

Introduction

At the beginning of August 2014, the friendly merger of the two companies Sopra and Steria was confirmed by the success of the public exchange offer by Sopra for Steria. On completion of the legal stages of the merger-absorption operations, on 31 December 2014, a new European leader in digital transformation was created: Sopra Steria Group.

Sopra Steria has a culture based on independence and entrepreneurship and is continually transforming to adapt to the challenges of its clients and to cyclical developments in technology, offering one of the most complete portfolios of digital services on the market, spanning consulting and systems integration, industry-specific solutions, infrastructure & security services and business process services (BPS).

Reasons for the tie-up

Sopra and Steria, two independent companies, had a stable core shareholder base with long term investors and a common culture placing their clients, employees and innovation at the heart of their strategy.

Given the great complementary fit between them on an operational level, and taking into account the increased speed of the profound changes in the IT market, these two IT services pioneers wanted to combine their know-how to form a European leader in digital services with a relevant, differentiated offering to meet the transformation challenges of their clients.

Over the twelve months of financial year 2014, the new group achieved pro forma revenue of €3,370.1m, with offices in 20 countries and a workforce of over 37,000 professionals.

AN INDUSTRIAL-SCALE PROJECT

From an industry perspective, the merger between Sopra and Steria is a response to the profound market changes brought about by the digital revolution and new modes of service consumption.

Together they form a group with the critical mass and capacity to deliver the best transformation solutions to clients. The new group's portfolio of offerings is one of the most comprehensive on the market, encompassing consulting and systems integration (57%), industry-specific solutions (13%), infrastructure and security services (16%) and business process services (14%).

GOOD MATCH OF BUSINESS LINES AND GEOGRAPHIC SEGMENTS

In terms of business lines and geographic segments, the match between the two entities is very strong. Sopra brings the power of its organisation in France, the strength of its banking, human resources and property management solutions, and its effective application management model.

For its part, Steria brings its international reach (Europe and Asia) with a strong position in the United Kingdom, a relevant offering in business process services and its expertise in IT infrastructure management.

The combined group's industrial-scale production capacity is significantly reinforced with an array of offshore and nearshore service centres representing a workforce of more than 6,000 people, including about 5,000 in India.

The merger of Sopra and Steria

Sopra Group (ISIN: FR0000050809) and Groupe Steria (ISIN: FR0000072910), both pioneers in IT services, announced in April 2014 a merger of their two groups by way of a public exchange offer initiated by Sopra Group for the shares of Groupe Steria (the "Offer").

On completion of the Offer, Sopra Group held thirty million forty thousand five hundred and forty-three (30,040,543) Groupe Steria shares representing 90.52% of the share capital and 89.41% of the voting rights of the company. Following the success of this operation, Sopra Group changed its corporate name to Sopra Steria Group.

In continuation of the public exchange offer initiated by Sopra Group for Groupe Steria, and in line with the intentions announced by Sopra Group and Groupe Steria when the merger proposal was disclosed, also included in the information memorandum on the Offer approved by the *Autorité des Marchés Financiers* (the "AMF") on 24 June 2014 (AMF visa no. 14-322, the "Information Memorandum"), the Boards of Directors of Groupe Steria and Sopra Steria Group, meeting respectively on 29 and 28 October, authorised the signing of a proposed agreement for the merger by absorption (*fusion-absorption*) of Groupe Steria into Sopra Steria Group (the "Merger Agreement").

On 17 and 20 October 2014 respectively, the local and central works councils of Sopra Steria Group submitted their opinions on the proposed merger by absorption of Groupe Steria into Sopra Steria Group (the "Merger").

On 2 and 17 October 2014 respectively, the European and central works councils of Groupe Steria submitted their opinions on the proposed merger.

The Merger Agreement was signed on 5 November 2014 and notice of the Merger was published on the websites of Groupe Steria and Sopra Steria Group on 14 November 2014 in compliance with Articles R. 236-2 and R. 236-2-1 of the French Commercial Code.

Besides this Merger, the following internal reorganisation operations were carried out on 31 December 2014:

- a partial transfer of assets (*apport partiel d'actif*) by Steria SA (a French limited-liability company with a board of directors and share capital of €14,876,895, having its registered office at 12, rue Paul Dautier, 78140 Vélizy-Villacoublay and registered in the Versailles trade and companies registry under number 309 256 105, hereinafter "Steria", wholly-owned by Groupe Steria) to Sopra Steria Infrastructure & Security Services (a wholly-owned subsidiary of Steria and registered in the Annecy trade and companies registry under number 805 020 740) corresponding to its Infrastructure Management business for client IT systems and networks;
- a partial transfer of assets by Steria to Sopra Banking Software (a virtually wholly-owned subsidiary of Sopra Steria Group, registered in the Annecy trade and companies registry under number 450 792 999) corresponding to its Advanced Payment business delivering specific IT systems and solutions for automated payments and cash machines;
- a partial transfer of assets by Sopra Steria Group to Sopra HR Software (a wholly-owned subsidiary of Sopra Steria Group, registered in the Annecy trade and companies registry under number 519 319 651) corresponding to its business focusing on the development and distribution of human resources software solutions, known under the name "Pléiades"; and
- the merger by absorption (*fusion-absorption*) of Steria into Sopra Steria Group.

These internal legal restructuring operations took place on completion of the Merger, namely 31 December 2014, the closing balance sheet date of the financial year ended, immediately following the completion of the Merger, sequentially, in the order given above.

For the reader's information, as provided by Article L. 236-3 of the French Commercial Code, the merger by absorption of Steria into

Sopra Steria Group did not give rise to the implementation of an exchange ratio insofar as, at the completion date of the merger by absorption of Steria, Sopra Steria Group held all of Steria's share capital as a result of the prior completion of the Merger of Groupe Steria into Sopra Steria Group. It is also specified that Sopra Steria Group and Groupe Steria had undertaken to retain all of the shares making up the share capital of Steria until the completion date. Consequently, no new Sopra Steria Group shares were created as consideration for the transfer of Steria's assets by way of the merger, and Sopra Steria Group did not carry out a capital increase in connection with the merger by absorption of Steria into Sopra Steria Group.

The proposed Merger was subject to approval by the shareholders of Sopra Steria Group and Groupe Steria at an Extraordinary General Meeting held on 19 December 2014. The agenda and proposed resolutions submitted at the Extraordinary General Meeting to the shareholders of Sopra Steria Group were published in the *Bulletin des Annonces Légales Obligatoires* dated 14 November 2014 (Bulletin No. 137).

The Merger was part of an effort to simplify the structure of the new group in France:

- a parent company that would be both a holding company and an operating company, bringing together, in addition to the Chairman and Executive Management, the central functional departments and the consulting and systems integration business lines in France, and holding, directly or indirectly, all of the new group's operating subsidiaries and equity interests;
- a company specialised in the development of banking software;
- a company specialising in the development of human resources management solutions; and
- a company specialising in IT infrastructure management and cybersecurity in France.

The Merger therefore made it possible to create an operating parent company holding all of the new group's holdings, each specialising in a particular IT field. The Merger also facilitated the operational organisation of the new group and helped reduce operating costs, notably by rationalising the costs attributable to Groupe Steria's status as a listed company. It will also accelerate the synergies sought after as part of the merger project.

The merger by absorption of Groupe Steria into Sopra Steria Group became effective on 31 December 2014. On 2 January 2015, Groupe Steria's shares were delisted from Euronext Paris.

1. Key figures

1.1. Key income statement and balance sheet items

<i>(in millions of euros)</i>	2014 pro forma ⁽¹⁾ (12 + 12 months)	2014 consolidated IFRS ⁽²⁾ (12 + 5 months)	2013
Revenue	3,370.1	2,280.3	1,349.0
Gross operating profit	283.9	220.6	113.2
Operating profit on business activity	231.2	193.0	108.9
As % of revenue	6.9%	8.5%	8.1%
Profit from recurring operations	210.9	180.3	101.1
As % of revenue	6.3%	7.9%	7.5%
Operating profit	156.8	148.2	103.9
As % of revenue	4.7%	6.5%	7.7%
Net profit attributable to the group	92.8	98.2	71.4
As % of revenue	2.8%	4.3%	5.3%
Total assets		3,496.8	1,178.5
Total non-current assets		2,160.0	570.0
Equity attributable to the group		1,057.1	357.9
Minority interests		31.3	-
Number of shares at 31 December		20,371,789	11,919,583
Basic earnings per share <i>(in euros)</i> ⁽³⁾		6.81	6.00
Fully diluted earnings per share <i>(in euros)</i> ⁽⁴⁾		6.77	5.92
Net dividend per share <i>(in euros)</i>		1.90 ⁽⁵⁾	1.90
Total workforce at 31 December		37,358	16,284

(1) Pro forma 2014 revenue per Sopra accounting policies and after restatement of intra-group items: 12 months Sopra + 12 months Steria.

(2) 2014 IFRS financial statements: 12 months Sopra + 5 months Steria.

(3) Net profit attributable to the group divided by the average number of shares during the year.

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

(5) Dividend to be proposed at the General Meeting of 25 June 2015.

