its subsidiary Sopra Banking Software provide comprehensive solutions and turn changes in the banking world into opportunities for their clients, whether in risk management, regulatory compliance, data protection, improving the client

(1) Shared Services Connected Limited, a joint venture between Sopra Steria and the UK Cabinet Office.

experience, optimising performance, delivering differentiation or identifying new sources of income.

3.2.2. INSURANCE

Under pressure from both competitors and regulatory constraints, together with the acceleration of new usage patterns and changes in the behaviour of policyholders, it is clear that insurance companies, mutual insurance companies and social welfare organisations must complete the revolution that has begun in this sector. Four major challenges must be met: control costs, improve the satisfaction of policyholders, comply with new regulations and preserve the levers of growth, all within a very short time to market.

In this market, Sopra Steria offers its clients operational efficiency and a competitive advantage, through services such as: industrialisation and aligning of business processes and information systems, enhanced value of client experience, acceleration of paperless processes and digital transformation, leveraging of data and information assets and the use of smart devices for prevention, big data for combating fraud and artificial intelligence for smart care.

Like other parts of the financial services sector, the insurance sector is under pressure due to competition and subject to increasingly strict regulations. As in other areas, policyholders expect to interact with providers via various channels, and providers are attempting to develop client-centred processes in order to optimise the client experience. In a period characterised by low interest rates, the challenges faced by insurance companies and social welfare providers are compliance with regulatory requirements, reducing costs while optimising efficiency, providing a differentiated and harmonious client experience, and increasing their market share by providing products that meet clients' needs.

Sopra Steria offers products and services that help its clients to meet these challenges. We provide software packages that help organisations to comply with regulatory requirements, and our expertise in big data and data analysis enables clients to better understand their own customers' behaviour. Sopra Steria also has experience and capabilities in optimising and transforming legacy applications, resulting in a reduction in costs and optimised efficiency for our clients. Our digital transformation expertise enables us to work with our clients to develop a multi-channel engagement with policyholders.

3.2.3. PUBLIC SECTOR

Faced with new expectations from citizens and companies, the need to optimise expenses, and the obligation to keep up with regulatory changes, governments continue to implement a huge programme of public sector transformation to transform their activities, organisation and user service offering.

In a context in which the ability of digital technology to speed up the rate of transformation is becoming increasingly clear, Sopra Steria has developed, firstly, solutions centred around digitisation of government services, process re-engineering and,

more generally, modernisation of business-specific information systems, and secondly, solutions for pooling the support functions of central government, local authorities and key providers in the health and welfare sectors.

As a result, public sector organisations can ensure that they meet their targets and priorities at the lowest cost, while giving their information system the agility it requires to cope with the challenges they face.

3.2.4. AEROSPACE, DEFENCE AND HOMELAND SECURITY

a. Defence

In a tense geopolitical context, marked by the rise of new threats to states (cybercrime, terrorism, etc.), defence departments must improve their effectiveness while taking into account budgetary constraints. It has become essential to optimise the interoperability and security of critical operational systems for exchanging real-time information.

With over 40 years' experience in supporting government ministries and departments, Sopra Steria combines pragmatism and innovation, thanks to powerful technological and process solutions:

- interoperability and security of military systems;
- efficiency and overall effectiveness of the armed forces;
- efficiency of the military supply chain (supply chain management);
- reliability of operational and communication information systems;
- access control for sensitive sites, identity management and biometrics;
- control over costs and the complexity of ensuring compliance for command and control systems.

b. Homeland security

Sopra Steria supports public authorities in meeting the challenges of homeland security. The Group operates in 24 countries, serving a wide range of clients: police, emergency services, border control, census services, justice, customs and homeland security services.

Sopra Steria carries out large-scale, complex and critical projects on behalf of these organisations, concerning:

- management of surveys;
- domestic intelligence;
- road safety;
- automation of command and control solutions;
- management of identity documents, security credentials and civil and criminal biometrics;
- modernisation of civil and criminal systems and management of prisoners;
- intelligent, distributed computer systems;
- infrastructure security;
- mobile technologies to optimise operations on the ground.

In addition, the Group has developed innovative solutions specific to the security sector, to meet the challenges and requirements of clients in this field (biometrics, mobile technology, fingerprint and genetic footprint search engines etc.).

c. Aerospace

The aeronautics and space sector is a particularly fertile ground for innovation. It is subject to constraints regarding reliability, availability, security and performance, which require suppliers to have full command of the technologies and processes implemented, as well as a thorough understanding of their different clients' core businesses.

For optimal service, companies operating in this sector must align their capacities with the pace of production and optimise their processes and information systems while also improving profitability. Digital continuity and the ability to manage the product lifecycle, from design to manufacture and after-sales services, are crucial. The acquisition in 2015 of CIMPA, a specialist in product lifecycle management, makes total sense in this context.

To meet these challenges, Sopra Steria's expertise comes into play in such critical areas as industrial efficiency, manufacturing and particularly the shop floor, supply chain, on-board systems and air traffic control.

3.2.5. TELECOMS, MEDIA AND GAMES

The telecoms, media and games sector is at the centre of the digital revolution, and is continually developing to stay abreast of new digital interactions and the emergence of new technologies and usage patterns.

Sopra Steria enables its clients to meet the following main challenges:

- transformation of the telecommunications sector: comprehensive end-to-end digitisation, from client systems to infrastructure, network virtualisation, fixed-mobile convergence, reduction of the time to market, optimisation and digitalisation of customer relationships;
- network management: reduction in infrastructure management costs, introduction and operation of new technologies such as SDN/NF or 5G, reduction in delivery times, sharing of operating and investment expenditures between providers;
- diversification: telecommunications services are the foundation of the digital economy and in addition to traditional services, operators can offer new services such as the internet of things, content distribution and even financial services;
- core media business: use of new technologies, optimisation of advertising revenue, digitisation of content, improvement in the creation and broadcasting of television programmes;
- core Games business: management of customer retention and churn, fraud reduction and control over cash flows, compliance

with regulations specific to various games, digitisation of distribution channels, and differentiation by customer experience.

3.2.6. ENERGY AND UTILITIES

Faced with increasingly heavy budgetary, regulatory and fiscal constraints, companies in the energy sector must be increasingly creative to improve their productivity, develop new products and services, control costs, reduce their environmental impact and rationalise their operations. The decisions made at the COP21 climate talks in November 2015 only increase these challenges by encouraging major principals to diversify and innovate even more, to control energy more effectively and revamp their management of customer relationships (companies, local authorities and private individuals).

Other major issues must also be taken into account:

- maintenance of production and distribution infrastructures that are becoming obsolescent;
- rapid change in customer requirements;
- end-to-end control of energy flows (from production to the end-user via smart meters);
- the transition to new generations, particularly on the production side.

Sopra Steria helps energy suppliers and utilities transform all their key processes: exploration, production and trading, transport and distribution, marketing and services.

3.2.7. TRANSPORT

The transport sector is undergoing far-reaching changes: increasing openness to competition, growing European and urban traffic, new modes of transport (car sharing, low-cost operators, long-distance buses, etc.), the digital revolution (Uber, BlaBlaCar, etc.) and the renovation of old networks.

Faced with these major challenges, the transport sector must change and:

- propose multiple or integrated offerings (bus, taxi, bike, etc.): door-to-door;
- become customer-centred and develop loyalty;
- propose new services (luggage, guarantees for passengers, mobile ticketing).

Sopra Steria has developed business know-how in all of these fields based on three main themes:

- infrastructure management: asset management, development of mobile tools for maintenance, paperless records, etc.;
- traffic management: from timetable design to transport planning, fleet management and supervision of rail, road and air traffic;

- traveller experience: mobile ticketing, boarding and access control, passenger information.

Sopra Steria offers innovative approaches (co-design, design-thinking, agility, digital labs, etc.) and has the expertise to support its clients in numerous areas such as the Internet of Things, mobile app labs, cloud computing, Big Data, and so on.

Its Cybersecurity centres offer key accounts in the European transport sector a guarantee and total security for their information system.

- capitalise fully on technologies in order to maximise revenues and profitability;
- offer a rich, omnichannel experience with connected channels;
- establish a rich, intelligent and constant relationship with their clients;
- innovate and transform within an innovative organisational structure.

3.2.8. RETAIL

Retailers face an unfavourable economic environment and profound and continual changes in the patterns of consumption of clients who increasingly use digital technology. Transformation is essential. It involves having secure, controlled business practices as well as a real ability to innovate to meet consumer requirements for immediate and flexible services.

Sopra Steria guides retailers in their digital transformation, making these companies' information systems a lever for performance to:

- guarantee service standards while also optimising recurring costs;
- transform their architecture in order to adapt it to an omnichannel and flexible environment;
- simplify their existing system, improve the level of productivity and processes in a flexible world;

3.3. Research and Development of Solutions

The Group stepped up its R&D efforts, investing €111.2 million in 2016 (up from €105.4 million in 2015) in developing and expanding its industry-specific solutions. All of these totals are gross amounts and do not take into account funding related to the French R&D tax credit.

These R&D expenses, which mainly consist of the direct cost of staff dedicated to developing certain solution offerings and software packages produced by Sopra Steria, have been recognised in full in operating expenses.

4. Overview of the digital services sector

4.1. Main markets – Competitive environment of digital services companies

In 2016, the digital services market in Western Europe was worth an estimated \$224 billion ⁽¹⁾.

DIGITAL SERVICES MARKET IN WESTERN EUROPE (EXCLUDING HARDWARE AND SOFTWARE)

Country (in billions of US dollars)	2016 estimates
France	27.3
United Kingdom	74.4
Germany	36.0
Rest of Europe	86.1
TOTAL	223.8

Source: Gartner, updated first quarter 2017.

DIGITAL SERVICES MARKET IN WESTERN EUROPE (EXCLUDING HARDWARE AND SOFTWARE)

Business (in billions of US dollars)	2016 estimates
Consulting	43.4
Development and systems integration	61.1
Outsourced IT services	86.3
Business process outsourcing	33.1
TOTAL	223.8

Source: Gartner, updated first quarter 2017.

The European market has three main characteristics:

- three countries alone (the United Kingdom, Germany and France) account for 62% of IT services spending in Europe ⁽¹⁾;
- outsourcing of technology services (application maintenance and infrastructure management) and business process outsourcing together account for over 53% of IT services spending by European companies ⁽¹⁾;
- the sector that consumes the most IT services in western Europe is financial services, consisting of banks and insurance companies, which account for 25% of the total market.

In spite of the recent consolidations, the IT services market remains highly fragmented in Europe. The main competitors of Sopra Steria are divided into three categories:

- players present on all continents, such as IBM, HP EDS, CSC, Accenture, CGI, Capgemini and Atos;
- Indian players such as TCS, Cognizant, Wipro and Infosys;
- local players positioned in niche segments with high added value or general purpose services.

