Press release

28 February 2019

Robust FY 2018 performance:

strong organic growth, margin expansion, rapid deleveraging

- **Revenues:**
    - **€2,916m (+27.1% reported and +8.0% organic growth vs. FY 2017)**
    - **Double-digit organic growth in H2 (+10.9%)**
- **Operating margin: €352m (+40.9% vs. FY 2017)**
- **12.1% operating margin, +120bps vs. FY 2017**
- **Aricent operating margin restored; 18.2% in H2, 17.8% for the consolidated period**
- **Adjusted net income at €165m, +11.4% vs. FY 2017**
- **Free Cash Flow at +€82m (+€307m in H2) driven by strong operations and focus on cash**
- **Rapid deleveraging with leverage ratio reduced to 3.0x EBITDA**
- **Adjusted EPS: €0.72 vs. €0.77 in FY 2017**
- **Proposed dividend: €0.24 per share, subject to shareholders' approval**

Commenting on the Group's 2018 results, **Dominique Cerutti, Chairman and Chief Executive Officer of Altran** declared: "*Altran posted a robust performance in 2018, driven by an accelerating organic growth in H2, notably in France, Germany and North America. We have successfully delivered on revenue growth and margin expansion, deleveraging, integration and margin restoration of Aricent as well as on German profit turnaround. I am particularly proud of our team, now acting as one under the banner of Altran, which showed grit in an eventful year for the company. 2019 will see us continuing to focus on operations and the execution of our strategic plan*".

Results

(in €m)	2018	2017	%
Revenues	**2,916.4**	**2,295.3**	**+27.1%**
Operating margin	**352.3**	**250.1**	**+40.9%**
As a % of revenues	***12.1%***	***10.9%***	
Other expenses	(135.3)	(47.1)	
O/w amortization of intangibles arising from business combinations	*(48.7)*	*(4.3)*	
O/w restructuring costs	*(44.1)*	*(17.2)*	
O/w acquisition and integration costs	*(33.6)*	*(13.2)*	
Operating income	**217.0**	**203.0**	**+6.9%**
Net financial expenses	(94.8)	(20.1)	
Income tax	(41.1)	(42.8)	
Share of net income of associates	0.0	(0.4)	
Net income from discontinued operations	(0.1)	(8.9)	
Non-controlling interests	(0.4)	0.0	
Net income (Group share)	**80.6**	**130.8**	**-38.4%**
Adjusted net income (Group share)	**165.1**	**148.2**	**+11.4%**

The performance of the Group reflects the contribution of Aricent starting March 20, 2018. H2 2018 was the first reporting period including the full contribution of Aricent.

Altran reported robust 2018 **revenues** of €2,916.4m vs €2,295.3m in FY 2017 (up 27.1%), representing an organic growth of 8.0% and an economic growth of 7.5%, with a solid momentum across regions. Aricent contributed €445m revenues over the period.

The Group's **operating margin** amounted to €352.3m, up 40.9% compared to FY 2017, reaching a 12.1% margin, a 120bps improvement compared to 2017. As previously committed, Aricent operating margin was restored to 18.2% in H2, leading to a €79m contribution (17.8% of revenues) over the consolidated period. Excluding the contribution of Aricent, the operating margin of Altran has increased by 20bps compared to 2017, notably due to the progress in the margin turnaround in Germany, where profitability was achieved in H2.

Group **net financial expenses** came in at €94.8m, including one-off costs of circa €24m related to early debt repayments linked to the implementation of the new financing structure for Altran.

Adjusted net income increased by 11.4%, to €165.1m compared with €148.2m in FY 2017, and adjusted EPS reached €0.72. On a reported basis, net income for the period was €80.6m, reflecting the impact of the Aricent acquisition and integration related expenses.