1.2. Breakdown of revenue by sector

<i>(in %)</i>	2014 pro forma (12 + 12 months)
France	39%
United Kingdom	28%
Rest of Europe	20%
Sopra Banking Software	8%
Other Solutions	5%
TOTAL	100%

1.3. Revenue by vertical market

(in %)	2014 pro forma (12 + 12 months)
Financial Services	27%
Public Sector	23%
Aerospace, Defence, Homeland Security	15%
Transport, Services	12%
Telecoms, Media and Games	8%
Energy, Utilities	8%
Retail, Manufacturing	7%
TOTAL	100%

2. History of Sopra Steria Group

See pages 4 and 5 of this document.

3. Activities of Sopra Steria Group

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, industry-specific solutions, infrastructure and security services and business process services (BPS).

The group provides a comprehensive response to the development and competitiveness challenges facing large companies and organisations by supporting them throughout their transformation, from strategic analysis, programme guidance and the conversion and operation of IT structures, to the design and implementation of solutions and the outsourcing of 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 ensure that its offerings remain relevant to the strategic challenges of each of its vertical markets.

Sopra Steria is an independent group, controlled to a significant level by its founders and managers, with over 37,000 employees in 20 countries implementing a strategy based on major European accounts.

Sopra Steria Group is also the preferred partner of Axway Software, whose "Axway 5 Suite" exchange 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 main players in the consulting sector. Sopra Steria Consulting has 40 years' experience in management and technology consultancy for large companies and public bodies, with 1,500 consultants in France and Europe. Its aim is to accelerate the development and competitiveness of its clients through support for their digital transformation.

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:

Design and integration

Sopra Steria's teams help their clients to implement agile, 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.

Performance and transformation

In addition to standard maintenance of information systems, Sopra Steria applies a continuous transformation approach to guarantee optimised operational efficiency for its clients, suited to changes in

their business. The transformation approach includes an enhanced operating procedure while reducing the time to market.

Enterprise data architecture

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

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

3.1.2. IT INFRASTRUCTURE MANAGEMENT AND CYBERSECURITY

Sopra Steria operates all or part of an IT infrastructure by providing 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;
- information system security.

The group's activity in these areas is characterised by a significant transformation component.

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 method of sourcing (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 enabling users to access any application, anytime, anywhere, regardless of the system used.

3.1.3. 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 2014 it had over 600 clients in 70 countries.

Solutions: Sopra Banking Software's offerings are suitable for retail, direct or network banks, as well as for private banks. The Sopra Banking Suite meets general needs by offering integrated systems, but also more specific 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.

Services: Sopra Banking Software 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.

Sopra Banking Software operates its own solutions and also offers an SaaS solution for direct banks.

Human Resources

Sopra Steria Group also produces human resources management solutions via Sopra HR Software (a wholly-owned subsidiary of Sopra Steria). The offering is based on two product lines (Pléiades and HR Access) aimed at public and private large and medium-sized organisations, regardless of their business sector, organisational complexity or location.

Insourcing and outsourcing solutions are based on the most innovative business practices and cover a wide range of functions: payroll, administration, time and activity management, talent management, reporting and dashboards.

Sopra HR Software currently has a workforce of 1,300 people, managing over 12 million employees for 850 clients in 54 countries.

Property Management

Sopra Steria is France's leading developer of property management solutions. The group's offering meets the requirements of all corporate and private real estate market segments, including offices, shopping centres and warehouses.

The Altaix, Ikos and Ulis solutions cover all corporate real estate sectors, for both rental and technical management, and are marketed via comprehensive solutions: products, innovative technological services and support services.

3.1.4. BUSINESS PROCESS SERVICES

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

The group has become a leading player for optimising operations, rationalising costs and improving management flexibility, offering solutions to outsource processes in different fields:

- finance and administration (F&A) functions;
- human resources (staff administration) functions;
- functions involving business processes, for example the operation and execution of control room processes for the police, management of bank card fraud detection for financial institutions, and management of loyalty cards in the mass retailing sector.

From consulting to operation, the teams include experts in business processes, technology, integration and data architectures, who design solutions combining performance and profitability thanks to the experience they have gained.

Sopra Steria has a key position in the business process services market in Europe. In particular, the group operates the largest platform for shared services in Europe handling financial processes (NHS SBS) and 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 force in the United Kingdom). Winning the SSCL* contract at the end of 2013 considerably strengthened this position, making the group the first European player to be involved in both the building and operating of platforms for shared services.

3.2. Business expertise at the heart of our strategy

Sopra Steria has chosen the major vertical markets that constitute its areas of excellence. The group has a comprehensive offering in each of these fields, meeting the specific challenges of each of its clients.

3.2.1. BANKING

The banking sector is Sopra Steria's principal market. This sector is undergoing major changes and is subject to considerable constraints. 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 are increasingly sensitive to technological developments.

Faced with these new challenges, Sopra Steria aims to be a partner that will accelerate this transformation.

Sopra Steria Group and its subsidiary Sopra Banking Software turn the changes in the banking world into opportunities for their clients, whether for risk management, regulatory compliance, data protection, improving client experience, optimising performance or identifying new sources of income.

3.2.2. INSURANCE AND SOCIAL WELFARE

Under pressure both from competitors and regulatory constraints, together with the acceleration of new usage patterns and changes in the behaviour of policyholders, 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 products aimed at achieving 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, valuation of data and information assets and the use of connected objects for prevention, big data for combating fraud and artificial intelligence for smart care.

3.2.3. PUBLIC SECTOR

Faced with new expectations from citizens and the need to optimise expenses, the public sector has introduced a vast programme to transform its activities and organisation. To address these new concerns, Sopra Steria has developed solutions for pooling the support functions of the state and local authorities, re-engineering business processes, online administrative services, and modernising healthcare information systems. As a result, public sector players ensure that they meet their targets and priorities at the lowest cost, giving their information system the agility it requires to cope with the challenges they face.

3.2.4. DEFENCE

Security is a key issue for many governments. 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.

* Shared Services Connected Limited, a joint venture between Sopra Steria and the British Cabinet Office.

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

- interoperability and security of military systems;
- administrative performance and overall efficiency of the armed forces;
- efficiency of the military supply chain (supply chain management);
- operational and communication information systems (SIOC in French) for more reliable operations (industrialisation of tests);
- access control for sensitive sites, identity management and biometrics;
- control over costs and the complexity of command and control compliance.

3.2.5. HOMELAND SECURITY

Sopra Steria supports public authorities in meeting the challenges of homeland security. The group operates in 24 countries, serving clients with various specialities: police, emergency services, border control, censuses, justice, customs and homeland security.

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

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

3.2.6. AERONAUTICS AND SPACE

The aeronautics and space market is a particularly fertile sector in terms of innovation. It is subject to constraints regarding reliability, availability, security and performance, which require a full command of the technologies and processes implemented, as well as of clients' core businesses.

For optimal service, companies operating in this sector must align their capacities with the pace of production, optimise their processes and information systems while also improving profitability, deal with the regulation of heavy air traffic while also improving safety, and continually innovate within R&D cost constraints.

To meet these challenges, Sopra Steria's expertise comes into play such critical areas as production performance, supply chain management and on-board systems as well as air traffic control, always giving priority to technological innovation and business know-how.

3.2.7. 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 supports its clients, helping them to meet the following main challenges:

- transformation of the telecoms businesses: fixed-mobile convergence, acceleration of time to market, optimisation and digitalisation of client relationships;
- network management: reduction in infrastructure management costs, introduction of new technologies, reduction in delivery lead times for processes, sharing of operating and investment expenses between operators;
- core media business: use of new technologies, optimization of advertising revenue, digitalisation of content, improvement in the creation and broadcasting of television programmes;
- core Games business: management of the development of client loyalty and churn, fraud reduction and control of cash flows, compliance with specific regulations for different games and distribution channels, differentiation according to client experience.

3.2.8. ENERGY AND UTILITIES

Faced with increasingly heavy budgetary, regulatory and fiscal constraints, players 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.

Added to these challenges are the maintenance of production and distribution infrastructures that are becoming obsolescent, and the rapid changes in client requirements.

Via technological and transformation services, infrastructure management and business process services, Sopra Steria supports the transformation of energy operators and utilities in all their main businesses: exploration, production and trading, transport and distribution, marketing and services.

3.2.9. TRANSPORT

The efficiency of processes and operational excellence are crucial in this sector, whether for road, rail, sea or air transport, urban transport or logistics. Major challenges currently faced by transport operators include ecological impact reduction, mobile technologies, the client experience, safety improvements and pressure to reduce prices.

Sopra Steria offers both consulting and operation of passenger management systems, geographical information systems, transformation of multimodal hubs and optimisation of transport systems. Combining pragmatism, innovation and in-depth

knowledge of the sector, Sopra Steria offers its clients decisive advantages, including:

- real-time information;
- optimisation of mobile capabilities;
- optimised safety thanks to management of disruptions and crises;
- environment-friendly and profitable urban transport networks;
- optimised management of resources, infrastructure assets and maintenance;
- lean management.

3.2.10. RETAIL, MANUFACTURING

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 and involves having secure, controlled business practices as well as the innovation needed to meet consumer requirements for immediate and flexible services.