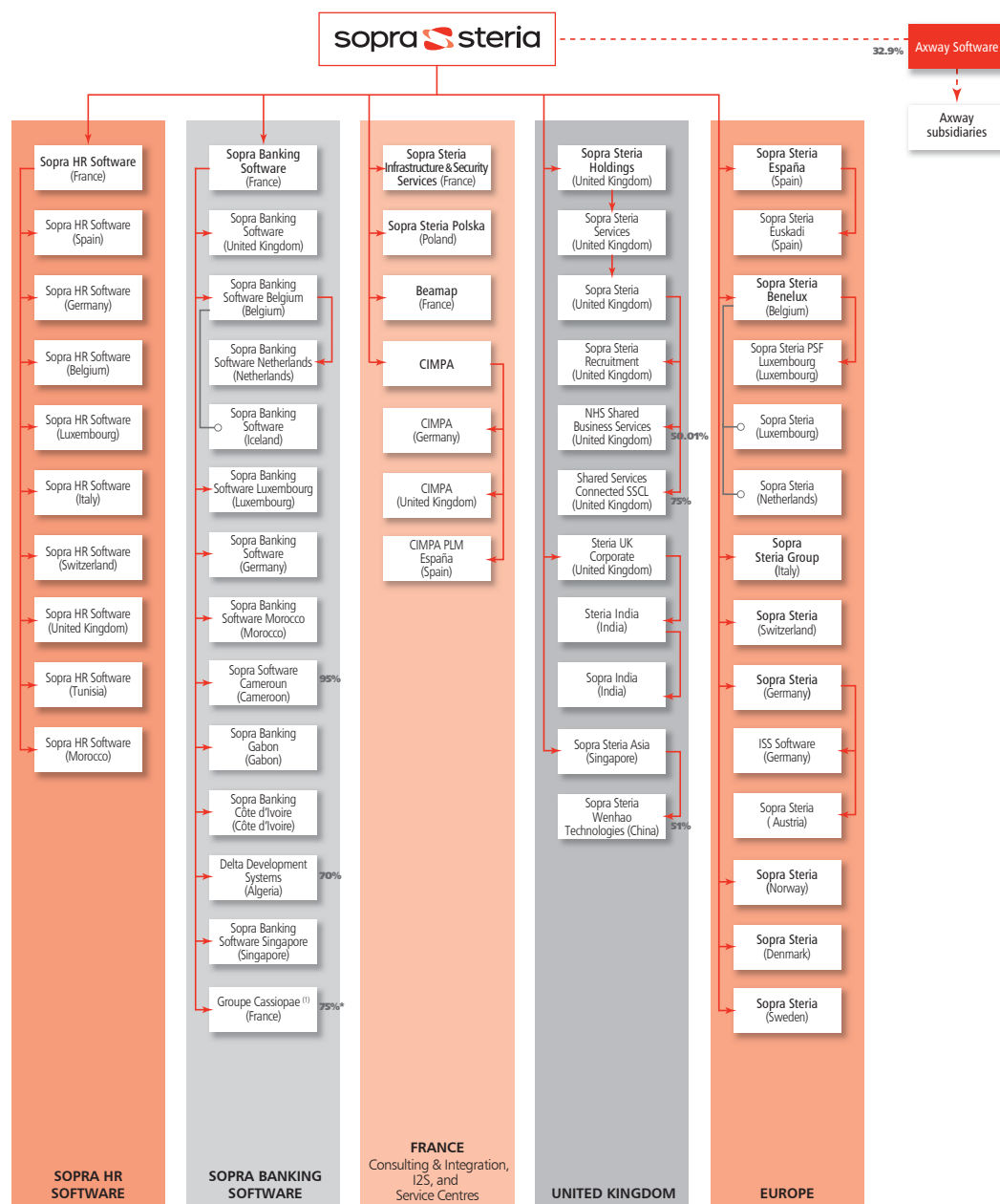
With 2016 revenue of €3.7 billion and a market share of 2%, Sopra Steria is one of Europe's ten largest digital services companies (excluding captive service providers and purely local players).

(1) Source: Gartner, updated first quarter 2017.

INTRODUCTION TO SOPRA STERIA

Simplified Group structure at 31 December 2016

5. Simplified Group structure at 31 December 2016



Note: Companies are directly or indirectly more than 95% owned, unless otherwise specified.

(1) The Cassiopae group consists of the holding company KSEOP Holding and its subsidiaries held by Sopra Banking Software since April 2016.

(*) 100% since 26 January 2017.

6. Group organisation

Sopra Steria Group's governance consists of a Board of Directors, Chairman, Chief Executive Officer and Deputy Chief Executive Officers.

The organisation is supported by a permanent operational and functional structure as well as temporary structures for the management of particular deals and projects.

Sopra GMT has an active role in conducting Group operations through:

- its presence on the Board of Directors and the three Board committees;
- a tripartite assistance agreement entered into with Sopra Steria and Axway, concerning services relating to strategic decision-making, coordination of general policy between Sopra Steria and Axway, and the development of synergies between these two companies, as well as consulting and assistance services particularly with respect to finance and control.

6.1. Permanent structure

The Group's permanent structure is composed of four operational tiers and their associated functional structures.

6.1.1. TIER 1: EXECUTIVE MANAGEMENT

Executive Management is represented by the Chief Executive Officer and the Deputy CEOs.

The Executive Committee (ExCom) consists of Executive Management and the heads of the main operating and functional entities.

The members of Sopra Steria Group's Executive Committee supervise the Group's organisation, management system, major contracts and support functions and entities and take part in the Group's strategic planning and implementation.

6.1.2. TIER 2: SUBSIDIARIES OR COUNTRIES

These are the main operating entities. Their scope corresponds to one of the following:

- a specific line of business (consulting and systems integration, industry-specific solutions, infrastructure management, cybersecurity, business process services);
- a geographic area (country).

These entities are managed by their own Management Committee, comprising in particular the Director and management of tier 3 entities.

6.1.3. TIER 3: DIVISIONS

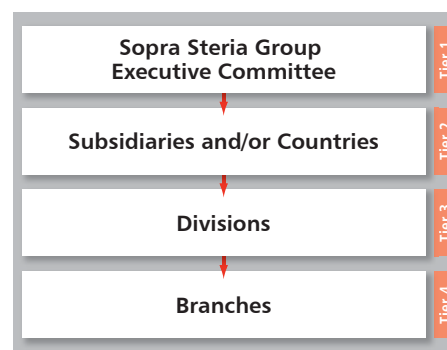
Each country or subsidiary is made up of divisions based on two criteria:

- vertical market;
- geographic area (region).

6.1.4. TIER 4: BRANCHES

Each division is made up of branches, which are the organisation's primary building blocks. They operate as profit centres and enjoy genuine autonomy. They have responsibility for their human resources, budget and profit and loss account. Management meetings focusing on sales and marketing strategy and human resources are held weekly, and the operating accounts and budget are reviewed on a monthly basis.

The diagram below illustrates the four main tiers of the ongoing structure:



6.1.5. OPERATIONAL SUPPORT FUNCTIONS

The operational organisation is strengthened by operational support entities responsible for managing major transformations:

- the Key Accounts and Partnerships Department, responsible for promoting the Key Accounts policy and developing relations with partners. The role of this department is to coordinate the commercial and production approaches for our major clients, particularly when different entities are involved;
- the Digital Transformation Office (DTO), responsible for designing and managing the digital transformation of the Group. It also manages the Group's innovation approach;
- the Industrial Department, responsible for industrialising working methods and organising subcontracting on X-Shore platforms. It also checks that projects are properly executed.

6.1.6. FUNCTIONAL STRUCTURES

The functional departments are:

- the Human Resources Department, the Communications and Marketing Department and the Corporate Responsibility and Sustainable Development Department;
- the Finance and Administration Department, the Legal Department, the Real Estate and Purchasing Department and the Information Systems Department.

These centralised functions ensure Group-wide consistency. Functional managers transmit and ensure commitment to the Group's core values, serve the operational entities and report directly to Executive Management.

The Group's functional structures standardise management rules (information system resources, IT systems, financial reporting, etc.) and monitor the application of strategies and rules. In this manner, they contribute to overall supervision and enable the operational entities to focus on business operations.

6.1.7. A SOLID, EFFICIENT INDUSTRIAL ORGANISATION

Sopra Steria manages complex and large-scale programmes and projects in a market where delivery commitments are increasing and becoming globalised. The Group has an increasingly wide range of skills to support multi-site projects that generate strong gains in productivity with delivery models that guarantee clients an optimal cost structure.

Sopra Steria applies an industrial production approach, supported by five levers:

- production culture: transmission of know-how and expertise in the field;
- choice of personnel: human resources are central to the approach, providing training, support and improved skills for each employee;
- organisation: the Industrial Department and its representatives in the business units control production quality and performance, identify and manage risks, support project managers and roll out industrialised production processes;

- equipment: the Quality System, the eMedia method, the Continuous Delivery Kit (CDK) and associated software tools;
- global delivery model: rationalising production by pooling resources and expertise within service centres, with services located based on the needs of each client (local services in France, nearshore in Spain, North Africa and Poland, and offshore in India).

6.2. Temporary structures for specific deals and projects

The Group's organisation must retain flexibility in order to adapt to changes in its markets and ensure the successful completion of projects.

These are handled by temporary teams:

- within the entities;
- under the authority of a pilot entity, established to leverage synergies across several entities.

Each project is organised and carried out in order to meet fundamental objectives: client service, business success, and contribution to the overall growth of the Group.

Depending on their particularities (size, area of expertise, geographic area covered) large-scale projects can be managed at the branch, division, subsidiary/country or Executive Management level. Certain large projects requiring the resources of several branches may involve the creation of a division.

6.3. Integration governance

The change management plan was established by teams from both Sopra and Steria. In 2015 and 2016, it resulted in a vast integration programme defined for each population and operational and functional entity.

Since the Sopra Steria integration was a success, as demonstrated by ongoing growth and improved profitability, this governance structure was discontinued in October 2016.

7. Review of the Group's position and results**7.1. General context and key events in 2016**

During the 2016 financial year, Sopra Steria exceeded its growth, profitability and cash flow targets, delivering a solid operating performance that saw the Group return to its historical performance standards.

The Group's 2016 performance highlights the relevance and success of the tie-up between Sopra and Steria. It also reflects strategic developments initiated by the Group: driving up the value of its offerings through consulting and solutions, strengthening the vertical approach and close client relationship, and stepping up development in the digital segment, which proved particularly buoyant.

Sopra Steria generated 2016 revenue of €3,741.3 million, reflecting buoyant organic growth of 5.2% (at constant exchange rates of 8.3% and total growth of 4.4%). Currency fluctuations had an adverse impact of €130.3 million, mainly due to the drop in the sterling-to-euro exchange rate relative to 2015. Meanwhile, changes in scope had a positive impact of €103.9 million. Overall, Group revenue grew by 4.4% in 2016.

The Group's operating profit on business activity grew by 22.6% relative to 2015, to €301.1 million, a margin of 8.0%, up 1.2 percentage points relative to the previous year.

Net profit attributable to the Group increased significantly to €150.4 million, up 78.2%.

Lastly, the Group considerably improved its free cash flow to €150.6 million (versus €49.3 million in 2015).

7.2. Consolidated financial statements for financial year 2016

7.2.1 PERFORMANCE BY REPORTING UNIT

	2016		2015	
	€m	%	€m	%
France				
Revenue	1,528.1		1,364.3	
Operating profit on business activity	123.3	8.1%	102.0	7.5%
Profit from recurring operations	114.4	7.5%	100.8	7.4%
Operating profit	102.7	6.7%	52.3	3.8%
<i>of which C&SI (including CIMPA)</i>				
Organic growth	+8.0%		+3.5%	
Revenue	1,327.4		1,161.1	
Operating profit on business activity	119.0	9.0%	101.3	8.7%
Profit from recurring operations	110.6	8.3%	100.1	8.6%
Operating profit	106.1	8.0%	60.7	5.2%
<i>of which I2S</i>				
Organic growth	-1.3%		-7.8%	
Revenue	200.6		203.2	
Operating profit on business activity	4.4	2.2%	0.7	0.3%
Profit from recurring operations	3.8	1.9%	0.7	0.3%
Operating profit	-3.4	-1.7%	-8.4	-4.1%
United Kingdom				
Revenue	927.9		1,042.0	
Operating profit on business activity	74.7	8.0%	76.2	7.3%
Profit from recurring operations	63.1	6.8%	63.3	6.1%
Operating profit	59.4	6.4%	57.1	5.5%
Other Europe				
Revenue	728.1		697.4	
Operating profit on business activity	41.8	5.7%	18.5	2.7%
Profit from recurring operations	39.1	5.4%	17.4	2.5%
Operating profit	31.1	4.3%	5.3	0.8%
Sopra Banking Software				
Revenue	350.9		282.4	
Operating profit on business activity	31.9	9.1%	25.7	9.1%
Profit from recurring operations	22.9	6.5%	20.3	7.2%
Operating profit	19.9	5.7%	20.1	7.1%
Other Solutions				
Revenue	206.4		198.3	
Operating profit on business activity	29.4	14.2%	23.1	11.6%
Profit from recurring operations	28.3	13.7%	23.1	11.6%
Operating profit	26.7	12.9%	17.7	8.9%

In **France**, 2016 revenue came in at €1,528.1 million, equating to organic growth of 6.7% and total growth of 12.0%.

■ In **Consulting & Systems Integration**, the Group substantially consolidated its leading position, continuing to win market share from its competitors thanks to very strong momentum: revenue grew by 8.0% on an organic basis to €1,327.4 million, driven by key accounts (up 10%) and consulting services (up 17%) which now account for 12% of total business. The best-performing sectors were defence, aerospace and transport. Strong business growth was coupled with higher profitability, while the Group invested significantly in training (under the New Way programme launched in 2016): the operating margin on business activity came in at 9.0%, compared with 8.7% the previous year.

■ **I2S (Infrastructure & Security Services)** posted revenue of €200.6 million. The IT infrastructure management business, which accounts for 90% of the entity's revenue, continued to refocus on higher-added-value services. This resulted in a slight organic decrease in revenue (down 1.3%) and the confirmation of the recovery in profitability begun two years ago. All in all, I2S's operating margin increased by 1.9 percentage points relative to 2015, to 2.2%. This performance has enabled the Group to maintain a target operating margin on business activity of almost 5% for 2017, as set in 2015.