Detailed analysis of revenues

(in €m)	Fourth quarter Revenues	Fourth quarter Reported Growth %	Fourth quarter Organic Growth %	Full year Revenues	Full year Reported Growth %	Full year Organic Growth %
FRANCE	**265.2**	**8.7%**	**9.0%**	**979.8**	**5.5%**	**6.1%**
EUROPE	**345.4**	**12.1%**	**13.0%**	**1,267.1**	**7.5%**	**8.8%**
Germany & Austria	84.7	16.8%	18.7%	308.3	10.8%	13.4%
Iberia	73.9	15.1%	15.2%	265.4	13.1%	13.1%
Italy	63.1	8.0%	8.1%	234.5	8.1%	8.1%
UK	56.8	21.4%	21.0%	205.6	11.6%	10.3%
Belgium & Netherlands	40.9	1.0%	0.9%	157.7	-3.8%	-3.4%
Scandinavia	15.4	-12.5%	-2.5%	60.1	-11.6%	0.8%
Switzerland	10.6	30.9%	28.1%	35.4	7.0%	11.5%
AMERICAS	**194.8**	**335.1%**	**14.1%**	**636.1**	**306.2%**	**15.0%**
ASIA	**7.3**	**-8.8%**	**10.1%**	**33.4**	**7.4%**	**2.1%**
TOTAL	**812.7**	**34.4%**	**11.5%**	**2,916.4**	**27.1%**	**8.0%**

- **France:** +6.1% organic growth for the full year, with a strong Q4 showing +9.0% organic growth. This performance was driven by a solid recruitment campaign as well as growth across all industries and in particular Aeronautics, Space, Defense & Naval, Life Sciences and Communications.

- **Europe:** +8.8% organic growth. Organic growth in the region has accelerated by more than 500 bps compared to 2017. Germany is delivering strong growth (13.4% organic growth) for the full year on the back of large multi-year contracts in the automotive sector. Iberia and Italy continue to post strong organic growth as business prospects remain encouraging. Belgium & Netherlands returned to positive growth in Q4. The UK continues to record organic growth in excess of 10%. Switzerland achieved strong growth in Q4, leading to organic growth of 11.5% for the full year. Scandinavia was stable on a full year basis, hit by a negative client cycle during the last quarter.

- **Americas:** +15.0% organic growth. The integration efforts of the American build-up continue to pay off. The region benefited from strong growth in the Semiconductor and Software & Internet industries, leveraging the India and Ukraine Global Engineering Centers respectively.

- **Asia:** Asia's revenues witnessed double-digit growth in Q4, achieving an overall +2.1% organic growth for the full year.

Cash and debt

For the full year of 2018, the Group's **free cash flow** came at €82m, derived from a strong operating performance compounded by the success of the Altran Cash Program, the new capital structure of the Group and one-offs related to the acquisition and financing of the Aricent acquisition (negative impact of €116m) as well as the disposal of tax assets (positive impact of €101m). In H2 2018, free cash flow amounted to €307m thanks to these elements, and the significant seasonality in the working capital of the Group between H1 and H2.

The Group's **net debt** came out at €1,312m in FY 2018, versus €351m at end-December 2017, reflecting the new financial structure of the Group including the acquisition-related debt and rights issue. In H2, the strength of operations and impact of the Altran Cash Program helped reduce leverage ratio to 3.0x EBITDA at the end of December 2018.

At the end of FY 2018, the Group had **available cash** of €473m, vs. €373m at end-December 2017.

Trends in staff levels

As of December 31, 2018, total headcount of the Altran group was 46,693 employees, compared with 33,665 at December 31, 2017. The significant difference results from the acquisition and consolidation of Aricent. Over the 12 months of FY 2018, net hiring for Altran standalone was 2,950 employees.

Dividend

At the General Shareholders Meeting on May 15th, 2019, the Altran Board of Directors will propose the distribution of a €0.24 per-share dividend, representing a pay-out of circa 37% of the adjusted net income.

Outlook

Steady client demand and underlying R&D spending growth fuel Altran's good confidence in its business environment. Looking into 2019, improving operating performance combined with the Altran Cash Program should lead to further deleveraging by year end, in line with the Group's 2020 milestone. Altran is on track with its set of mid-term financial objectives.

New governance structure

Altran today publicly announces its new governance structure, effective since November 2018, which reflects the new dimension of the Group after the completion of Aricent integration. The Group will operate under the unique brand Altran, including in North America, and this organisation will serve the continued execution of "*The High Road, Altran 2022*" strategic plan announced on June 28, 2018. The operational management of Altran is now structured into three bodies: the **Global Executive Team** and the **Executive Committee,** and the **Senior Leaders Team**.