Sopra Steria guides retailers in their digital transformation, making their information system a lever for performance:

- omnichannel: control of data architecture and information flow to increase proximity to clients;
- flexibility: agility of the enterprise architecture and flexibility of resources (cloud);
- speed: management of short cycles, renewal of ranges, management of new products;
- support: data management/use, mobile technology, international channels;
- cost control: operational efficiency of logistics and warehouses; standardisation of information systems, optimisation of management processes.

3.3. A robust, ambitious mass processing strategy

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, in particular “eMedia” and associated software tools;
- global delivery model: rationalisation of production by pooling resources and know-how within service centres, location of services according to the requirements of each client (local services in France, nearshore in Spain, Tunisia and Poland, and offshore in India).

4. Digital services sector: current situation and challenges

4.1. The main markets - Competitive environment of digital services firms

In 2014 the digital services market in Western Europe was worth an estimated €175.4bn ⁽¹⁾ (excluding computer hardware/software packages/maintenance services).

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

Country (in billions of euros)	2014 estimates
France	21.5
United Kingdom	59.4
Germany	27.8
Rest of Europe	66.7
TOTAL	175.4

Source: Gartner, fourth quarter 2014, Dec. 2014. Exchange rate used for conversion into euros: USD/EUR 0.75 (2014 average rate).

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

Business (in billions of euros)	2014 estimates
Consulting	30.4
Development and systems integration	51.8
Outsourced IT services	67.3
Business process outsourcing	25.9
TOTAL	175.4

Source: Gartner, fourth quarter 2014, Dec. 2014. Exchange rate used for conversion into euros: USD/EUR 0.75 (2014 average rate).

According to IDC, in 2014 growth in global spending on computer software and IT services excluding technology consultancy, BPO and management consultancy amounted to 4.1%; this can be broken down by geographic zone as follows:

- Asia-Pacific: +5.6%;
- United States: +3.9%;
- Western Europe: +2.3%. Within this zone, there was the following breakdown between the main countries:
 - France: +1.4%,
 - United Kingdom: +2.6%,
 - Germany: +3.4%,
 - Italy: -0.1%,
 - Spain: +0.9%.

The European market presents 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 the services spending of European companies ⁽¹⁾;

- the sector that consumes the most IT services in western Europe is the financial services sector, comprising banks and insurance companies, which invested a total of €44.8bn in 2014, i.e. more than 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 four categories:

- large-scale North American players, present on all continents: IBM, HP EDS, CSC, Accenture, CGI, etc.;
- large European players offering a full range of services (consultancy, development, operation, BPS) and a globalised production model: Capgemini, Atos, etc.;

(1) Source: Gartner, third quarter 2014, Dec. 2014.

- Indian players showing strong ambitions in continental Europe thanks to a favourable production cost structure: TCS, Cognizant, Wipro, Infosys, etc.;
- local players positioned in niche segments with high added value or general purpose services.

With €3.4bn in revenue at the end of 2014 and a market share of 1.9%, Sopra Steria is one of the 10 largest digital services firms in Europe (excluding captive service providers and local players).

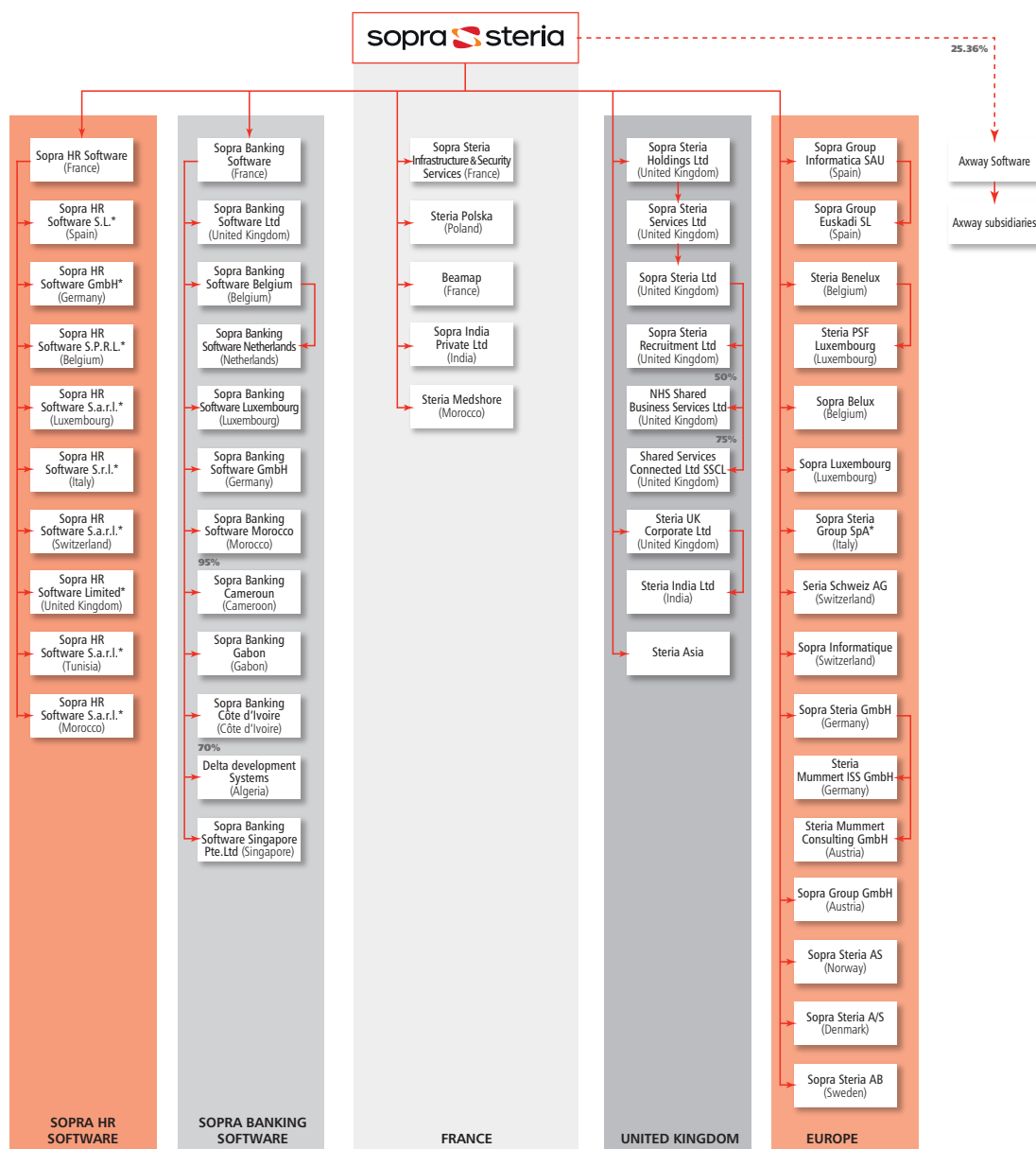
GLOBAL TRENDS IN THE DIGITAL SERVICES MARKET (EXCLUDING HARDWARE AND SOFTWARE)

2015 trends	Estimated growth in 2015 vs 2014
World	+4.3%
Western Europe*	+2.9%
United States	+4.1%
Asia-Pacific	+5.9%

* Including France +2.1% - Source: IDC.

SOPRA STERIA GROUP IN BRIEF

Simplified group structure at 31 March 2015

5. Simplified group structure at 31 March 2015

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

(*): Company whose corporate name changed after 31/12/2014.

6. Group organisation

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

This organisational structure is supported by an ongoing operational and functional structure as well as temporary structures for the management of particular deals and projects.

6.1. Ongoing structure

Sopra Group's ongoing 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, the Deputy Chief Executive Officer and the Executive Committee (Comex).

Executive Committee consists of the Chief Executive Officer, the Deputy Chief Executive Officer and the directors of the main operating and functional entities.

The members of the Sopra Steria Group Executive Committee supervise the group's organisation, management system, major contracts and functions 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. They target specific markets based on two criteria:

- business line (consulting and systems integration, industry-specific solutions, infrastructure and security services and business process services (BPS);
- geographic location (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 location (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, operating account and results. Management meetings focusing on sales and marketing strategy and human resources are held weekly, and the operating account 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 when different branches are involved;
- the Offerings and Innovation Department;
- the Industrial Department responsible for industrialising working methods and organising subcontracting on offshore platforms. It also checks that fixed-price projects are properly implemented.

6.1.6. FUNCTIONAL STRUCTURES

The functional departments are grouped together in two divisions:

- the General Secretariat Division which comprises four departments: the Human Resources Department, the Legal Department, the Communications and Marketing Department and the Sustainable Development and Corporate Social Responsibility Department;
- the Finance, Real Estate, Purchasing and IT Division which comprises three departments: the Administration and Finance Department, the Real Estate and Purchasing Department and the IT 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.

6.2. 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 branches;
- under the authority of a pilot unit, established to leverage synergies across several branches.

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. Creation of an Integration Committee

An Integration Committee was set up in order to manage the integration of the two companies (Sopra and Steria). This committee is managed jointly by the Chairman of the Board of Directors and the Executive Management.

It meets weekly and is attended by the various integration stakeholders, the operational managers involved and the functional departments concerned.

This committee has enabled both companies to focus on defining the future organisation and methods of operation, which were formalised in documents presented to the employee representative bodies on 17 June 2014.