In the **United Kingdom**, the Brexit had no material impact on business in the financial year. However, the British pound fell by an average of 11.4% against the euro, generating a translation loss of €117.5 million. Full-year revenue of €927.9 million was down 11.0% relative to 2015. However, at constant scope and exchange rates, revenue was stable (up 0.4%). Public sector business grew by 2.0%. The private sector business was reorganised, resulting in the beginnings of an improvement. As regards profitability, the region's operating margin on business activity increased by 0.7 percentage points relative to 2015, reaching 8.0%.

The **Other Europe** region's performance in 2016 reflected the success of the recovery plan put in place two years ago, particularly in Germany, where the transformation was a clear success. The region generated revenue of €728.1 million, equating to organic growth of 5.8%. Nearly all countries posted growth, with Spain, Benelux and Norway particularly buoyant. Meanwhile, the region's profitability more than doubled relative to 2015. The operating margin on business activity came in at 5.7%, compared with 2.7% the previous year, mainly thanks to a very strong improvement in Germany, which returned to profit (delivering an operating margin on business activity of 5.7%, compared with 0% in 2015).

For **Sopra Banking Software**, 2016 was a year of significant development and consolidation. Revenue grew by 24.3% (of which 11.7% organic) to €350.9 million. Significant new ground was gained in specialist loans (with the acquisition of Cassiopae in April 2016) and payments (with Sopra Banking Platform for Payments launched for Transactis). Significant milestones were achieved on the product roadmaps, notably Platform, with the delivery of the account management module. A number of major new contracts were also won on Platform (seven new clients) and demand remained strong on Amplitude (with 13 new clients and 23 go-live decisions). Lastly, investment increased, with research and development expenses (recognised in the income statement) up €14 million. Against this backdrop, the operating margin on business activity held steady relative to 2015, coming in at 9.1%.

Other Solutions (Human Resource Solutions and Property Management Solutions) posted 2016 revenue of €206.4 million, equating to organic growth of 3.7%. Human Resource Solutions benefited from strong momentum in the second half of the year after delays signing contracts in the first half. Meanwhile, Property Management Solutions delivered sustained growth throughout the year. The reporting unit's profitability increased sharply, with an operating margin on business activity of 14.2% (compared with 11.6% in 2015).

7.2.2. CONSOLIDATED INCOME STATEMENT

<i>(in millions of euros)</i>	2016	2015
Revenue	3,741.3	3,584.4
Staff costs	-2,257.3	-2,185.6
External purchases and expenses	-1,118.0	-1,087.9
Taxes and duties	-37.2	-32.4
Depreciation, amortisation, provisions and impairment	-44.1	-58.4
Other current operating income and expenses	16.5	25.3
Operating profit on business activity	301.1	245.5
<i>as % of revenue</i>	<i>8.0%</i>	<i>6.8%</i>
Expenses related to stock options and related items	-12.1	-1.2
Amortisation of allocated intangible assets	-21.1	-19.4
Profit from recurring operations	267.8	225.0
<i>as % of revenue</i>	<i>7.2%</i>	<i>6.3%</i>
Other operating income and expenses	-27.6	-72.4
Operating profit	240.2	152.6
<i>as % of revenue</i>	<i>6.4%</i>	<i>4.3%</i>
Cost of net financial debt	-6.7	-8.1
Other financial income and expenses	-7.6	-14.9
Income tax expense	-80.9	-47.2
Net profit from associates	10.8	7.2
Net profit from continuing operations	155.8	89.6
Net profit from discontinued operations	-	-
Consolidated net profit	155.8	89.6
<i>as % of revenue</i>	<i>4.2%</i>	<i>2.5%</i>
Non-controlling interests	5.4	5.2
NET PROFIT ATTRIBUTABLE TO THE GROUP	150.4	84.4
<i>as % of revenue</i>	<i>4.0%</i>	<i>2.4%</i>
EARNINGS PER SHARE (IN EUROS)		
Basic earnings per share	7.50	4.27
Fully diluted earnings per share	7.49	4.26

Revenue

Revenue increased from €3,584.4 million in 2015 to €3,741.3 million in 2016, equating to total growth of 4.4%. This represents a change of €156.9 million, which breaks down as follows:

- a negative currency effect of €130.3 million, mainly due to sterling;
- an effect of changes in the scope of consolidation of €103.9 million;
- organic growth was €183.3 million or 5.2%.

Expenses included in Operating profit on business activity

The 0.7-point reduction in staff costs relative to revenue between fiscal years 2015 and 2016 reflects the overall improvement in Sopra Steria Group's operating performance.

The rate of consultant downtime (number of days between contracts excluding training, sickness, leave and pre-sales as a percentage of total number of workable days) was 3.9% over 12 months in 2016. The 2015 downtime rate was 4.1%.

External purchases and expenses went from 30.4% to 29.9% of revenue. They remained under control across all departments and countries.

Depreciation, amortisation, provisions and impairment totalled €44.1 million in 2016 compared with €58.4 million in 2015, a reduction of €14.3 million. This is due to a €2.0 million reduction in amortisation and depreciation expenses (mainly due to exchange rate fluctuations), lower additions to provisions for current assets in 2016 than in 2015 (€4.0 million) and reversals of provisions totalling €8.0 million, including €4.0 million in respect of foreign exchange effects.

Operating profit on business activity

Operating profit on business activity represented 8.0% of revenue at €301.1 million, compared with 6.8% and €245.5 million in 2015.

Profit from recurring operations

Profit from recurring operations totalled €267.8 million after taking into account expenses relating to stock options and bonus shares, as well as amortisation expenses on allocated intangible assets.

- Expenses relating to existing bonus share plans and stock option plans totalled €12.1 million, compared with €1.2 million in 2015:
 - in the first half of 2016, Sopra Steria Group introduced an employee shareholding plan concerning 193,000 shares, of which 96,500 were bought by employees and 96,500 were awarded to employees by the Group. The cost of this plan includes expenses relating to the application of IFRS 2, social security charges in France and implementation costs (solicitors' fees), representing a total of €10.0 million,
 - a plan to award free performance shares was launched in June 2016. A total of 88,500 shares have been awarded to employees and/or corporate officers. The number of shares delivered will depend on performance criteria being met in 2016, 2017 and 2018. A total cost of €1.6 million was recorded in respect of 2016;
- Amortisation expenses on intangible assets totalled €21.1 million in 2016, compared with €19.4 million in 2015. This increase is primarily due to the acquisition of Cassiopae, representing an additional expense of €2.6 million.

Operating profit

Other operating income and expenses represented a €72.4 million expense in 2015, most of this (€46.7 million) in France, as a result of restructuring measures following the Sopra-Steria tie-up. A total of €27.6 million was recognised in 2016, representing a reduction of €44.8 million, mainly in France.

Financial income and expenses

The cost of net financial debt amounted to €6.7 million in 2016, compared with €8.1 million in 2015. It should be noted that financial income and expenses included interest income for

€9.6 million in 2016. It chiefly concerned available cash in India, which stood at €114.1 million at end-December 2016.

Other financial income and expenses amounted to a net expense of €7.6 million, compared with a net expense of €14.9 million in 2015, mainly relating to three types of transactions:

- discounting gains and losses (retirement benefits, employee profit-sharing, earnout obligations);
- the change in the value of interest rate hedging instruments;
- foreign exchange gains and losses.

Tax expense

The tax expense totalled €80.9 million in 2016, compared with €47.2 million in 2015. This equates to an effective tax rate of 35.8% in 2016, compared with 36.4% in 2015. These transactions are discussed in Note 6 to the consolidated financial statements.

Share of net profit from equity-accounted companies

Profit for 2016 was essentially comprised of €10.4 million in respect of the share of Axway's profit for the period (32.89% of €31.5 million).

Net profit

The net profit attributable to the Group amounted to €150.4 million, or 4.0% of revenue, compared with €84.4 million, or 2.4% of revenue, in 2015.

Earnings per share

Basic net earnings per share were €7.50, based on a weighted average of 20.04 million shares in issue during the financial year. The figure of €4.27 for basic earnings per share in 2015 was based on a weighted average of 19.8 million shares. Diluted earnings per share amounted to €7.49, compared with €4.26 in 2015.

7.2.3. BALANCE SHEET AND FINANCIAL STRUCTURE

Assets (in millions of euros)	31/12/2016	31/12/2015
Goodwill	1,557.0	1,586.9
Intangible assets	199.6	214.0
Property, plant and equipment	120.7	118.5
Equity-accounted investments	202.3	154.4
Other non-current financial assets	22.8	77.7
Retirement benefits and similar obligations	4.1	7.9
Deferred tax assets	144.8	142.7
Non-current assets	2,251.3	2,302.1
Trade accounts receivable	1,132.7	1,099.8
Other current assets	231.1	191.6
Cash and cash equivalents	265.4	222.7
Current assets	1,629.3	1,514.0
Assets held for sale	4.4	5.1
TOTAL ASSETS	3,884.9	3,821.3
Liabilities and equity (in millions of euros)	31/12/2016	31/12/2015
Share capital	20.5	20.4
Share premium	530.5	528.3
Consolidated reserves and other reserves	369.1	561.3
Profit/(loss) for the year	150.4	84.4
Equity attributable to the Group	1,070.6	1,194.4
Non-controlling interests	32.5	38.7
TOTAL EQUITY	1,103.1	1,233.1
Financial debt – non-current	402.6	437.8
Deferred tax liabilities	15.9	15.8
Retirement benefits and similar obligations	468.6	317.3
Non-current provisions	49.7	38.6
Other non-current liabilities	86.4	86.4
Non-current liabilities	1,023.3	895.9
Financial debt - current	368.8	315.7
Current provisions	66.7	88.2
Trade payables	285.9	257.5
Other current liabilities	1,037.1	1,030.9
Current liabilities	1,758.5	1,692.2
Liabilities held for sale	0.1	0.1
TOTAL LIABILITIES	2,781.8	2,588.2
TOTAL LIABILITIES AND EQUITY	3,884.9	3,821.3

The change in goodwill is mainly due to new goodwill arising on acquisition of the Cassiopae group and LASCE Associates, as well as the fluctuation in currency translation adjustments, particularly in the United Kingdom as a result of changes in the value of sterling.

Equity-accounted investments increased by €47.9 million. These investments relate primarily to the 32.89% stake held in Axway as at 31 December 2016, as well as 35.41% of voting rights. On 31 May 2016, Sopra Steria Group acquired the stake held by Geninfo (Société Générale group) in Axway, amounting to 1,793,625 shares (8.62% of the share capital). This transaction was completed as an over-the-counter block sale at the price of €21.50 per share for a total amount of €38.6 million.

Shareholders' equity decreased from €1,233.1 million at end-2015 to €1,103.1 million at end-2016, adversely affected by currency translation adjustments totalling €94.2 million and an increase in provisions for post-employment benefits.

Provisions for retirement benefits and similar obligations rose from €309.4 million at end-December 2015 to €464.5 million at end-December 2016. The difference relative to 2015 mainly arises from updating the United Kingdom pension fund deficit. The main reason for this is the decline in long-term interest rates in the United Kingdom.

Sopra Steria's financial position at 31 December 2016 was robust in terms of both financial ratios and liquidity.

Free cash flow improved sharply relative to 2015 (€150.6 million vs. €49.3 million).

Net financial debt stood at €506.0 million at end-2016, down €24.8 million relative to end-2015 and equating to 1.47x EBITDA (with the bank covenant stipulating a maximum of 3x).

At 31 December 2016, the Group had total financing of €1.5 billion, of which €1.1 billion was available ⁽¹⁾. The Group's bank facilities were renegotiated on 7 July 2016 for a period of five years (with extensions possible to 2022 and 2023).

At end-December 2016, bank covenants remained well within the stipulated limits.

Ratings by financial ratings agencies

The Company is not rated by any financial rating agencies.

7.3. Investments during the year

7.3.1. ACQUISITIONS IN 2016

Sopra Steria Group made five acquisitions in 2016. Two acquisitions were within the Other Solutions sector for the Property Management division (EchoSystems and Active3D), with Cassiopae adding to Sopra Banking Software's product portfolio, and two acquisitions were carried out in consulting (LASCE Associates and Solid Group).

a. Cassiopae

On 28 April 2016, Sopra Banking Software completed its acquisition of 75% of the share capital of KSEOP, parent company of the **Cassiopae** group, a leading developer of specialised finance and property management software. With operations in 40 countries, Cassiopae posted revenue of €48.9 million in 2015 and serves more than 300 clients.