Once the success of the public exchange offer had been recognised and the opinions of the employee representative bodies had been received regarding the merger of the two groups, the Committee accelerated and intensified its work. Sopra Steria Group introduced a single management organisation for the group's operations on 1 January 2015.

The change management plan was established by teams from both Sopra and Steria. It resulted in a vast integration programme defined for each population and operational and functional entity. Integration programmes were defined for each business line. These programmes include training courses, meetings, presentations and seminars adapted to the context of each operating entity and function.

7. Review of the group's position and results

7.1. General context and key events in 2014

Over the last few years, the group has developed a specific business model based on consulting, systems integration, application outsourcing and software solutions development (banking, human resources and property management sectors).

It has positioned itself and adopted a successful model based not only on increasingly rapid technological and digital development but also on outsourcing and business combinations. This novel business model makes it difficult to make a comparison with other companies within the sector which have positioned themselves differently.

The merger of Sopra Group with Groupe Steria in 2014 marked a break (the operation is described in the introduction to Chapter 1 of this Registration Document).

The planned merger announced in April 2014 resulted in the creation of Sopra Steria Group following the success of the public exchange offer by Sopra for Steria (results published by the AMF on 5 August 2014). As a result, Steria was included in the scope of consolidation of the Sopra group at the beginning of August 2014, thereby forming Sopra Steria Group.

With over 37,000 employees in 20 countries and one of the most extensive portfolios of offerings on the market, the new group is particularly well placed to meet the needs of its clients, who face increasing digital transformation challenges. To this effect, responses from key clients following the public exchange offer were very positive and the sales opportunities are promising.

Financial year 2014 was marked by three other operations:

- the acquisition by Sopra Banking Software of COR&FJA Banking Solutions GmbH (see Chapter 4 Note 2);

- the acquisition by Sopra HR Software of IBM's HR Services business (see Chapter 4 Note 2);
- the signing of an industrial and commercial partnership agreement with CS Communication & Systèmes (see Chapter 1 Section 7.3.2.).

7.2. Consolidated financial statements for financial year 2014

7.2.1. CONSOLIDATED INCOME STATEMENT

<i>(in thousands of euros)</i>	2014 (12 months Sopra + 5 months Steria)	2013
Revenue	2,280,350	1,348,995
Staff costs	-1,437,602	-911,911
External purchases and expenses	-605,648	-306,294
Taxes and duties	-23,430	-17,625
Depreciation, amortisation, provisions and impairment	-26,994	-21,263
Other current operating income and expenses	6,341	17,022
Operating profit on business activity	193,017	108,924
<i>as % of revenue excl. VAT</i>	8.5%	8.1%
Expenses related to stock options and related items	-2,040	-2,973
Amortisation of allocated intangible assets	-10,644	-4,855
Profit from recurring operations	180,333	101,096
<i>as % of revenue excl. VAT</i>	7.9%	7.5%
Other operating income and expenses	-32,107	2,849
Operating profit	148,226	103,945
<i>as % of revenue excl. VAT</i>	6.5%	7.7%
Cost of net financial debt	-7,431	-6,980
Other financial income and expenses	-10,731	-1,439
Tax charge	-34,440	-32,546
Net profit from associates	5,880	8,430
Net profit from continuing operations	101,504	71,410
Net profit from discontinued operations	-	-
Consolidated net profit	101,504	71,410
<i>as % of revenue excl. VAT</i>	4.5%	5.3%
Non-controlling interests	3,303	8
NET PROFIT ATTRIBUTABLE TO THE GROUP	98,201	71,402

SOPRA STERIA GROUP IN BRIEF

Review of the group's position and results

Sopra Steria 2014 consolidated revenue ⁽¹⁾, which includes revenue from the Steria scope between 1 August and 31 December 2014 of €798.3m, was €2,280.3m, compared with €1,349.0m reported by Sopra for the preceding financial year.

Total staff costs for employees and external contractors represented 63% of revenue, compared to 67.6% in 2013. The rate of consultant downtime (number of days between two contracts excluding training, sickness, leave and pre-sales over the total number of working days) was 4.4% over twelve months in 2014. It should be noted that in 2013 the downtime rate was 5.0%.

At the end of December 2014, the year-end workforce (including trainees and fixed-term contracts) totalled 37,358 people, compared to 16,284 people at the end of December 2013. This increase in the workforce is mainly due to the inclusion of Steria employees.

External purchases and expenses increased as a percentage of revenue: (-)26.6%, compared with (-)22.7% in 2013.

Depreciation, amortisation and provisions, i.e. 1.2% of revenue in 2014, fell by 0.4% as a percentage of revenue.

Operating profit on business activity totalled €193.0m or 8.5% of revenue, compared with €108.9m or 8.1% of revenue in 2013.

Profit from recurring operations amounted to €180.3m, corresponding to 7.9% of revenue, compared with €101.1m and 7.5% of revenue in 2013, i.e. an increase of 0.4%.

Expenses related to stock options and free shares amounted to (-)€2.0m in 2014, compared with (-)€3.0m in 2013.

After allocating goodwill on acquisitions and on the merger with Steria, additions to amortisation of allocated intangible assets totalled (-)€10.6m in 2014, compared with (-)€4.9m in 2013.

Operating profit totalled €148.2m or 6.5% of revenue, compared with €103.9m or 7.7% of revenue in 2013.

Other operating income and expenses amounted to a net expense of (-)€32.1m, compared to net income of €2.8m in 2013. This mainly comprises charges relating to the public exchange offer with Steria, restructuring and integration expenses and the reversal of a provision of €17.4m for the Axway Software securities held.

The cost of net financial debt totalled (-)€7.4m in 2014, compared with (-)€1.4m in 2013.

Other financial income and expenses amounted to an expense of (-)€10.7m in 2014, compared with an expense of (-)€7.0m in 2013.

The tax charge totalled (-)€34.4m, compared with (-)€32.5m in 2013.

The 2014 profit or loss for the year for equity-accounted companies includes the share of earnings of Axway for the period, i.e. €5.9m.

The net profit came to €101.5m, i.e. 4.5% of revenue, compared with €71.4m in 2013, i.e. 5.3% of revenue.

Income from minority interests, which mainly comprise the UK joint ventures of Steria, amounted to €3.3m, resulting in a group share of earnings of €98.2m, compared with €71.4m in 2013.

Basic earnings per share (calculated on the basis of the weighted average number of shares outstanding during the financial year) was €6.81 compared to €6.00 in 2013, and diluted earnings per share (taking into account share subscription options already granted but not yet exercised) was €6.77 compared to €5.92 a year earlier.

To provide a clearer account of the group's consolidated financial statements, which include Sopra's results for the whole year and Steria's results from August to December, we will present successively:

- the results of Sopra alone in 2014;
- the results of Steria alone for the whole of 2014;
- the pro forma results of Sopra and Steria for the whole of 2014.

a. Results of Sopra alone

	Revenue			Operating profit on business activity				
	2014	2013	Organic growth	2014		2013		2014/2013 (change)
	(€m)	(€m)	(%)	(€m)	(% of revenue)	(€m)	(% of revenue)	
France	786.6	761.9	+2.8%	66.6	8.5%	60.2	7.9%	+0.6%
Europe (excluding France)	262.5	247.6	+4.1%	7.2	2.7%	12.6	5.1%	-2.4%
Sopra Banking Software	258.2	216.1	+7.6%	32.0	12.4%	23.6	10.9%	+1.5%
Other Solutions	174.7	123.4	+10.9%	22.0	12.6%	12.5	10.1%	+2.5%
TOTAL	1,482.0	1,349.0	+4.7%	127.8	8.6%	108.9	8.1%	+0.5%

With revenue of €1,482.0m for the financial year ended 31 December 2014, the Sopra scope posted total growth of 9.9%. Organic growth was strong, amounting to 4.7%. In the fourth

quarter, organic revenue growth was particularly strong at 8.8%. The operating margin on business activity was 8.6% (8.1% in 2013), amounting to €127.8m for the financial year.

(1) Pro forma 2014 revenue per Sopra accounting policies and after restatement of intra-group items: 12 months Sopra + 5 months Steria.

In France, revenue totalled €786.6m for the year, representing organic growth of 2.8%. The Sopra scope once again outperformed a market that remained difficult in this zone. Its operating profit on business activity amounted to €66.6m, representing a margin of 8.5% and a 60 basis point increase over the previous financial year. Based on its strategic approach focusing on major clients and in spite of a difficult market context, the group generated growth and improved its performance thanks to its financial services, energy and transport activities which proved particularly robust.

In Europe, organic revenue growth was 4.1%, with revenue of €262.5m. The situation was, however, mixed between the strong growth recorded by the Spanish, Swiss and Belgian subsidiaries and the challenges experienced in Germany and the United Kingdom in particular. The operating profit on business activity was €7.2m, corresponding to a margin of 2.7% of revenue, compared with 5.1% in 2013. Operational challenges in Germany and the lack of growth in the United Kingdom and Italy dampened performance. The Spanish, Swiss and Belgian subsidiaries, for their part, delivered improved profitability.

Sopra Banking Software achieved revenue of €258.2m in 2014, representing organic growth of 7.6%. The fourth quarter was marked by the signing of a major industrial partnership with La Banque Postale, which selected the Sopra Banking Platform suite to rationalise and modernise its information system. The year also

featured a steady flow of licence sales which enabled revenue growth of 31.7% in the final quarter of the year. This performance validates the investment strategy that has been implemented for several years with the aim of building innovative, comprehensive and integrated core banking solutions to support banks in their digital transformation. Sopra Banking Software achieved an operating margin on business activity of 12.4% in 2014, i.e. operating profit on business activity of €32.0m. Over the financial year the subsidiary continued its investments in its products and sales development. The partnership with La Banque Postale and year-end licence signings enabled it to deliver an excellent second half featuring an operating profit on business activity equal to 17.9% of revenue, up from the first-half figure of 6.1%.

Other Solutions, which combines the Sopra HR Software subsidiary and property management products, registered significant revenue growth in 2014, with organic growth of 10.9%. After a slowdown in the third quarter of 2014, organic growth bounced back up to 5.0% in the last quarter of the year. The operating profit on business activity amounted to €22.0m, equal to 12.6% of revenue. Sopra HR Software, which benefited in June from the acquisition of HR Access Service, achieved profitability of 11.8%. The range of products designed for various segments of the property management market delivered an operating margin of 15.0% for the financial year.

b. Results of Steria alone

The operating profit on business activity by region given below is presented after central costs ⁽¹⁾.

	Revenue			Operating profit on business activity				
	2014	2013	Organic growth	2014		2013		2014/2013
	(€m)	(€m)	(%)	(€m)	(% of revenue)	(€m)	(% of revenue)	
United Kingdom	859.4	691.5	+18.2%	84.8	9.9%	62.9	9.1%	+0.8%
France	538.1	555.4	-3.1%	8.1	1.5%	19.6	3.5%	-2.0%
Germany	212.3	239.1	-11.2%	6.7	-3.2%	10.9	4.6%	-7.8%
Rest of Europe	277.2	268.9	+7.1%	12.4	4.5%	14.3	5.3%	-0.8%
GROUP	1,887.0	1,754.9	+6.0%	99.4	5.3%	110.4	6.3%	-1.0%

For the Steria scope, 2014 revenue totalled €1,887.0m, representing total growth of 7.5%. At constant exchange rates and scope, revenue growth was sustained and amounted to 6.0%. For the fourth quarter, which featured a higher base of comparison, organic growth was 3.0%. Operating profit on business activity was €99.4m, equalling a margin of 5.3%, as compared to 6.3% for financial year 2013.

Growth in the United Kingdom was very significant in 2014, with a rise in revenue of 18.2% at constant exchange rates and scope. This trend, driven by business process services (up 42.7% in the financial year) was sustained in the public sector where the joint

venture SSCL ⁽²⁾ grew rapidly and was boosted by the decision of the UK Home Office and Ministry of Justice to join the shared service platform. Momentum was also good in the Homeland Security, Energy and Transport sectors, while Telecommunications and Financial Services experienced negative growth. Operating profit on business activity was up strongly at €84.8m (€62.9m in 2013) thanks to a significant increase in business volumes in Business Process Services and a level of profitability in this segment higher than the historical average. In total, the operating margin on business activity was 9.9%, compared with 9.1% in 2013.

(1) In order to comply with the presentation used by Sopra.

(2) SSCL: Shared Services Connected Limited, joint venture between Sopra Steria and the UK Cabinet Office.

In France, organic growth declined by 3.1% year-on-year. The slight positive growth recorded in the Energy/Utilities and Banking sectors was not enough to offset the downward trends in Telecommunications, Transport and Insurance sectors and the Public Sector. The operating margin on business activity for 2014 was 1.5%, versus 3.5% for the previous financial year. The consulting and systems integration business, notably impacted by the decision of the French State to discontinue the "Ecotaxe" programme, experienced a decrease in revenue after the boost received in 2013 from the final stages of building that system. On the other hand, IT infrastructure management, whose revenue for the financial year was stable, posted a minor operating loss, which was an improvement over the prior financial year.

In Germany, the situation was challenging for the entire financial year, with negative annual revenue growth of 11.2%. This drop in

revenue is attributable to the departure of consultants following the management reorganisation in 2013 and the change in the entity's historical business model. Against this backdrop, fourth-quarter revenue growth was negative at -12.9%, after negative growth of -15.1% in the third quarter. In this context, the region booked an operating loss on business activity of (-)€6.7m, compared with an operating profit on business activity of €10.9m for financial year 2013.

In Other Europe, organic revenue growth was 7.1%. The region saw steady growth in Scandinavia (+13.9% organically) while revenue in Belgium continued to be impacted by the contraction of the Schengen project. The operating margin on business activity was 4.5% (5.3% in 2013), mainly on account of the decrease in profitability in Belgium.

c. Pro forma results of Sopra Steria for the 12-month financial year 2014

	2014 Pro forma (12 + 12 months)	
	(€m)	(% of revenue)
Revenue	3,370.1	
Operating profit on business activity	231.2	6.9%
Profit from recurring operations	210.9	6.3%
Operating profit	156.8	4.7%
Share of net profit from equity-accounted companies	6.0	
Net profit	101.6	
<i>of which attributable to the group</i>	92.8	2.8%
<i>of which attributable to minority interests</i>	8.8	

The presentation of the pro forma financial statements is explained in Chapter 4 Note 3 of this Registration Document.

Pro forma revenue amounted to €3,370.1m for the group as a whole, with an operating profit on business activity of €231.2m, i.e. 6.9%.

The profit from recurring operations represented 6.3% of revenue after deducting expenses related to stock options and free shares of (-)€2.3m and an amortisation expense of (-)€18.0m for all allocated intangible assets, including those linked to the Sopra Steria merger.

Operating profit amounted to €156.8m, i.e. 4.7% of revenue after taking into account non-recurring costs of (-)€71.5m and the reversal of a provision of €17.4m for impairment of Axway securities.

Net profit amounted to €101.6m, i.e. 3.0% of revenue, and comprises:

- cost of net financial debt of (-)€9.8m;
- other financial income and expenses showing a loss of (-)€20.1m;
- income tax expense of (-)€31.3m;
- share of Axway's net profit recognised using the equity method, totalling €6.0m.

The group's share of the net profit after deducting minority interests was €92.8m.

7.2.2. BALANCE SHEET AND FINANCIAL STRUCTURE

Details regarding the net assets at the start of the year are given in Chapter 4 Note 2 of this document.

Non-current assets increased from €570.0m to €2,160.0m at 31 December 2014. This item mainly comprised:

- goodwill of €1,449.3m compared with €317.5m in 2013;
- intangible assets of €219.5m compared with €54.0m in 2013;
- property, plant and equipment of €109.9m compared with €49.2m in 2013;
- equity-accounted investments (Axway Software) amounting to €146.8m compared with €118.8m in 2013;
- deferred tax assets of €156.3m compared with €25.6m in 2013.

Trade accounts receivable amounted to €942.3m, compared with €442.4m in 2013.

Cash and cash equivalents amounted to €222.4m compared with €102.2m in 2013.

Consolidated shareholders' equity totalled €1,088.4m at 31 December 2014 (including €31.3m in non-controlling interests) compared with €357.9m in 2013. The statement of changes in consolidated shareholders' equity included in Chapter 4 of this Registration Document provides a detailed presentation of the principal movements.

Borrowings and financial debt totalled €664.8m, compared with €256.8m in 2013, including €594.9m in long-term bank borrowing, €69.9m in current bank borrowing, €10.4m in equipment leasing agreements (IT hardware), and €26.9m allocated to the special employee profit-sharing reserve, reclassified as employee-related liabilities.

Net debt at the end of 2014 totalled €442.4m.

A breakdown of the change in net debt can be found in Note 24 to the consolidated financial statements, in Chapter 4 of this Registration Document.

Other current liabilities, which totalled €900.5m compared with €416.4m in 2013, mainly comprised:

- employee-related liabilities (personnel and social security) of €388.5m;
- tax liabilities for €216.5m, essentially corresponding to value added tax included in client receivables;
- a corporate income tax liability of €83.8m;
- accrued income and prepayments of €191.4m, comprising the portion of billing revenue already issued but yet to be booked as revenue.

At 31 December 2014, the group's financial position remained strong, with total equity of €1,088.4m and net debt of €442.4m.

7.3. Investments during the year

7.3.1. ACQUISITIONS DURING THE YEAR

The most important event during the year remains the Sopra Steria merger (discussed in the introduction to this chapter).

In addition Sopra Banking Software acquired COR&FJA Banking Solutions GmbH and Sopra HR Software acquired the HR Access Services business of IBM France (discussed in Chapter 4, Note 2 to the consolidated financial statements).

7.3.2. SIGNING OF AN INDUSTRIAL AND COMMERCIAL COLLABORATION AGREEMENT WITH CS COMMUNICATION & SYSTÈMES

On 6 June 2014, Sopra Steria signed an industrial and commercial collaboration agreement with its long-time partner, CS Communication & Systèmes. The main objective of the agreement is to improve and reinforce overall performance, notably by developing existing industrial and commercial collaborations in aeronautics and defence, and by establishing new areas for cooperation in activities related to security, space and energy.