At the end of January 2017, Sopra Banking Software acquired the 25% stake in KSEOP still held by the company's historic shareholders.

b. Other acquisitions

■ **EchoSystems**: At the end of February 2016, Sopra Steria Group acquired the business assets of EchoSystems. These operations have been integrated into Sopra Steria Group's Property Management business. In 2015, **EchoSystems** generated around €1 million in revenue;

■ **LASCE Associates**: At the beginning of July 2016, Sopra Steria completed the acquisition of **LASCE Associates**, a consulting firm specialising in operational excellence in manufacturing and logistics. This acquisition enhances the Group's ability to provide consulting services for its strategic clients' core business needs. In addition, this unlocks synergies with CIMPA, reinforcing its end-to-end range of industrial-scale services offered to the Group's major clients. LASCE Associates has 65 employees. Over the period from June 2015 to June 2016, LASCE Associates generated around €9 million in revenue and €1.3 million in operating profit;

■ **Active3D**: At the beginning of July 2016, Sopra Steria completed the acquisition of **Active3D**, a building energy management software vendor whose core area of expertise is digital modelling or Building Information Modelling (BIM). This business generates revenue of around €2 million a year;

■ **Solid Group**: Sopra Steria AS (Norway) acquired an SAP consulting business in October. This business represents 15 employees and generates revenue of around €1 million a year.

7.3.2. ACQUISITION OF 8.62% OF AXWAY

At the end of May 2016, Sopra Steria acquired the stake held by Geninfo in Axway, amounting to 1,793,625 shares (8.62% of share capital). As a result, Sopra Steria's shareholding in Axway grew to 33.52%. Taking account of the options exercised in 2016 at Axway, this shareholding was reduced to 32.89% at 31 December.

The shares were bought at a price of €21.50 per share, representing a total cost of €38.6 million.

7.3.3. FACILITIES

A total of €36.8 million was invested in 2016 in infrastructure and technical facilities, as against €39.8 million in 2015.

Investments in facilities comprised the following:

- land and buildings: €0.3 million;
- fixtures and fittings: €15.5 million;
- IT equipment €21.0 million.

(1) Assuming a constant amount of commercial paper (€302.7 million at 31 December 2016) and overdrafts.

8. 2016 Sopra Steria Group SA individual financial statements

Sopra Steria Group SA comprises all of the Group's French consulting, systems integration and property solutions development activities, as well as all of its central services (Executive Management, operational support functions and functional structures). It has systems integration and solutions subsidiaries in Europe, software development subsidiaries for banking (Sopra Banking Software) and human resources management (Sopra HR Software), infrastructure

subsidiary Sopra Steria Infrastructure & Security Services, and a 32.89% stake in global software vendor Axway Software, the market leader in data flow governance.

The accounts are presented in detail in Chapter 5 of this Registration Document (pages 213 to 243).

8.1. Income statement

(In thousands of euros)

	2016	2015
Net revenue	1,393,280	1,289,104
Other operating income	38,506	57,966
Operating income	1,431,786	1,347,070
Purchases consumed	443,390	376,122
Staff costs	839,900	839,901
Other operating expenses	797	750
Taxes and duties	37,311	33,747
Depreciation, amortisation, provisions and impairment	21,037	26,391
Operating expenses	1,342,435	1,276,911
Operating profit/(loss)	89,351	70,159
Financial income and expenses	38,862	-6,270
Pre-tax profit/(loss) on ordinary activities	128,213	63,889
Exceptional income and expenses	19,743	-33,263
Employee profit sharing and incentives	-9,302	-5,554
Corporate income tax	3,368	8,286
NET PROFIT/(LOSS)	142,022	33,358

Revenue totalled €1,393.3 million in 2016, compared with €1,289.1 million in 2015.

Operating profit came in at €89.4 million in 2016, compared with an operating loss of €70.2 million in 2015.

Financial income and expenses amounted to net income of €38.9 million in 2016, compared with a net expense of €6.3 million in 2015.

Pre-tax profit on ordinary activities totalled €128.2 million in 2016, compared with €63.9 million in 2015.

Exceptional income and expenses showed income of €19.7 million in 2016, compared with a €33.3 million expense in 2015.

The expense on employee profit-sharing and incentives went from €5.6 million in 2015 to €9.3 million in 2016, while the corporate income tax expense went from €8.3 million in 2015 to €3.4 million in 2016.

Net profit went from €33.4 million in 2015 to €142.0 million in 2016.

Research and development on Solutions represented an investment of €17.1 million, mainly in the area of property management. These costs are fully expensed.

In accordance with Article 39-4 of the French General Tax Code, the accounts for the financial year ended include an expense of €427,385 in respect of non-tax-deductible expenditures.

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8.2. Balance sheet

Assets <i>(In thousands of euros)</i>	2016	2015
Intangible assets	105,086	576,588
Property, plant and equipment	48,857	47,708
Financial investments	1,790,154	1,278,215
Non-current assets	1,944,097	1,902,511
Stock and work in progress	33	8
Trade accounts receivable	425,973	399,183
Other receivables, prepayments and accrued income	190,965	157,840
Cash	107,716	36,061
Current assets	724,687	593,092
Debt issuance costs	622	889
Translation adjustments – Asset	7,173	179
TOTAL ASSETS	2,676,579	2,496,671
Liabilities and equity <i>(in thousands of euros)</i>	2016	2015
Share capital	20,532	20,447
Share premium	531,381	528,315
Reserves	162,856	164,070
Net profit/(loss) for the year	142,022	33,358
Equity	856,791	746,190
Provisions	105,676	89,387
Financial debt	961,732	970,364
Trade payables	119,303	91,259
Tax and social security payables	315,451	329,348
Other liabilities, accruals and deferred income	309,343	259,000
Liabilities	1,705,829	1,649,971
Translation adjustments – Liability	8,283	11,123
TOTAL LIABILITIES AND EQUITY	2,676,579	2,496,671

Equity increased from €746.2 million at the end of 2015 to €856.8 million at the end of 2016.

To reflect ANC Regulation 2015-06 on the treatment of goodwill and merger losses, the company recognised a transfer of €481.5k

from “Intangible assets” to “Other non-current financial assets”. This allocation did not have any impact on the impairment testing of the financial investments concerned.

Pursuant to the provisions of Articles L. 441-6-1 and D. 441-4 of the French Commercial Code, trade accounts payable broke down as follows:

<i>(in thousands of euros)</i>	Total amount outstanding	Amount not yet due	Amount fewer than 60 days past due	Amount more than 60 days past due
At 31 December 2015	91,259	89,378	400	1,481
At 31 December 2016	119,303	118,618	0	685

Sopra Steria observes the payment terms required by law in France for trade accounts payable: a maximum of 60 days from the issue date of the invoice.

Non-current assets totalled €1,944.1 million in 2016, compared with €1,902.5 million in 2015. This includes financial investments

of €1,790.2 million in 2016, compared with €1,278.2 million in 2015, intangible assets of €105.1 million in 2016, compared with €576.6 million in 2015, and property, plant and equipment of €48.9 million in 2016, compared with €47.7 million in 2015.

8.3. Identity of shareholders

Sopra Steria Group's share ownership structure is described in Chapter 6, Section 2 ("Current ownership") of this Registration Document (page 247).

9. Strategy and objectives

9.1. Strong and original positioning in Europe

Sopra Steria aims to become a leader for digital transformation in Europe, with a comprehensive, high value-added offering, enabling its clients to make the best use of digital technology to innovate, transform their operations and optimise their performance. The Group's aim is to be the benchmark partner for large public authorities, financial and industrial operators and strategic companies in the main countries in which it operates.

Sopra Steria will differentiate itself more clearly from its competitors by continuing to build an edge in its two key areas of specialisation:

- industry-specific solutions which, when combined with the Group's full range of services, make its offering unique;
- very close relationships with its clients, thanks to its roots in the regions where it operates and its ability to meet core business requirements without taking the prescriptive approach favoured by certain global providers.

9.2. Priorities for action

9.2.1. ACCELERATION OF SOLUTIONS DEVELOPMENT

In software, the ambitions and momentum of Sopra Steria – now ranked France's number two software vendor ⁽¹⁾ – have been confirmed. The Group has reaffirmed the medium-term target of bringing the share of its solution development and integration activities to 20% of its revenue. Combining organic and external growth, efforts will continue to enrich the Group's offering, in particular to open it up to the digital world, as well as developing managed services and geographic expansion, which may go beyond Europe. The development of Sopra Banking Software is a priority. The Group will also continue to strengthen its leading position in Human Resources and Property Management, remaining on the look-out for new sector opportunities.

9.2.2. ENHANCED VERTICAL STRATEGY

Focused business development

To support the positioning that it has chosen, the Group is continuing its policy of concentrating on certain targeted vertical markets and key accounts across all of its locations. Business development focuses on eight priority vertical markets, together accounting for almost 90% of revenue: Banking; Public Sector; Aerospace, Defence and Security; Energy and Utilities; Telecoms and Media, Transport, Insurance and Retail.

For each vertical, the Group selects a small number of major accounts (in total, fewer than 100 at Group level) and different areas of business in which it aims to secure a leading position through high value-added end-to-end offerings.

End-to-end offerings

With one of the most comprehensive ranges of solutions and services in the market, the Group endeavours to develop its capacity as a turnkey provider in order to harness all its business lines and its ecosystem of partners (start-ups, third party vendors, etc.) to deliver seamless end-to-end value propositions that respond as comprehensively as possible to the business challenges facing its clients.

9.2.3. DEVELOPMENT OF CONSULTING ACTIVITIES ACROSS THE ENTIRE GROUP

In order to position itself even more securely with client decision-makers at the department level, the Group is working to accelerate its development in consulting and has set itself the medium-term target of increasing the proportion of its business in this area to 15% of revenue. To do this, it is gradually developing a range of consulting services and capacity in all of the regions in which it operates, focusing primarily on digital technology, using a model that favours synergies with the Group's other business lines.

(1) Source: Truffle 100, April 2016.

9.2.4. ACCELERATION IN DIGITAL TECHNOLOGY

Sopra Steria has successfully completed numerous digital projects. Its experience has allowed it to develop an end-to-end digital transformation approach for companies and governments, based on a series of best practices.

The Group is continuing its own digital transformation to consolidate its leading position in this field.

Solutions

The solutions offered by the Group are beginning to evolve at a rapid rate in order to factor in advances in digital technology in a number of key areas, such as client/user experience, service platforms, analytics, chatbots etc.

The transformation of each of its major service offerings (Consulting, Systems Integration, Application Management, Infrastructure Management, Business Process Services) is also well underway. There are three main aims: to use the immense potential of new technologies for the benefit of all of its clients, to roll out new “ways of doing” resulting from digital technology as widely as possible, and to capitalise on smart machines as a way of improving productivity and service standards.

Operations

Accelerators are put in place as close as possible to operations. A Digital Transformation Office works within each of the Group's entities to facilitate the emergence of digital initiatives and foster internal creativity. Champions of digital technology are also named by priority vertical and key technology in order to increase teams' ability to respond to the business challenges facing their clients by making the best possible use of emerging technologies (Digital Interaction, Smart Machines, Data Science, IoT & Automation, etc.).

The ecosystem of partners and service platforms

Special efforts are being made to establish targeted partnerships with leading players in the digital ecosystem (start-ups and niche players, institutions of higher education and research laboratories, major software publishers and the “big four” - Google, Apple, Facebook and Amazon, etc.). For example, a strategic partnership has been forged between Sopra Steria and Axway, the priority of which is collaboration in the field of digital service platforms.

Innovation

Numerous initiatives are being encouraged to promote and enhance innovation, such as innovation imperatives assigned to project teams, internal innovation competitions, hackathons open to clients and partners, and platforms for digital demonstrations, co-design and technology open to clients and partners in every major location of the Group (DigiLabs) etc.

9.2.5. PURSUING AN ACTIVE EXTERNAL GROWTH POLICY

The Group will continue to play an active part in market consolidation, in a targeted way. Its approach will focus on three main areas: solutions (with the priority on banking solutions), consulting, and strengthening its position in certain geographies (with the priority on the United Kingdom).

9.3. Recent developments**9.3.1. FINALISATION OF THE TIE-IN WITH CASSIOPAE**

In January 2017, Sopra Steria raised its stake in Cassiopae's holding company KSEOP to 100% through its subsidiary Sopra Banking Software.

9.3.2. ESTABLISHMENT OF AN EMPLOYEE SHARE OWNERSHIP PLAN

In a press release dated 14 March 2017, Sopra Steria Group announced the launch of an offer to sell shares reserved for employees belonging to an employee savings plan, named “We Share 2017” (“the Offer”).

The Offer is available to employees of the Group in Belgium, Denmark, France, Germany, India, Italy, Luxembourg, Morocco, the Netherlands, Norway, Poland, Singapore, Spain, Sweden and Switzerland who are eligible and belong to the Group Savings Plan (PEG) or the International Group Savings Plan (PEGI).

Sopra Steria's goal with this initiative is to continue to involve its employees more closely in the Group's development and performance.

The offer of Sopra Steria shares to Group employees will be carried out by selling existing treasury shares and/or shares bought back in advance by Sopra Steria under a share buyback programme authorised by the shareholders at the General Meeting of Shareholders of 22 June 2016 in accordance with Article L. 225-209 of the French Commercial Code. The Offer will be realized in accordance with the dispositions of Articles L. 3332-18 and following of the French Labour Code.