In July 2014, following this agreement, Sopra Steria subscribed for an issue of convertible bonds open to CS Communication & Systèmes shareholders in the amount of €8.2m, and an agreement was entered into with the majority shareholder of CS Communication & Systèmes on customary terms.

7.3.3. RESEARCH AND DEVELOPMENT OF SOLUTIONS

The group increased its R&D initiatives, investing €95.2m in 2014, compared with €76.7m in 2013, to develop and expand 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 relate mainly to the direct cost of staff dedicated to developing certain solution offers and software packages created by Sopra, have been recognised in full as operating expenses.

7.3.4. FACILITIES

A total of €28.6m was invested in 2014 in infrastructure and technical facilities, as against €19.7m in 2013.

Investment in facilities comprised the following:

- fixtures and fittings: €12.3m;
- IT equipment: €16.3m.

8. 2014 Sopra Steria Group SA individual financial statements

After the merger with Steria SA and Groupe Steria SA, Sopra Steria Group SA comprises all of the consulting, systems integration and solutions development activities in France except for HR Access and Sopra Banking Software, as well as all the group's functional services. It has systems integration and solutions subsidiaries in Europe, subsidiaries developing software for banking (Sopra Banking Software) and human resources management (Sopra HR Software), the infrastructure subsidiary Sopra Steria Infrastructure & Security Services, and has a 25.36% stake in the global software company Axway Software, the market leader for data flow governance.

The accounts are presented in detail in Chapter 5 of this Registration Document.

8.1. Income statement

The individual financial statements cover the period after the merger with Steria SA and Groupe Steria SA, with retroactive effect from 1 January 2014.

Revenue amounted to €1,447.5m in 2014, as against €853.3m in 2013.

There was an operating loss of (-)€38.7m in 2014, compared with a profit of €51.5m in 2013.

There was a net financial loss of (-)€36.4m in 2014, compared with a gain of €1.3m in 2013.

The loss before tax and exceptional items amounted to (-)€75.2m, compared with a profit of €52.9m in 2013.

The exceptional loss amounted to (-)€60.3m in 2014, compared with a loss of (-)€1.4m in 2013.

The voluntary and compulsory employee profit-sharing expense decreased from (-)€5.2m in 2013 to (-)€1.9m in 2014 and corporate income tax increased from (-)€5.3m in 2013 to €18.7m in 2014.

Net income declined from a profit of €40.9m in 2013 to a loss of (-)€118.7m in 2014.

Research and development linked to Solutions activities represented an investment of €21.1m, mainly for property management and human resources activities (Pléiades).

In accordance with Article 39-4 of the French Tax Code, the accounts for the last financial year include a charge of €586,054 in respect of non-deductible expenses.

8.2. Balance sheet

Shareholders' equity increased from €239.2m at the end of 2013 to €749.9m at the end of 2014.

Pursuant to the provisions of Articles L. 441-6-1 and D. 441-4 of the French Commercial Code, trade accounts payable had the following breakdown:

<i>(in thousands of euros)</i>	Total amount outstanding	Amount not yet due	Amount due in less than 60 days	Amount due in more than 60 days
At 31 December 2013	43,896	43,409	478	9
At 31 December 2014	97,911	86,769	897	245

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.

Fixed assets amounted to €1,735.3m in 2014 compared with €479.8m in 2013. These comprised non-current financial assets totalling €1,106.4m, intangible assets totalling €582.7m and property, plant and equipment totalling €46.2m.

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.

8.4. Acquisition of Beemap

On 28 February 2014 Steria acquired in France all of the shares of Beemap, a consultancy and architecture firm specialising in cloud computing. This takeover was in line with the group's cloud investments and enables the group to better assist clients with consulting, management and roll-out for their cloud projects.

The acquisition cost of Beemap was €2.8m.

This acquisition is not mentioned in the Sopra Steria consolidated financial statements since it took place before Steria was included in the scope of consolidation.

9. Strategy and objectives: recent trends and outlook for 2015

9.1. Strategic priorities in 2015

Sopra Steria will continue its strategic thinking in 2015 so as to continue to develop its project. It aims above all to create value for its clients, as well as for its shareholders and employees, so that they can share the group's long-term aims and objectives.

This project is based on three key strategies:

- moving up the value chain so as to better serve the business and competition challenges faced by our clients;
- the development of solutions able to precisely meet client requirements;
- innovation, so as to ensure that the group's clients are able to fully benefit from the opportunities offered by the latest digital and technology advances.

9.1.1. CONFIRMING THE GROUP'S INNOVATION AND TRANSFORMATION EFFORTS

The group's core activity is to understand its clients' businesses in order to help them overcome their key challenges and boost their competitiveness. To maintain its positioning as a preferred strategic partner that provides its clients with a high level of added value, supports their development and optimises their operating costs, the group needs to continue to focus on and invest in delivering an offering that is both innovative and differentiating. Growth in the digital market is characterised by an increasing number of technological developments in the digital arena (the cloud, big data, social networks, mobility, etc.). While these developments give rise to tremendous opportunities for innovation and growth, they require Sopra Steria to be proactive and to constantly question its business model. The group needs to embrace emerging technologies so that it can then advise its clients on the best way to use those technologies to meet their needs.

9.1.2. STRENGTHENING THE GROUP'S POSITION AS A SOLUTIONS DEVELOPER

Solution development is a key area of development in which Sopra Steria will continue to invest. Within the framework of the group's strategic plan, the aim is to enhance its sector-specific offerings while expanding its geographical coverage and ensuring the quality and performance of the services it delivers. Concerning human resources management solutions, one of the projects for 2015 is to combine HR Access and Pléiades in order to offer clients an end-to-end HR management solution and consolidate the group's position in this market.

9.1.3. CONTINUING THE EXTERNAL GROWTH STRATEGY

The latest acquisitions and the merger with Steria profoundly transformed the group's profile, in terms of its strategy. Its positioning in Europe has been strengthened and the coverage of its various markets has been expanded.

In future years, the group will continue its external growth strategy in order to round out its approach and continue to increase the value of its offerings for its clients by enhancing its business expertise, particularly in terms of solutions.

9.2. Recent developments

9.2.1. SOPRA STERIA INTEGRATION

Thanks to the rapid completion of the various market-related, financial, workforce-related and legal stages of the merger between 8 April 2014 (when the planned merger was announced) and 31 December 2014 (effective merger date), by 1 January 2015 the group had put in place its post-merger operational organisation.

Among the important stages completed were:

- on 16 October 2014, Groupe Steria changed its legal form from a *Société en Commandite par Actions* (SCA) to a *Société Anonyme* (SA);
- at the end of October 2014, the Employee Representative Bodies gave their opinions on the proposed merger between Sopra and Steria;
- at 31 December 2014, the new organisation was operational and integration was proceeding as planned.

At end-February 2015, the France zone, which accounts for 40% of group pro forma revenue and where the most important efforts of the integration process are concentrated, was showing a satisfactory level of business activity and its consultant downtime on a combined basis was significantly improved from fourth-quarter 2014.

9.2.2. CHANGE IN GOVERNANCE OF SOPRA STERIA

On 19 March 2015, Sopra Steria Group announced that it was simplifying its governance structures and had appointed Vincent Paris as CEO and John Torrie as Deputy CEO.

Vincent Paris, aged 50, joined Sopra Group in 1987 after graduating from the prestigious *École Polytechnique*, and has spent nearly his entire career with the group. He held several different leadership positions, notably Director of French operations and Deputy CEO of

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Sopra. A member of the Executive Committee since 2011, he was most recently Deputy CEO of Sopra Steria.

John Torrie, aged 60, joined Steria in 2002 as Managing Director of UK operations and became a member of the Executive Committee in 2007. He has been a recognised professional in the information technology industry for over 40 years, and before joining Steria he held various positions of responsibility, in particular as Global Services Managing Director at SchlumbergerSema.

Under the terms of these appointments, Vincent Paris and John Torrie are responsible for the operational implementation of Sopra Steria Group's strategic plan.

François Enaud left the group on the aforementioned date.

In 2014, CIMPA's revenue was about €100m and it had 950 employees in Europe.

Sopra Steria Group would offer the company new development prospects while also diversifying its market opportunities, almost all of which so far have been in connection with its parent company. The known expertise of CIMPA's teams would further enhance Sopra Steria's ability to work on its clients' core businesses while offering a comprehensive vision of their information systems and proposing solutions for the entire industrial value chain.

If the proposed acquisition is completed, which is subject to the usual conditions precedent, CIMPA could be included in Sopra Steria Group's consolidation scope during the second half of 2015. The acquisition price has not been made public.

9.2.3. PLANNED ACQUISITION OF CIMPA SAS

On 19 March 2015 Sopra Steria announced the planned acquisition of CIMPA SAS, a subsidiary of Airbus specialised in product lifecycle management (PLM) activities. The completion of this proposed acquisition would strengthen the partnership links between the two groups.

Acquiring CIMPA would enable Sopra Steria to bolster its positions in relation to major players in aerospace, transport and energy by capitalising on industry-specific expertise in the design and manufacturing of products and equipment as well as full lifecycle data management. The group's goal is to support its key accounts in their value creation process by ensuring digital continuity in areas ranging from industrial engineering to information systems.