On 19 January 2017, the Board of Directors decided to implement this Offer and delegated the powers required to implement it to the Chief Executive Officer. In accordance with the decision of the Board of Directors, the Offer will involve a maximum of 220,000 shares in the Company, corresponding to 110,000 shares purchased by employees and 110,000 free shares awarded as the employer's matching contribution.

On 29 March 2017, the Chief Executive Officer, acting on the authority of the Board of Directors, set the dates of the Offer period and the purchase price.

The purchase price was set at €128.08, corresponding to the average of weighted average prices of Sopra Steria shares on the Euronext Paris market over the 20 trading days preceding the date of the Chief Executive Officer's decision.

The Offer Period was set from 30 March 2017 to 11 April 2017, inclusive.

Settlement of the Offer will take place on 11 May 2017.

This operation was approved by the Autorité des Marchés Financiers on 31 January 2017 (Approval No. FCE20170016).

9.4. Outlook for 2017

In 2017, a number of European countries will experience an adverse calendar effect of two to three days.

The Group has set itself the following targets for financial year 2017:

- organic revenue growth of between 2% and 3%;
- an operating margin on business activity of around 8.5%;
- free cash flow in excess of €150 million.

10. Risk factors

Introduction

Investors are reminded that the list of risks presented below is not exhaustive and that other risks may exist, which were not known or not considered liable to have an adverse effect on the Group, its business, financial condition, results or share price, on the date when this Registration Document was drawn up.

This document contains estimates subject to risks and uncertainties that may affect the Group's future growth and profitability. Readers are reminded that licence agreements, which often represent investments for clients, are generally signed in greater numbers in the second half of the year, with varying impacts on end-of-year performance.

Irrespective of the strategic risk associated with the Group's competitive positioning or potential loss of business model relevance, Executive Management has decided that, within the context of the Group's risk assessment, on an operational level, the main risks are those associated with human resources, project execution and production, business relations with key clients and reputational risk.

10.1. Main operational risk factors

10.1.1. HUMAN RESOURCE RISKS

In a services business where certain skills can be rare and clients have changing requirements, human resources risks are naturally critical. Effective hiring, skills and career management, continuity in key roles, and the sharing of the Group's culture and values are core issues that require constant attention.

One area of central importance in human resource management is the optimisation of – and thus close familiarity with – the Group's existing resources (skills, aptitudes, potential), especially as its operating entities grow in size.

The main human resources risks also arise in relation to recruitment, employee engagement, skills and skill matching to client requirements, forward management of resources, retention and replacement of key employees, turnover and compliance with labour law and employment legislation, as well as the management of labour relations in a complex environment. In light

of developments in digitisation and artificial intelligence, particular attention will need to be paid to training, adapting employees to new roles, and future client needs, notably so that organisational structures can rapidly be adjusted. Senior and line managers, the Human Resources Department and the Division HR Managers have an essential role to play in managing these risks. Starting in 2016, a training programme aimed at sharing the Group's values and business fundamentals has been or is in the process of being rolled out across the Group's various entities, beginning with its French entities.

An overview of human resources policy is given in Section 3, "Workforce-related responsibility", of Chapter 3, "Corporate Responsibility Report" (pages 94 to 113).

10.1.2. PROJECT EXECUTION AND PRODUCTION RISKS

It is critical for the Group to be able to meet client demands and deliver consistent quality.

Production risk management requires familiarity with a number of constantly evolving technical and business environments. It involves the upstream validation of technical, legal and financial specifications, as well as a tried and tested project management methodology designed to integrate the participation of nearshore

and offshore production platforms, together with operational and accounting controls.

Depending on the contractual commitments entered into, any failure to provide the services specified in these contracts, or any provision of sub-standard services, may result in a risk for the Group (penalties, client complaints, claims for damages, additional cost, non-payment, early termination of the contracts, reputational risk). In the current environment, clients are increasingly demanding in terms of contractual commitments and guarantees.

Unlike time-and-materials contracts, fixed-price contracts are characterised by commitments regarding price, result and lead times: they may be fixed-price projects such as systems integration or software development, or fixed-price services such as maintenance contracts, third-party application maintenance, infrastructure management or Business Process Services (BPS). Fixed-price service contracts are often multiannual agreements with regular management and follow-up.

For fixed-price projects and fixed-price services, a poor assessment of the scale of the work to be done, an underestimate of the cost of providing the service or an incorrect estimate of the technical solutions to be implemented can lead to estimated costs being exceeded or contractual deadlines not being met. This delay can, in itself, result in late delivery penalties and/or budget overruns.

The breakdown of revenue according to the nature of contracts is summarised in the table below:

(in % of revenue)	2016	2015
Licences	2.2%	1.9%
Fixed-price projects	17.1%	17.5%
Fixed-price services	48.1%	51.2%
Time and materials	32.6%	29.4%
TOTAL	100%	100%

The increase in the percentage of revenue from "Time and materials" contracts is mainly due to the impact of changes in scope in 2016.

Organisational structures, all processes for reviewing offers, in keeping with the quality control system, as well as reviews by the Legal Department, allow for risks of this kind to be assessed and regulated at the early stage of contracts. The Industrial Department also plays a key role in these reviews.

Risks relating to information security and continuity of service

The reliability of IT and communications infrastructures is an issue of growing importance to production. In view of its business model, with production located a long way from clients (national and worldwide shared service centres in nearshore and offshore countries), the Group is potentially dependent on its remote production centres (offshore centres) and telecommunications networks functioning correctly.

It should be noted that a significant proportion of the Group's production activities are located in India. India still shows various

characteristics that may constitute risk factors (including political, economic and social unrest; wage inflation; natural disasters and pandemics). While the Group has four production facilities in India, these sites are located far apart and in three different regions, considerably limiting the consequences of incidents or risks that might arise in a specific region. In addition, using a larger number of production facilities and having a variety of onshore, nearshore and offshore services makes it possible to have backup solutions.

Furthermore, security and the protection of client data are key issues for the Group that could, in the event of failure (loss of data, handling of sensitive data, etc.), result in various risks, including in particular risks to the Group's reputation and image.

The entire organisation concerning information systems security within the Industrial Department has been reinforced. This organisation grew from a need to spur greater involvement among all stakeholders across the Group in analysing information system risks and defining action plans in a context of growing

interdependence between entities and onshore and offshore production sites. The Group is aware of the issues linked to information security, and in particular uses the skills developed in its own area of cybersecurity expertise to implement the solutions best suited to its needs, via a scalable approach.

Risk of dependence on suppliers

Both integration projects and managed services and business process services (BPS) contracts involve an increasingly high level of complexity and require working with many partners (such as developers, manufacturers, consultants or IT services companies), thus creating a certain dependence by Sopra Steria Group on some suppliers. The IT world is, however, characterised by a multiplicity of actors, thus substantially reducing the risk of dependency. Although there are alternative solutions for most software, hardware and networks and although the Group has maintained commercial relations with most large suppliers, some projects could be affected by a residual risk of potential failure of its suppliers.

10.1.3. RISKS RELATED TO BUSINESS RELATIONS WITH KEY CLIENTS

To do business effectively, the Group must be able to draw on the full range of its customer knowledge. Proper management and use of this knowledge is key to understanding and responding appropriately to clients' needs. It also allows for better management of the risk of losing a client or a major contract. The sales approach used for key accounts is coordinated by a procedure involving the members of the Executive Committee for the management of major sales programmes.

In 2016, the Group's top client accounted for 6.7% of revenue; the top five clients represented 21.4% and the top ten represented 32.2%.

In 2015, the Group's top client accounted for 7% of revenue; the top five clients represented 18.4% and the top ten represented 28.05%.

Main clients include:

- in France: Airbus Group, EDF, Société Générale, Orange, Crédit Agricole, SNCF and BNP Paribas;
- in the United Kingdom: Ministry of Justice, Home Office, Ministry of Defence and National Health Service.

10.1.4. RISKS TO REPUTATION AND IMAGE

Since the Group gives priority to a strategy focusing on key accounts, and is recognised for its ability to manage complex development, data processing and storage, transformation and execution issues in visible and sensitive areas, any difficulties that may arise in managing these projects could affect the Group's reputation. The risk management organisation that has been set up within the Group, which is described in Section 11 below (starting on page 42), helps pre-empt the development of such risks and ensure the Group is prepared to manage them.

10.1.5. INDUSTRIAL AND ENVIRONMENTAL RISKS

Since it operates exclusively in the mainly intangible field of IT services, the Group's environmental impact is not extensive. However, although that impact is judged to be of low significance due to the nature of the Group's activities, the Group nevertheless endeavours to limit it. (See Chapter 3, Section 4 of this document starting on page 113).

10.2. Business environment-related risks

Sopra Steria Group has locations in a number of different countries. Even though it operates what are generally considered stable countries, the Group may be exposed to political and economic risks. Furthermore, in addition to geopolitical risks, in a difficult economic climate or new political climate, some governments may be tempted to adopt new regulations, taxes and duties. Specific monitoring of legislative and regulatory developments has been put in place in countries considered at risk.

10.3. Financial risks

Within the Group's Finance Department, the Financing and Treasury Department offers and oversees the application of regulations concerning management of liquidity risk, market risk (forex, interest rates and equities) and associated counterparty risks. These risks are managed on a centralised basis at the level of the Sopra Steria Group parent company and financing, investment, identification and risk hedging strategies are reviewed regularly by the Group's Finance Department.

The Group's policy is not to conduct speculative transactions on financial markets.

Financial risk factors are detailed in Notes 11.5 and following to the consolidated financial statements in Chapter 4 of this document (pages 193 to 201).

10.3.1. LIQUIDITY RISK

At 31 December 2016, the Group had total financing of €1.5 billion. The Group's bank facilities were renegotiated on 7 July 2016 for a period of five years (with extensions possible to 2022 and 2023). Detailed information about credit facilities and their use is provided in Chapter 4, Note 11.5.1 to the consolidated financial statements (pages 193 to 196).

As the majority of the Group's financing is borne by the parent company, implementation of financial policy is largely centralised.

10.3.2. INTEREST RATE RISK

Interest rate risk concerns the Group's debts and financial investments and the financial terms (fixed/floating rate).

The Group may be impacted in the event of unfavourable variations in interest rates. The impact would concern financing costs, interest paid on investments and the Group's future financial flows.

As part of its financing policy, the Group uses financing either at fixed rates or at floating rates.

The Group's aim is to protect itself against interest rate fluctuations by hedging a large part of its floating-rate debt. To do this, the Group uses different derivative instruments available on the market, restricting itself to vanilla products (interest rate swaps, caps, collars etc.). As regards financial investments, the Group favours security over returns, opting in particular for investment terms of less than three months.

See Note 11.5.3 to the Group's consolidated financial statements in Chapter 4 (pages 196 to 199).

10.3.3. FOREIGN EXCHANGE RISK

Foreign exchange risk is defined as the impact on the Group's financial indicators of fluctuations in exchange rates relating to its business activities. The Group is exposed to transactional foreign exchange risk as well as translation foreign exchange risk.

Transactional foreign exchange risk affects the Group when balance sheet items – mainly cash, trade receivables, operating receivables and financial debt – are denominated in foreign currencies. The Group is then exposed to a potential risk of fluctuation in exchange rates between the accounting date and the settlement date.

Translation foreign exchange risk arises from subsidiaries' investments and assets in foreign currencies when they are converted into euros during the consolidation process.

The Group Finance Department provides hedging for such risks via futures or options entered into either on organised markets or over the counter with top-tier counterparties that are members of the banking syndicate.

See Note 11.5.4 to the Group's consolidated financial statements in Chapter 4 (pages 199 to 201).

10.3.4. BANK COUNTERPARTY RISK

Within the framework of its financial investments and market risk hedging transactions (interest rate and foreign exchange risk), the Group is exposed to a bank counterparty risk.

All foreign currency and interest rate hedges are put in place with leading banks belonging to the Group's banking syndicate, with which market transaction agreements have been signed.

The Group favours short-term investments with banks that form part of its banking syndicate. These investments are subject

to approval by the Group, and comply with internally defined principles of prudence.

See Note 11.5.2 to the Group's consolidated financial statements in Chapter 4 (page 196).

10.3.5. CLIENT RISK

A large proportion of the Group's revenue is generated by business with public authorities and European government entities. A very small proportion of revenue is generated by business with clients residing outside the OECD, and the largest proportion of revenue is generated by key accounts, in accordance with the Group's business strategy.

These factors help to reduce the Group's credit risk profile. Solvency risk takes into account factors that are exclusively internal to the Group as well as contextual factors such as geographical location, overall economic situation and segment growth forecasts.