9.2.4. SIGNING OF A MAJOR CONTRACT WITH THE MINISTRY OF DEFENCE

On 23 April 2015, the group announced that it had been selected by the Ministry of Defence to work alongside the French General Directorate for Armament (DGA) and the Ministry of Defence's human resources department (DRH-MD) to create a payroll software programme for military personnel called Source Solde.

It will be developed using software from Sopra HR Software.

9.2.5. REVENUE FOR THE FIRST QUARTER OF 2015

I 1ST QUARTER 2015

(in millions of euros)	Q1 2015	Q1 2014 Sopra reported	Q1 2014 Pro forma	Organic growth	Total growth
France	333.3	197.8	329.5	1.2%	68.5%
United Kingdom	251.6	22.3	247.8	1.5%	NS
Other Europe	169.9	41.5	165.9	2.4%	309.4%
Sopra Banking Software	69.0	60.7	64.1	7.6%	13.7%
Other Solutions	48.2	36.1	44.6	8.0%	33.5%
TOTAL	872.0	358.4	852.0	2.4%	143.3%

Sopra Steria Group posted revenue of €872.0 million for the first quarter of 2015, representing a significant increase mainly due to the consolidation of Steria as from the month of August 2014 and that of HR Access Service as from July 2014. At constant scope and exchange rates, organic growth was 2.4%.

In **France**, where the overall context is showing signs of improvement, the group posted revenue of €333.3 million for the first quarter, which represents organic growth of 1.2%.

- Consulting & Systems Integration generated revenue of €281.3 million, representing organic growth of 2.2%. The entity demonstrated strong momentum, reaping the first commercial benefits of the merger between Sopra and Steria, which significantly raises the stature of the new combined group in

the eyes of major clients. By way of example, a large-scale SAP transformation contract was signed at the start of the year with one of the leading French players in the aerospace and defence sector. More recently, the group was retained by the French defence ministry to develop Source Solde, the future payroll system for the armed forces.

- Infrastructure & Security Services, whose infrastructure management unit is the focus of turnaround efforts, saw a 4.1% organic decline for the first quarter, corresponding to revenue of €52.0 million. The cybersecurity unit recorded a significant increase in orders in first-quarter 2015 and is showing bright promise.

In the **United Kingdom**, the group posted revenue of €251.6 million, representing organic growth of 1.5%. This market offers many opportunities but in the short term the upcoming general election in May 2015 is instilling a sense of caution in the public sector. Nevertheless, Sopra Steria remains confident in its ability to deliver organic growth over the financial year as a whole and reaffirms its ambition to build its business in the private sector, particularly in the financial services vertical market.

In **Other Europe**, the group generated revenue of €169.9 million, representing organic growth of 2.4%. Contrasting trends are shaping results for the countries within this grouping. In Germany, following a particularly difficult year in 2014, the situation is beginning to show signs of stabilisation. Operations have been reorganised in this country and the group has put in place a specific assistance programme for the local management team. The decline was limited to 4.2% for the first quarter, which represents a considerable improvement over the previous quarters (11.2% decline for the 2014 financial year). In Spain and Italy, business activity was robust, with double-digit growth. In Scandinavia, where priority is being given to improving profitability, organic revenue growth was 3.1%.

Sopra Banking Software posted revenue of €69.0 million for the first quarter of 2015, representing organic growth of 7.6%. Business was on a growth track in France, notably thanks to the signing of La Banque Postale contract, and in the Middle East/Africa. The market presents good business opportunities, for Platform as well as Amplitude products, for which R&D investments are being maintained at high levels.

Continuing the trend seen in 2014, **Other Solutions** benefited from strong sales momentum and made a good start to the year. Revenue came to €48.2 million for the quarter, representing total growth of 33.5% and organic growth of 8.0%. The HR Access product line, selected to form the basis for France's new armed forces payroll system, strengthens its positioning in the market. In addition, the unit dedicated to property management software solutions made further gains.

At 31 March 2015, the group's total workforce comprised 36,943 people (37,358 as of 31 December 2014).

9.2.6. CHANGE IN FINANCIAL POSITION

Since the end of the last financial year, there has not been any significant change in the group's financial or trading position for which audited financial statements or interim financial statements have been published.

9.3. Outlook for 2015 and ambitions for 2017

Detailed analysis has confirmed the value of operating synergies at €62m per year starting in 2017 with a total execution cost of €65m.

In that context and given the particularly high 2014 basis of comparison in the United Kingdom and the solutions business, Sopra Steria's target for 2015 is an operating margin on business activity of around 6% with a prominent seasonality effect between the first and second half. The revenue target is growth at constant exchange rates and scope.

The group intends to remain true to the values that have underpinned Sopra's performance in the past by focusing on pursuing organic growth, generating free cash flow and distributing dividends.

Based on its operating position in early 2015 and its confidence in a successful integration as well as the value of synergies to be unlocked, the group's targets for 2017 are revenue of between €3.8bn and €4.0bn and an operating profit margin on business activity of between 8.0% and 9.0%.

10. Risk factors

The procedures implemented to control and manage these risks are presented in the Chairman of the Board of Directors' report in Chapter 2 of this Registration Document.

The group considers that there are no risks that could have a significant negative impact on its business, its financial situation or its results (or on its ability to achieve its targets), and considers that there are no significant risks other than those described below. We draw the attention of our investors to the fact that the list of risks presented below is not exhaustive and that other risks may exist, that were not known or not considered as liable to have an adverse effect on the group, its business, financial condition, results or the price of the group's shares, on the date when this Registration Document was drawn up.

This document contains estimates subject to certain risks and uncertainties that may affect the group's future growth and profitability. The group highlights the fact that more licence agreements, which often represent investments for clients, are generally signed in the second half of the year, which may have a more or less favourable impact on the 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, on an operational level, the main risks are those associated with human resources, project execution and production, and business relations with key clients. As such, these risks are the subject of ongoing action plans. In addition, due to the merger of Sopra and Steria, risks relating to integration are monitored particularly closely.

10.1. Main risk factors linked to operations

10.1.1. HUMAN RESOURCES RISKS

In a services business where certain skills can be rare and clients have changing requirements, human resources risks are naturally critical. The performance of the recruitment process, skills and career management, continuity in key roles and the sharing of the group's culture and values are always key issues.

One of the main aspects of human resources management, optimum use and excellent knowledge of the resources already existing within the group (skills, abilities and potential) appears particularly important, especially as the size of the various operational entities changes.

The main human resources risks are also linked to recruitment, employee commitment, competence and suitability for client requirements, forward management of resources, retention and replacement of key employees, attrition and compliance with labour law and employment legislation.

The management, local managers and the Human Resources Department, together with the Division HR Managers have an essential role in managing these risks.

A general presentation of the human resources policy is given in Chapter 3 "Corporate Responsibility Report", Section 2 "Workforce-related responsibility".

10.1.2. PROJECT EXECUTION AND PRODUCTION RISKS

The main risk lies in the group's ability to deliver on its commitments to clients in terms of quality, lead times and costs: to deliver products and services in line with specifications and within the stipulated lead times and allocated budget, particularly in the context of major client programmes. Providing responses to fully meet client demands and controlling production quality are among the group's primary concerns.

Controlling such risks requires a perfect knowledge of numerous constantly evolving technical and business environments, the application of a prior validation procedure covering technical, legal and financial aspects, a tried and tested project management methodology designed to integrate the participation of onshore, nearshore and offshore production platforms, together with a management system for monitoring and controlling technical and accounting aspects.

Depending on the contractual commitments entered into, failure to provide the services specified in these contracts, or 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, risk to image). Given the current economic environment, clients are ever more demanding in terms of contractual commitments and guarantees.

Unlike services provided under a time-and-materials contract, fixed-price contracts are characterised by commitments regarding the price, conformity and lead times: they may be fixed-price projects such as systems integration or software development, as well as fixed-price services such as maintenance contracts, third-party application maintenance, infrastructure management or BPS. Fixed-price service contracts are often multiannual contracts managed and monitored regularly.

For fixed-price projects and fixed-price services, 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)	2014
Licences	2.2%
Fixed-price projects	17.3%
Fixed-price services	50.5%
Time and materials contracts	30.0%
TOTAL	100%

In addition, regarding production, the increasing importance of issues linked to the reliability of IT and communication infrastructures should be noted.

In view of its business model, with production facilities located a long way from the marketing zone (national and worldwide shared service centres in nearshore and offshore countries), the group is potentially dependent on its remote production centres and telecommunications networks functioning correctly.

Consequently, the role of the information systems security manager within the Industrial Department has been enhanced. This initiative meets a need to spur greater involvement among all stakeholders across the group in analysing risks associated with information systems and defining action plans in a context of growing interdependence between entities and onshore and offshore production sites.

It should be noted that a significant proportion of the group's production activities is carried out in India. India still shows various characteristics that may constitute instability or risk factors (political, economic or social disturbances, wage inflation, natural disasters, pandemics). The group has four production facilities located at a great distance from each other in India, in three different regions, which considerably limits the consequences of certain incidents or risks that may 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 emergency solutions.