Thanks to these various measures, the Group considers that it has introduced a mechanism that significantly reduces its counterparty risk in the current economic context. However, the Group remains subject to a residual risk which may affect its performance under certain conditions.

10.3.6. EQUITY RISK

The Group does not hold any investments in equities or any equity interests in listed companies other than Axway Software shares, which are recognised using the equity method (see Note 9.1 to the Group's consolidated financial statements, in Chapter 4 (page 184) and which represented €200 million at 31 December 2016.

These equity investments are made for strategic rather than financial reasons. Given the limited number of treasury shares held, the Group is not materially exposed to equity risk. Furthermore, since the value of treasury shares is deducted from equity, changes in the share price have no impact on the consolidated income statement.

10.4. Risks associated with retirement benefit obligations (pension funds)

Sopra Steria Group provides its employees with retirement benefits in several countries. Such benefits are provided by associated pension funds or directly by the Group. The pension plans are either defined benefit plans (where the individual is guaranteed a certain percentage of his or her salary as a benefit) or defined contribution plans (where the benefit is determined based on the investment returns achieved over the contribution period).

In the case of defined benefit plans, the employer is obliged to cover any difference (deficit) between the value of the fund assets and the pension obligations to be paid.

Both assets and liabilities are impacted by any changes in long-term interest rates, life expectancy and more generally any changes in the financial markets, as well as any changes in macro-economic parameters.

In the United Kingdom (66.1% of the Group's pension liabilities), assets are managed by fund trustees and invested in different asset classes (including shares) subject to the risk of fluctuations in financial markets.

It should be noted that since 2010, defined-benefit plans in the United Kingdom have been replaced within the Group by defined contribution plans, though benefits vested prior to this decision remain in effect. The defined benefit plans are exceptionally maintained in connection with a few public- sector outsourcing projects, to comply with the legislation and commitments made to clients.

In 2014, as part of its three-yearly negotiations, Sopra Steria Group reached an agreement with the trustees in the United Kingdom for additional future UK pension fund contributions aimed at absorbing deficits over a period of 4 to 13 years depending on the plan. To date, another three-yearly negotiation is in progress with the trustees to determine additional and future contributions that may be needed to absorb the deficits. This discussion should reach a conclusion between March and June 2017.

The Company keeps itself informed of the strategy for investing funds and the asset and liabilities management approach decided on by the trustees, which include its representatives, and shares the aim of reducing volatility and exposure to interest rate and inflation risks. Any economic impact of these variations must be assessed over the medium and long term, according to the duration of the obligations. Deficits resulting from such variations in assets and/or liabilities do not necessarily change in the same direction. Changes in regulations or accounting standards may cause an increase in obligations and have a negative impact on the Group's financial statements.

It should be noted that legal proceedings have been initiated by the Steria Pension Plan Trustees before the High Court of Justice in order to confirm the validity and date of effect of an amendment to the agreement concerning defined benefit plans. This amendment, signed in 2006, changed employees' contributions and future rights (no new future rights have been vested since 2010). Sopra Steria Limited as Principal employer is also party to the proceedings. In the event of an unfavourable outcome, there may be a risk of revaluation of contributions and future rights.

In view of this situation, the Trustees and Sopra Steria have – against previous advice – launched legal proceedings to establish liability and seek compensation for all damages suffered; these proceedings are currently suspended pending a decision by the High Court of Justice.

Note 5.3 to the Group's consolidated financial statements in Chapter 4 of this document (pages 160 to 165) gives a breakdown of the assets and obligations of defined benefit pension plans.

10.5. Legal risks

COMPLIANCE WITH LAWS AND REGULATIONS

The Group's business is an unregulated activity, and therefore requires no special legal, administrative or regulatory authorisation. Some services, such as managed services or systems integration provided to clients whose business activity is subject to special regulations may lead the Group to have to adhere to the contractual obligations linked to these regulations. Moreover, the Group is a multinational company that operates in many countries, subject to various constantly changing laws and regulations. Moreover, the Group recruits large numbers of employees each year, and regular training, management control and legal and financial review procedures help ensure that compliance topics are assessed as early as possible.

INTELLECTUAL PROPERTY

To protect its intellectual property, the Group relies on a combination of contracts, copyrights, trademarks, patents and confidentiality and trade secrecy obligations. In addition, due to their complexity, the technological fields covered by the Group involve an increasing number of issues linked to intellectual property that require special attention, and specific contractual clauses, in particular during integration of third-party software, use of software company licences in connection with integration projects or infrastructure management services and/or for any issues regarding reuse of software modules in connection with integration projects. Operational staff regularly receive training on protecting intellectual property.

Sopra Steria and its subsidiaries have protected the main trademarks used in each country concerned.

The brand portfolio is managed by the Legal Department in collaboration with an intellectual property advisor.

Sopra Steria and its subsidiaries own exclusive intellectual property rights to all their software, either through having developed it in-house or by having acquired it from third parties. Software packages developed by the Group, in particular by Sopra Banking Software or by Sopra HR Software, are generally marketed directly. However there are a few distribution agreements with partners.

Sopra Banking Software holds patents for the technical algorithms used by various technological and functional components of the Sopra Banking Platform software suite, designed for banks and financial institutions.

TAX RISK

Insofar as the tax rules in the various countries in which the Group operates are continually evolving and may be subject to interpretation, the Group cannot unequivocally guarantee that these interpretations will not be challenged, potentially with adverse consequences for its financial position or results. In addition, the Group is subject to the usual tax audits. In particular, in France and India it has received claims and requests from the tax authorities, which have been formally challenged. At 31 December 2016 these disputes were still under investigation by the tax authorities or courts.

DISPUTES

Provisions are recognised in respect of ongoing disputes, as detailed in Note 10.1 to the Group's consolidated financial statements, found in Chapter 4 of this document (page 187).

The Group is not aware of any legal or arbitration proceedings which could have a significant impact other than those reflected in the Group's financial position. To date, the Company is not aware of any governmental, legal or arbitration proceedings, including any proceedings that may be suspended or threatened, which may have or have had a material impact on the financial position or profitability of the Company or Group during the past twelve months. Steria was informed of a report drawn up by the French labour inspectorate regarding its Meudon site, concerning the recording and monitoring of working time in 2014. At the time of publication of this Registration Document, no action had been taken following that report, whose content is contested by the Group.

10.6. Insurance

The main insurance programmes put in place by Sopra Steria Group at 1 January 2017 are as follows:

- Operations coverage and professional liability

The civil liability insurance programme covers all of the Group's companies for monetary consequences arising as a result of their civil and professional liability in connection with their activities, due to bodily injury, material or non-material damage caused to third parties. Overall coverage is limited to €150 million per claim and per year of insurance;

- Direct damages and operating losses

This programme covers all of the Group's sites for the direct material damages they may suffer and any resulting operating losses. Overall policy coverage (for all types of damages and operating losses) is limited to €100 million per claim and per year of insurance.

In addition, Group programmes have been put in place covering in particular:

- The civil liability of senior executives and company officers;
- Assistance to employees on assignment, as well as to expatriate employees and employees on loan.

The aim of Sopra Steria Group's insurance programmes is to provide uniform cover of the risks facing the company and its employees for all Group entities at reasonable terms.

The scope and coverage limits of these various insurance programmes are reassessed annually in light of changes in the size of Sopra Steria Group and changes in its business and the risks incurred. The Group believes that the nature of the risks insured and the cover offered by these insurance policies are in line with standard practice in its business sector.

11. Internal control and risk management procedures

The Group provides a range of business services, primarily based on consultancy and intellectual services (see Section 3 of this chapter, pages 16 to 22). These markets are highly competitive. Suppliers are assessed by clients based on two key differentiating factors: client confidence in a supplier's ability to provide quality services and price.

The competition faced by the Group is multiform; the Group must compete with the client's own internal teams, with major multinational groups and with small companies benefiting from specialist technical expertise or a deep-rooted local presence. Despite increasing market consolidation over the last few years, the software and services sector remains fragmented, with the continuous evolution of products and services driven by the

emergence of economic or organisational needs as well as rapid technological change.

In this constantly evolving environment, key factors that will ensure success are responsiveness and flexibility, local access to clients, expertise on client issues and the ability to take risks and manage projects of strategic importance for major clients.

This context requires the Group to implement a highly decentralised operational organisation favouring autonomy and promoting decision-making at the local level. To provide the necessary governance in this decentralised structure, a robust management framework fosters effective dialogue along a short decision chain so that the Executive Committee remains in touch with operations.

The main challenges involve the ability to expand the Group's presence among major clients while improving quality of delivery and reducing costs, as well as the management of human resources so as to assign the most qualified team members to each role. The preparation of accounting and financial information does not entail any particular complexity, with the exception of accounting for work in progress and associated revenue recognition. Physical assets held by the Group are not material.

All Group employees, regardless of their role, are expected to demonstrate good judgement in all circumstances and, in each and every specific instance, to take decisions that best serve the Group and its clients. Rules and procedures must be applied appropriately. This section of the report outlines Sopra Steria's internal control systems based on the reference framework issued by the AMF. A specific subsection addresses the preparation of accounting and financial information. The main risks to which the Group is exposed are presented in this chapter under Section 10, "Risk factors" (pages 37 to 42), in accordance with Article L. 225-100 of the French Commercial Code.

As set out below, management control (activity management) is one of the fundamental components of the internal control framework. Management control draws on and updates a database using standardised models and indicators within an internally managed information system. It serves to communicate information internally as well as to identify and manage risks. The various management control processes are designed to ensure the consistency and timeliness of information to be shared with the relevant stakeholders, as well as facilitating decision-making and monitoring action plans.

As indicated in the paragraph on control activities, the Industrial Department, Financial Controlling, and the Corporate Governance and Risk Management Department play an important role in this area. The Industrial Department verifies that the Quality System and production methods are fully and adequately applied, thus ensuring the effectiveness of production. Financial controlling ensures that the internal financial control system, a key component in the preparation of accounting and financial information, is working properly. A Corporate Governance and Risk Management Department was formed on 1 January 2017 to coordinate and monitor compliance and risk management issues across the whole of the Group on a cross-functional basis.

Internal Audit is tasked with monitoring and evaluating the internal control system. When auditing Group entities, the first checks carried out are those related to the usage of the management control system and the operating effectiveness of control activities.

The internal control mechanisms described in the following paragraphs apply to the parent company and its subsidiaries except in areas where the Group's main operations are different from its traditional lines of business (United Kingdom/Asia, Scandinavia and CIMPA). In such areas, the mechanisms that predate their consolidation remain in place and reporting to Executive Management is provided by the implementation of elements of the management control system (activity management) that make it possible to achieve the risk management objectives and prepare the business, accounting and financial information needed at Group level. All subsidiaries are thus consolidated in Group operational and financial management control.

11.1. Presentation of Sopra Steria's internal control system

11.1.1. DEFINITION, OBJECTIVES AND COMPONENTS OF INTERNAL CONTROL ACCORDING TO THE AMF

According to the definition in the AMF's reference framework, internal control is a system set up by the Company, defined and implemented under its responsibility, which aims to ensure:

- compliance with laws and regulations;
- implementation of instructions and guidelines issued by Executive Management;
- proper functioning of the Company's internal processes, particularly those intended to safeguard its assets;
- reliability of financial disclosures;

and, in a general sense, to contribute to the control of its business activities, to the effectiveness of its operations and the efficient use of its resources, while not being able to provide an absolute guarantee that the Company's objectives will be achieved.

According to the AMF, the internal control system is based on:

- organisation;
- internal dissemination of information;
- a risk identification and management process;
- control activities;
- ongoing monitoring of the system.

11.1.2. ORGANISATION

This section addresses legal and internal organisation, the definition of powers and responsibilities, human resources, the information system, procedures and best practices, and lastly the tools that constitute the components of the internal control organisation according to the AMF's reference framework.

a. Legal organisational structure

The Group has chosen to limit the number of its legal structures. In principle, the Group only has one active company per country and per business, unless otherwise required by specific situations.

The legal organisational structure is presented in this chapter under Section 5, "Simplified Group structure at 31 December 2016", on page 24.

The Group also holds a stake of about 33% in the capital of Axway Software, which was previously a wholly-owned subsidiary of the Group and since 14 June 2011 has been listed on NYSE Euronext. This holding is accounted for using the equity method.

b. The Group's internal organisation

The Group's internal organisation is described in this chapter under Section 6, "Group organisation", starting on pages 25 and 26. It is characterised by an operational organisation based on four levels and by a centralised functional organisation.

c. Definition of powers and responsibilities

Rules define the powers held by operational managers with regard to sales activities, human resource management and spending commitments, and ensure that certain decisions fall within the purview of central Group departments, including in particular Legal, Finance, Human Resources and Logistics. Work to update and harmonise these rules across the Group's entities and geographies is in progress.

d. Human resources management policy

The Corporate Responsibility Report included in the Registration Document presents the Group's human resources policy and the main indicators related to it.

Since 2016, Executive Management has implemented a major unifying internal transformation and training programme to promote shared values and fundamentals. It has been rolled out across 40% of the Group's activities and will be rolled out to all subsidiaries by 2018.

Adherence to Group values, which is an essential criterion in the selection of managers, is a strong driver of cohesion and promotes the application of fundamental management principles. Managers play a key role in ensuring that employees successfully adopt the Group's culture. Such buy-in is also supported by the Sopra Steria Academy, whose training solutions include integration seminars, job-specific development courses and the annual convention attended by Group managers.

Career management is based on a Group career framework that defines the various job paths and qualification levels employed. This has already been rolled out to 59% of Group employees and will continue to be rolled out, with the aim of adapting it to each country's specific context, expectations and priorities.

Performance reviews are carried out by managers and are taken into account in annual career interviews with employees. Employee evaluation and pay review cycles are held by the heads and management of each business unit once or twice a year depending on the subsidiary or job category. The purpose of these meetings is to share knowledge of employees, to assess their skills, performance and potential from a cross-functional perspective, and to establish development plans accordingly. They take place at every level of management (branch, division, subsidiary and Group) to ensure consistency, fairness and alignment with HR strategy objectives. Action plans are then rolled out and managed throughout the year within each entity.

Human resource managers at operational entities serve as liaisons between the central Human Resources Department and operations, monitoring the proper application of rules and procedures.

e. Information system

The Group's information system allows for software packages available on the market to coexist with in-house developments to address the Group's own specific needs. It addresses all management needs, including monitoring operations, revenue, invoicing and cash collection, sales pipeline, budgeting and forecasting, preparation of accounting and financial information and human resource management. The dashboard reports produced by this information system are used during management meetings. As indicated in the introduction above, some subsidiaries still use their own information systems that predate their joining the Group but have a proven track record of meeting their specific needs. These are managed and maintained by the Group Information Systems Department. A standardised Group reporting system for management purposes has therefore been put in place, with the assistance of the Information Systems Department.

The Information Systems Department is responsible for all information system issues (infrastructure, security, equipment purchases, applications used for the Group's internal requirements). The objectives of this department are to adapt the information system in the best possible fashion to the Group's operating requirements, to ensure the physical and logistical security of data to which continuous access must be guaranteed, and finally to optimize the information system's cost/service balance.

The Information Systems Security Manager (ISSM), who works outside the Information Systems Department, oversees the development, adaptation and application of the Information Systems Security Policy (ISSP) in collaboration with all operational and functional departments concerned. The Information Security Committee (ISC), comprised of the heads of the Group's Industrial, Information Systems, Legal, Human Resources, Real Estate and Purchasing departments, as well as the chief security officer and representatives of Executive Management (Executive Committee), meets three times a year.

f. Procedures

The Group has established a code of ethics that sets out its values, helps to ensure compliance with the laws and regulations in force in all of the countries where it operates, and promotes its commitments to the proper conduct of its business activities.

These rules and procedures cover organisation and delivery management, internal control and accounting practices, information systems, human resources, production and quality assurance, sales and marketing, procurement and travel expenses.

A Corporate Governance and Risk Management Department, reporting to the Chief Executive Officer, was established on 1 January 2017, notably to monitor internal control arrangements (delegations of powers, principles and procedures) and manage ethics and compliance issues. In this context, work is in progress to update the main rules governing delegations of powers and management.

Functional managers are responsible for implementing rules and procedures, updating them, disseminating them via a training plan, and enforcing them.

These rules and procedures are available via the intranet portals of Group companies. They are complemented by best practices disseminated by the management and reinforced through the Group's various training and communications initiatives.

The Group considers that its main operational risks relate to human resources, project completion and production, commercial relations with major clients, and the Group's reputation and image.

With respect to human resources, the Company has rules and procedures covering fundamental principles, staff administration, recruitment, performance measurement and career management, compensation, training and knowledge management.

With respect to production, Sopra Steria's engineering methodology defines all of the production, management and quality assurance processes required to successfully manage projects, with the primary aim of effectively contributing to the delivery of high quality IT systems that meet clients' needs in line with time and budget constraints.

This methodology defines project management practices and processes suited to various environments and at different levels of management and supervision, as well as software engineering practices and processes.

The basic principles of the Quality System are described in a Quality Manual supplemented by procedural guides and operating manuals.

UK-Asia, Scandinavia and CIMPA apply mechanisms that are similar but rely on specific methods suited to their primary operations.

Information security risks and IT/communications infrastructure risks are overseen by the Information Systems Security Manager (ISSM).

To ensure that all commitments given to clients are legally watertight, all contracts are subject to legal review before being signed (excluding standard Group contracts).

g. Tools

The Group's management applications and office automation software are designed to standardise the documents produced by the Group.

The production tools used or developed by the Group allow for the industrialisation of project delivery by improving the quality of deliverables. They incorporate the processes that make up the Group's production methodology. Proactive monitoring is carried out to identify new developments on the market and alternatives to the tools used. Continuous effort is made to capitalise on any best practices identified in the application of production tools during project support and training.

11.1.3. INTERNAL INFORMATION COMMUNICATION SYSTEM

a. General description of the management control system

The management control system is designed not only to manage the dissemination of information, upwards to Executive Management and downwards to the operational units, but also to guide, control, support and train. It captures decisions made at steering meetings held at each of the different organisational levels, including the Group Executive Committee.

These meetings are governed by specific standards (reporting timetable, participants, agenda, documents to be presented at the beginning and end of the meeting) and are supported by the management reporting system.

Meetings are held according to a calendar, dependent on the organisational level and timeframe objectives:

- weekly meetings for the current month: priority is the monitoring of sales, production and human resources;
- monthly meetings for the current year: in addition to the topics discussed at the weekly meetings, additional emphasis is placed on financial indicators: entity performance for the previous month, update of annual forecasts, actual vs. budget, etc.;
- annual meetings, looking ahead several years; the entities' annual budget process is driven by the Group's strategic plan.

b. Implementation of the management control system at all Group entities

The implementation of this system, generally completed in the shortest possible time for any newly acquired company, at all operational and functional entities is a highly effective vehicle for cohesiveness, the sharing of values and practices throughout the Group, and for controlling. Although, as indicated in the introduction above, some subsidiaries still use information systems that predate their consolidation but have proven successful in meeting their specific needs, they provide reporting to Executive Management via the implementation of elements of the Group management control system.

11.1.4. RISK IDENTIFICATION AND MANAGEMENT PROCESS

As a reminder, the risk management objectives formalised in the AMF reference framework are as follows:

- create and preserve the Group's value, assets and reputation;
- secure decision-making and the Group's processes to attain its objectives;
- promote consistency between the Group's actions and its values;
- mobilise the Group's employees behind a shared vision of the main risks and raise their awareness of the risks inherent in their activities.

The effective implementation of the risk identification and management process is under the supervision of Executive Management, who receive information on risks from operational, functional and financial controlling. The aim of this process is to anticipate risks and mitigate them as efficiently as possible to support the realisation of Group objectives.

All staff and management are active participants in the risk management process. The importance of risk management is inherently appreciated by Sopra Steria personnel as most of them are engineers, already well versed in a culture of project management, a critical part of which is risk management.

a. Risk mapping procedure

The risk map was shared and discussed during meetings of the Group's Executive Committee in 2016 to ensure its completeness, evaluate the assessment of key risks and determine the level of residual risk deemed acceptable by the company.

b. Risk identification and management through the management control system

Each entity's management ensures the application of the company's policy regarding the management of risks related to the business they oversee, and checks that the level of exposure to these risks is in line with Group policy.

As part of their overall management function, branch managers and division/subsidiary managers are responsible for the direct supervision of human resources, sales and administration at their level of operations.

The relaying of information relating to identified operational and functional risks is structured by the rules of the management control system so that it may be handled at the most appropriate level of the organisation.

Operational risks associated with business activities, which are classified as "alerts" in the Group's in-house lexicon when they are significant for the entity that identifies them, are prioritised and included in the weekly review until the appropriate action plan has been completed. The Group's decentralised organisation generally allows for decisions to be taken swiftly, close to the situation, accompanied if necessary with input from the next reporting level. When a decision is required at the Group level, the procedures for risk mitigation (owner and action timeline) are typically determined by the Executive Committee during its meetings.

Functional departments are responsible for the definition and proper application of policies relating in particular to human resources, finance, production, client and supplier contracts, information systems, facilities and communications. They report to Executive Management of Group subsidiaries on a regular basis, including any newly identified risks, their impact assessment and steps for risk prevention or remediation.

The newly established Group-wide Corporate Governance and Risk Management Department will notably organise and coordinate risk management arrangements and monitor insurance policies within a single department.

The risk management process also incorporates reviews by the Financial Controlling team, the Industrial Department and the Internal Audit team.

c. Crisis management procedures

In order to ensure that it can respond quickly in the event of a major crisis, the Group has modelled crisis management procedures at the different organisational levels as part of its business continuity strategy.

To prepare for major incidents that could affect the Group's operations, Executive Management has opted to set up a Group crisis management unit to manage crisis situations.

This crisis management unit, which consists of Executive Management, functional Directors and the Group Information Systems Security Manager, can be activated by Executive Management at any time.

The crisis management unit is activated via an escalation process communicated to all managers within the Group. In particular, this process stipulates the following:

- the composition of the Group crisis management unit;
- the escalation process (local/branch, entity/site or Group) and each person's role within it;
- how the impact of incidents should be assessed.

The crisis management plan to be adopted in such situations is managed directly by the crisis management unit, which coordinates action by all relevant Group departments until the crisis is resolved and normal operations have resumed.

11.1.5. CONTROL ACTIVITIES

Beyond the self-assessment procedures and control procedures implemented by operational managers at every level, under rules of delegated powers in force within the Group, functional departments play a particular role in the area of risk management by providing support to operational staff, adopting a preventive approach through mandatory reviews that may be laid down in procedures, or by carrying out detective controls on adherence to rules and the results obtained, including in particular controls on the quality of data input into the information system.

The Finance Department is entrusted with specific responsibilities in the area of Financial Controlling and the Industrial Department is responsible for control procedures relating to the management of its Quality System.

a. Finance Department (Financial Controlling)

Financial Controlling falls under the responsibility the Finance Department. There are 81 controllers, whose main responsibilities include the consolidation and analysis of monthly results produced by the internal management system, controlling the consistency of monthly forecasts, verifying the application of Group controls, assisting operational managers, training management system users, and performing the reconciliation between the internal management accounts and the general ledgers.

As part of its control responsibilities, Financial Controllers identify and measure risks specific to each branch. In particular, they ensure that contractual commitments and project production are aligned with the revenue recognised. They raise alerts for projects that present technical, commercial or legal difficulties. They check that revenue is recognised in line with Group accounting rules as well as analysing any commercial concessions applicable and verifying their treatment in the branch's accounts. They also ensure that the costs for the branch are completely and accurately recognised.

Financial controllers devote particular attention to unbilled revenue and contractual milestone payments, and check that invoices

issued are paid. In coordination with the branch manager they trigger cash collection activities managed directly by the Finance Department. They check any credit notes issued.

Financial Controllers assess branches' organisation and administrative operation. They monitor compliance with rules and deadlines.

b. Industrial Department (Quality Management System)

Quality management relies upon the day to day interaction between the operational and quality structures and covers the methods for the production and application of professional standards.

Sopra Steria's quality structure is independent of the project management and delivery operations. As such it offers external quality assurance for projects with the objectives of assuring production and cost controlling, overseeing associated human resources, verifying production conformity and compliance with quality assurance procedures, and monitoring the quality plan's effectiveness.

Industrial managers under the authority of division/subsidiary managers and reporting functionally to the Group Industrial Department are responsible for monitoring the Quality System and all projects. For the UK-Asia and Scandinavia regions, these monitoring responsibilities fall to the teams reporting to the Industrial Department of the subsidiary.

Structural audits are performed so as to verify the application and effectiveness of the Quality System among the Sopra Steria staff members concerned (management, sales, operational quality unit).

Projects are reviewed on a regular basis, at key phases in their life cycle. Organised by the Industrial Department, or by the quality structure's local representatives, these reviews provide an external perspective on the status and organisation of projects. More than 3,400 pre-sales or project reviews of this type were conducted in 2016. They were conducted by more than 500 professionals selected by the quality structure for their skills.

Monthly steering meetings facilitate an overview of quality at all levels, the monitoring of annual quality targets established during management reviews and the determination of the appropriate action plans to continuously improve production performance and the quality of Sopra Steria products and services.