Risk of dependence on suppliers

Both integration projects and managed services contracts involve an increasingly high level of complexity and require working with many partners (such as publishers, manufacturers, consultants or IT services companies etc.), 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 of the 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

Commercial efficiency depends upon the ability to mobilise all client-related knowledge, where relationships with major clients extend over a number of years and involve numerous employees, often belonging to different units. Managing this knowledge is a key factor, making it possible to understand and respond appropriately to clients' needs, as well as to manage more effectively the risk of losing a client or 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 2014, our top client accounted for 4.5% of group revenue; the top five clients represented 17.9% and the top ten represented 28.5% ⁽¹⁾.

In 2013, our top client accounted for 7.6% of group revenue; the top five clients represented 24.0% and the top ten represented 35.6%.

In 2012, our top client accounted for 7.4% of group revenue; the top five clients represented 23.4% and the top ten represented 34.6%.

The main clients include:

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

10.2. Integration risks

Following the merger of Sopra and Steria, the group is monitoring the integration process closely, in particular via the creation of an Integration Committee. Difficulties encountered may cause higher costs and/or fewer savings or synergies than anticipated.

Any significant acquisition and integration includes implementation risks (corporate integration, sharing of information systems etc.) that may have a negative impact on the company's results.

(1) Consolidated data for the new Sopra Steria group.

Given the importance of the operation, the main risks linked to implementation of the merger between Sopra and Steria, in particular those related to the creation of synergies, completion of restructuring and reorganisation operations and estimation of integration costs have been identified and are closely monitored by the Integration Committee. The Integration Committee is co-managed by the Chairman of the Board and the Chief Executive Officer, and meets weekly with the various players involved in integration.

10.3. Financial risks

All of the financial risks are detailed in Note 32 to the consolidated financial statements, in Chapter 4 of this document.

Negotiated bank borrowing facilities help the group manage its liquidity risk. The group's policy concerning this matter is to have borrowing facilities at its disposal which are much larger than its needs.

On 15 September 2014 the group took out a syndicated loan of €1,200m maturing in five years, with the option to extend it for two further one-year periods, comprising an amortising tranche of €200m, an amortising tranche of £80m and a multi-currency revolving credit facility of €900m. A breakdown of these borrowings is given in Note 24.1 to the consolidated financial statements.

The group has a bond issued by Groupe Steria in 2013 to institutional investors for a total of €180m maturing in July 2019.

The group had lines of credit totalling €1,527.8m at 31 December 2014. In this context, the group has entered into the covenants described in Note 32.2 to the consolidated financial statements, in Chapter 4 of this document.

The Company has conducted a specific review of its exposure to liquidity risk and considers that it is able to meet its future maturities. To date, there are no elements likely to have a material impact on Sopra Steria's financial position and performance.

The risk factors are detailed in Note 32.1 et seq. of the consolidated financial statements in Chapter 4 of this document, and the liquidity risk in particular is detailed in Note 32.2.

Regarding the treasury risk, it should be noted that a large proportion of the group's revenue is achieved with public authorities and European government bodies. A very small proportion of the revenue was achieved with clients residing outside the OECD, and the largest proportion of the revenue was achieved with key accounts, in accordance with the group's business strategy. These factors help to reduce the group's credit risk profile.

In order to control and mitigate any potential risk associated with insolvency or non-payment, client counterparty risk is monitored by the Finance Department in the framework of a group procedure governing the main aspects, i.e. the rules for the opening of new accounts, defining credit limits, requiring guarantees when necessary, follow-up procedures and handling of disputes.

10.4. Risks associated with retirement benefit obligations in the United Kingdom (pension funds)

This point is discussed in Note 25 to the consolidated financial statements.

Sopra Steria provides retirement benefits in several countries. Such benefits are usually provided by associated pension funds or directly by the group. They are either based on defined benefits (where the individual is guaranteed a certain percentage of his or her salary as a benefit) or on defined contributions (where the benefit is determined based on the investment returns achieved over the contribution period). Defined benefit plans are recorded in Sopra Steria's financial statements in accordance with IAS 19 (revised).

In the UK the assets of the defined benefit pension plans are managed in funds administered by independent trustees, and employees are entitled to retirement benefits based on their salary and length of service.

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

Since 2010, defined benefit plans have been replaced by defined contribution plans. The defined benefit plans are now maintained only in connection with a few outsourcing projects relating to the Public Sector, to comply with the legislation and commitments made to clients.

In 2014, as part of its three-yearly negotiations, Sopra Steria concluded an agreement with trustees concerning additional future contributions to pension funds, aimed at meeting deficits over a period of 4 to 13 years depending on the plan. These additional contributions which were agreed on by the parties are in keeping with the amounts paid over the last three years. They will be increased at the annual rate of inflation.

The Company and trustees also agreed on the strategy for investing funds and the policy for managing assets and liabilities, the purpose of their agreement being to reduce volatility and exposure to interest rate and inflation risks, in particular by the use of swaps.

As part of the three-yearly negotiations concerning pension funds, the next assessment and discussion with trustees regarding future contributions is planned for the end of 2015/beginning of 2016. Following this assessment, the parties have 15 months from the "valuation date" to hold discussions and reach an agreement.

A breakdown of the asset portfolio of the UK pension funds at 31 December 2014 is shown below (based on average market values):

	2014	2013
Shares	34%	34%
Bonds	54%	46%
Property/Infrastructure	10%	13%
Other assets	2%*	7%
TOTAL	100%	100%

* Including derivatives used to manage interest rate and inflation risks.

For further information, see Note 25 to the consolidated financial statements in Chapter 4 of this document which gives a breakdown of the assets and commitment of the defined benefit pension plans. The current value of pension obligations for schemes with defined benefits is calculated based on actuarial assumptions and is therefore subject to changes in macroeconomic conditions. The main factors concerned are long-term interest rates, inflation and mortality. As an illustration, a 0.25 point reduction in the discount rate would cause a €82m increase in commitments at the 2014 closing rate.

Assets invested in different asset classes (including shares) are subject to the risk of fluctuations in financial markets. As an illustration, a 10% drop in the value of assets would cause a €135m reduction.

It should be noted that any economic impact of these variations must be assessed over the medium and long term, according to the duration of the commitments. 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 commitments and have a negative impact on the group's financial statements.

10.5. Other risks

10.5.1. LEGAL RISKS

a. 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, and recruits large numbers of employees each year. As such, the training and management aspects and legal and financial reviews are highly important.

b. 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.

The group 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 industrial property advisor.

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.

Neither the group nor any of its subsidiaries have filed for or hold other patents for software.

Sopra 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, by Sopra Banking Software or by Sopra HR Software are generally marketed directly. However there are a few distribution agreements with partners.

c. Tax risks

As with any international group operating in multiple jurisdictions, the group has structured its activities with regard to various regulatory obligations. Insofar as the tax rules in the different countries where the group operates are continually evolving and may be subject to interpretation, the group cannot provide an absolute guarantee that these interpretations will not be challenged, possibly with negative 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 been selected for adjustments or received requests from the tax authorities, which have been formally challenged. At 31 December 2014 these disputes were still under investigation by the tax authorities or courts.

In France, a request for approval has been made to the tax authorities to transfer to Sopra Steria part of the tax loss carryforwards from Steria prior to 1 January 2014. Since no response had been received from the tax authorities on the consolidated balance sheet date, the group took into account the risk of rejection of this request to transfer losses, and the loss of the corresponding deferred tax assets. In this connection, see Note 19.4 to the consolidated financial statements in Chapter 4 of this document.

d. Disputes

Provisions are recognised in respect of ongoing disputes, as described in Notes 26 and 35 to the consolidated financial statements, in Chapter 4 of this document.

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 group 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.

It should be noted that an administrative inquiry by the Competition Authority in France was launched at the end of 2014 into the main IT services companies operating in France, including Sopra and Steria. This procedure is in progress, and no feedback has been received following the inquiry carried out at the time of publication of the present Registration Document. In addition, Steria was informed during the financial year of a report drawn up by the French labour inspectorate regarding its Meudon site, concerning the recording and monitoring of working time. At the time of publication of the present Registration Document, no action had been taken following that report, whose content is contested by the group.

10.5.2. 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, transformation and execution issues in visible and sensitive areas, it is required to carry out significant and sensitive projects that may result in difficulties that will undermine the group's credibility and image with its clients.

10.5.3. 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 3 of this document).

10.6. Insurance and risk coverage

To optimise its risk hedging policy, on 1 January 2015 Sopra Steria Group extended the coverage of its insurance programmes taken out with leading insurance companies.

The coverage limits were reassessed on 1 January 2015 with regard to the size of the new Sopra Steria Group and the risks incurred. The main insurance programmes put in place by the group are as follows:

- Operational and professional civil 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 benefit is limited to €150m per claim and per year of insurance;

- Direct damage and operating loss

This programme covers the group's sites for the direct material damage they suffer and any resulting operating losses. Overall benefit (for all types of damage and operating losses) is limited to €100m per claim and per year of insurance. This programme only covered part of the group's sites at 1 January 2015 and is currently being extended to cover all group sites, in addition to the existing local policies.

In addition, group programmes were put in place covering in particular:

- the civil liability of managers and company officers;
- assistance to employees on assignment, as well as to expatriate employees.