The implementation of actions agreed during steering committees, audits and reviews is checked by the Industrial Department.

An annual review is performed by Executive Management to ensure that the Quality System remains pertinent, adequate and effective. This review is based in particular upon an analysis of project reviews and internal structural audits performed at all levels of the Group as well as upon annual balance sheets produced by divisions or subsidiaries. During this review, the adequacy of the quality policy is evaluated, the annual quality objectives are defined and possible improvements and changes in the Quality System are considered.

The Group has put in place a certification policy, covering all or a portion of its operations, depending on market expectations. This policy relates to the following standards or frameworks: ISO 9001, TickIT Plus, ISO 27001, ISO 22301, ISO 14001, ISO 20000, CMMI and TMMI.

11.1.6. ONGOING MONITORING OF THE INTERNAL CONTROL SYSTEM

a. Internal monitoring system

While improving the internal control system is a responsibility shared by all Group employees, the Group's management play a key role in the area of ongoing monitoring.

Executive Management

Executive Management constitutes the top level of the internal control and risk management system and takes an active role in monitoring its continuing effectiveness. It takes any action required to correct the issues identified and remain within acceptable risk tolerance thresholds. Executive Management ensures that all appropriate information is communicated in a timely manner to the Board of Directors and to the Audit Committee.

The Internal Audit Department plays a key role in supporting these objectives.

Internal Audit Department

Through the application of the internal audit charter adopted by the Group, the Internal Audit Department, which has a budgeted staff of five, has the following tasks:

- independent and objective evaluation of the effectiveness of the internal control system via a periodic audit of entities;
- formulation of all recommendations to improve the Group's operations;
- monitoring the implementation of recommendations supported by Executive Management;
- updating the risk map.

The work of the Internal Audit Department is organised with a view to covering the "audit universe", a matrix of key Group processes reviewed annually by the Audit Committee.

Internal Audit covers the entire Group over cycle of a maximum of four years. Audits are performed more frequently for the main risks identified. To this end, Internal Audit carries out field audits while using self-assessment questionnaires for areas of lesser importance.

By carrying out work relating specifically to fraud, Internal Audit has identified processes that are potentially concerned, associated risks, control procedures to be adopted and audit tests to be carried out. These are systematically integrated into internal audit programmes. Internal Audit, which reports to the Chairman of the Board of Directors and operates under the direct authority of Executive Management, is responsible for internal control and monitors the system in place. It submits its findings to Executive Management and the Audit Committee.

The Chairman of the Board of Directors validates the audit plan, shared with Executive Management, notably on the basis of risk information obtained using the risk mapping procedure, the priorities adopted for the year and the coverage of the "audit universe".

This plan is presented to the Audit Committee for review and feedback.

Recommendations are monitored and compiled in a report provided to Executive Management and the Audit Committee.

Internal audit carried out 17 assignments in 2016.

Board of Directors (Audit Committee)

The Audit Committee develops their understanding of the main features of the internal control and risk management procedures selected and implemented by Executive Management to manage risks: organisation, roles and functions of the key actors, approach structure for reporting risks and monitoring the operating effectiveness of control systems.

It has an overview of all the procedures relating to the preparation and recording of accounting and financial information.

The Audit Committee performs an annual review of the Group's risk mapping procedure and follows the activity of the Internal Audit Department through:

- approval of the annual internal audit plan;
- meeting with its Director once a year in the presence of the Statutory Auditors, but without the presence of management;
- biannual review of the results of internal audit assignments and monitoring implementation of management action plans.

b. External monitoring system

Furthermore, the internal control system is also monitored by the Statutory Auditors and the quality certification inspectors for the Quality System.

Statutory Auditors

As part of their engagement, the Statutory Auditors obtain information on the internal control system and the procedures in place. They attend all Audit Committee meetings.

The Statutory Auditors are engaged throughout the year across the Group. Their involvement is not limited to interactions with the accounting department. To gain a more in-depth understanding of how operations and transactions are recorded in the accounts, the Statutory Auditors are in regular contact with operational managers, who are best placed to explain the Company's business activity. These meetings with operational staff are structured around branch or subsidiary reviews, during which the Statutory Auditors proceed with a review of the main ongoing projects, progress made and any difficulties encountered by the branch or subsidiary.

Quality certification inspectors

The audit procedure aims to ensure that the Quality System is both in compliance with international standards and is applied to the entire certified scope of operations.

Each year, quality certification inspectors select the sites visited depending upon an audit cycle and relevance of the activity in relation to the certification.

The purpose of this audit process is to identify ways in which the quality management system might be improved in order to ensure continuous improvement.

11.1.7. EVALUATION AND CONTINUOUS IMPROVEMENT PROCESS

As part of every internal audit, evaluations are carried out to ensure that the Group entities or business areas being audited have appropriate internal control systems in place.

The internal control system and its operation are subject to internal and external assessments to identify areas for improvement, giving rise to action plans aimed at strengthening the internal control framework; these assessments may be direct and specific requests from the Audit Committee.

For example, in 2016, the Audit Committee initiated a more in-depth presentation of the "audit universe" (detailed analysis of sub-entities by breaking down control points by process) and revised the Group's coverage rules by the Internal Audit department.

11.2. Preparation of accounting and financial information**11.2.1. COORDINATION OF THE ACCOUNTING AND FINANCIAL FUNCTION****a. Organisation of the accounting and financial function****Limited number of accounting entities**

By keeping the number of legal entities, and therefore accounting entities, relatively low, the Group can drive reductions in operating costs and minimise risks.

Centralised coordination of the accounting and financial function

The activities of Sopra Steria's accounting and financial function are overseen by the Group's Finance Department, which reports directly to Executive Management.

The responsibilities of the Finance Department mainly involve maintaining accounts, financial controlling, tax issues, financing and cash accounting, and participation in financial communications and legal matters.

Each subsidiary has its own accounting team that reports functionally to the Group's Finance Department.

Supervision of the accounting and finance function by Executive Management and the Board of Directors

The Finance Department reports to the Group's Executive Management. As with all other entities, it follows the management reporting and controlling cycle described above: weekly meetings to address current business activities, monthly meetings devoted to a detailed examination of figures (actual and forecast), the organisation of the function and the monitoring of large-scale projects.

Executive Management is involved in the planning and supervision process as well as in preparing the period close.

The Board of Directors is responsible for the oversight of accounting and financial information. It approves the annual accounts and reviews the interim accounts. It is supported by the Audit Committee, as described in Chapter 2, Section 1.2.3 of this document (pages 67 to 69).

b. Organisation of the accounting information system**Accounting**

The configuration and maintenance of the accounting and financial information system are centralised at Group level. Central teams manage access permissions, which are updated at least once a year. The granting of these permissions is validated by Finance teams at the subsidiaries.

All Group companies prepare, at a minimum, complete quarterly financial statements on which the Group bases its published quarterly revenue figures and interim financial statements.

Monthly cash flow forecasts for the entire year are prepared for all companies and consolidated at Group level.

Accounting policies and presentation

The accounting policies applied within the Group are presented in the notes to the consolidated financial statements. At each balance sheet date, the Audit Committee ensures that these policies and presentation have been applied by the Finance Department and the Statutory Auditors.

The proper use of the percentage-of-completion method to value ongoing projects is monitored on a permanent basis jointly by the Industrial Department and by the Finance Department (Financial Controllers).

11.2.2. PREPARATION OF THE PUBLISHED ACCOUNTING AND FINANCIAL INFORMATION**a. Reconciliation with the internal management system accounting data**

All Group entities prepare a monthly budget, a monthly operating statement and revised monthly forecasts.

The budget process, which is short in duration, takes place in the last quarter of the year. This is a key stage. It is the opportunity to apply the strategy approved by the Executive Committee, to adapt the organisation to developments in business segments and market demand, and to assign quantitative and qualitative objectives to all Group entities. Budgets, including detailed monthly operating forecasts, are prepared by each unit at this event.

Each Group entity prepares a monthly operating statement closed on the third working day of the following month.

Finally, a revised operating statement prepared each month includes the results of the previous month and a revised forecast for the remaining months of the current year.

All documents produced are combined with numerous management indicators related to the business (utilisation rate, selling prices, average salary), human resources, invoicing and receipts, etc.

Sales metrics (prospects, contracts in progress, signings, etc.), client invoicing and cash receipts are analysed at the management meetings organised by the management control system described above.

The results derived from the monthly management reporting documents are verified by Financial Controllers reporting to the Finance Department, who also reconcile this data with the quarterly accounting results in the general ledgers.

b. Procedures for the preparation of the consolidated financial statements

Each company establishes quarterly financial statements and prepares a consolidation pack.

For each of the companies falling within the scope of the audit of consolidated financial statements, the Statutory Auditors examine the interim and annual consolidation packs. Once approved, they are used by the Group Finance Department and the consolidated financial statements are examined by the Group's Statutory Auditors.

c. Procedure for signing off the financial statements

The interim and annual consolidated financial statements are presented to Executive Management by the Finance Department.

As part of their annual accounts close-out at 31 December, the financial statements of Sopra Steria Group and its subsidiaries undergo a legal audit by the Statutory Auditors in order to be certified. A limited review is also performed on 30 June.

As part of its assignment to monitor the legal control of the financial statements, the Audit Committee takes note of the Statutory Auditors' work and conclusions during the review of the interim and annual financial statements.

The Audit Committee examines the financial statements, notably in order to review the Company's exposure to risks, verify that the procedures for gathering and controlling information guarantee its reliability, and ensure that accounting policies have been applied consistently and appropriately. It gathers comments from the Statutory Auditors.

The Group's financial statements are then presented to the Board of Directors for approval.

d. Financial communications

The Financial Communications and Investor Relations Department, which is supervised by the Chairman of the Board of Directors, manages the Group's financial communications.

The Group communicates financial information via several different means, notably:

- press releases;
 - the Registration Document and the various reports and disclosures that it contains;
 - the presentation of the interim and annual financial statements.
- All of this information is made available online on the Group's website.

The Registration Document is filed with the AMF after being audited by the Statutory Auditors.

INTRODUCTION TO SOPRA STERIA

Report of the Statutory Auditors pursuant to Article L. 225-235 of the French Commercial Code on the Report of the Chairman of the Board of Directors of Sopra Steria Group

Report of the Statutory Auditors pursuant to Article L. 225-235 of the French Commercial Code on the Report of the Chairman of the Board of Directors of Sopra Steria Group

To the Shareholders,

In our capacity as Statutory Auditors of Sopra Steria Group, and in compliance with the provisions of Article L. 225-235 of the French Commercial Code, we hereby present our report on the Report of the Chairman of the Board of Directors, pursuant to the provisions of Article L. 225-37 of the French Commercial Code, in respect of the financial year ended 31 December 2016.

It is the responsibility of the Chairman to draw up and submit for the approval of the Board of Directors a report on internal control and risk management procedures implemented by the Company that also provides the other disclosures required by Article L. 225-37 of the French Commercial Code, in particular those related to corporate governance.

It is our responsibility to:

- present to you any observations that we have on the basis of the information contained in the Chairman's report on internal control and risk management procedures relating to the preparation and processing of accounting and financial information; and
- certify that the report includes any other disclosures required by Article L. 225-37 of the French Commercial Code, with the understanding that it is not our responsibility to verify the fair presentation of this information.

We performed our assignment in accordance with professional standards applicable in France.

INFORMATION ON INTERNAL CONTROL AND RISK MANAGEMENT PROCEDURES RELATING TO THE PREPARATION AND PROCESSING OF ACCOUNTING AND FINANCIAL INFORMATION

Professional standards require that we carry out work designed to assess the truth and fairness of the information in the Chairman of the Board of Directors' report on the internal control and risk management procedures relating to the preparation and processing of accounting and financial information.

In particular, this work involved:

- obtaining an understanding of the internal control and risk management procedures relating to the preparation and processing of financial and accounting information underlying the information set out in the Chairman's report, as well as existing documentation;
- obtaining an understanding of the work performed to support the information given in the report and existing documentation;
- determining whether any significant deficiencies in the internal control procedures relating to the preparation and processing of financial and accounting information that we may have observed in the context of our engagement are properly reported in the Chairman's report.

On the basis of the work that we performed, we have no comment to make on the information on the Company's internal control and risk management procedures relating to the preparation and processing of accounting and financial information, contained in the Report of the Chairman of the Board of Directors and prepared in compliance with the provisions of Article L. 225-37 of the French Commercial Code.

OTHER INFORMATION

We hereby certify that the Report of the Chairman of the Board of Directors includes the other disclosures required by Article L. 225-37 of the French Commercial Code.

Paris and Courbevoie, 12 April 2017

The Statutory Auditors

**Auditeurs & Conseils Associés
ACA Nexia**

Olivier Juramie

Mazars

Bruno Pouget