The **Global Executive Team** gathers 6 Group Executive Vice-Presidents and is chaired by Dominique Cerutti, Chairman and CEO of Altran:

- **Cyril Roger, Senior Executive Vice-President & Delegate Director,** in charge of Europe and large deals development, in connection with global go-to-market of some industries (Automotive, Aerospace, Defense, Transportation & Life Sciences, Energy, Financial Services & Public sector).

- **Laila Worrell, Executive Vice-President, Chief Executive Officer Altran North America,** as well as global Head of the following industries: Communications, Software & Internet, Semiconductor & Electronics, Industrial & Consumer.

- **William Rozé, Executive Vice-President, Chief Operating Officer Europe,** leading the deployment of Altran's models across the newly structured geographical clusters.

- **Pascal Brier, Executive Vice-President, Strategy, Technology & Innovation,** driving Strategy & Marketing, Innovation, Service lines and Group's High Value activities and setting up the Research & Innovation roadmap.

- **Daniel Chaffraix, Executive Vice-President, Engineering & Transformation,** in charge of Industrialized GlobalShore® and notably the operations of Altran's Global Engineering Centers in Ukraine, India, Morocco & Tunisia, Portugal and Mexico, as well as strengthening the Group Global Program Office.

- **Albin Jacquemont, Executive Vice-President, Chief Financial Officer**. Albin is responsible for the finance function across the organization, including controlling, financial reporting, balance sheet optimization, tax matters, treasury and improvement of cash generation.

The **Executive Committee** has been extended to inclusively welcome top executives and subject matter experts from both Aricent and Altran. This new executive committee is structured around three sub-committees, each focused on a pillar of the execution plan: "**Operations & Industries**", driving the market penetration of Mainstream, "High-Value" and Industrialized GlobalShore® services models, "**Technology & Innovation**", managing technology roadmaps and the development of offers focusing on disruptive technologies, "**Engineering & Transformation**", driving the evolution of the Group's engineering and its culture of excellence.

The **Senior Leaders Team** is composed of the leaders and change agents in the Group's transformation; they do so by delivering performance and exemplifying Grit, Trust, Commitment and Integrity in the business.

Update on the cyber attack

The incident is now resolved, its impact is being thoroughly monitored and appears to be limited for the FY 2019 period

We will be in a position to estimate and communicate on the financial impact of this event with Q1 2019 publication

Ad hoc insurances have been activated.

Preliminary assessment shows that while Q1 2019 revenues should be somewhat impacted, this deviation should be offset by the strength of our business over the next quarters. Furthermore, there should not be any material impact on operating margin at Group level for the full year.

Additional information

Altran's Board of Directors met on February 27, 2019 to close the FY 2018 financial statements. The audit procedures on the consolidated financial statements have been completed. The audit report will be released after review of the management report and the finalisation of procedures required for the publication of the annual financial report.

Investor Calls Details

Investor meeting & conference call on February 28, 2019 at 9:30 am Paris time (CET) in Altran HQ,

located 96, Avenue Charles de Gaulle, 92200 Neuilly-sur-Seine

Telephone numbers: +33172727403 or +442071943759

Confirmation Code: 86783571#

A conference call dedicated to US investors will be held at 2:15 pm Paris time (CET)

Telephone numbers: +33172727403 or +1 6467224916

Confirmation Code: 67574289#

Financial calendar

April 25, 2019: Q1 2019 revenues
May 15, 2019: Shareholders' Annual General Meeting
September 5, 2019: First half 2019 results and Q2 2019 revenues
October 31, 2019: Q3 2019 revenues

Glossary

- Organic growth is the reported growth restated for the impact of perimeter and FOREX effects
- Economic growth is the organic growth restated for the variation in the number of working days
- Operating margin is made up of the difference between the revenues and the net operating expenses
- Free Cash Flow: (Operating margin + D&A + non-cash P&L) - non-recurring items +/– change in WCR – Net interest and financial expense paid – Tax paid – Capex
- Adjusted Net Income: Net Income adjusted for PPA expenses from Aricent acquisition, acquisition fees, insurance premium, one-offs related to the Group refinancing, integration costs, net of tax impacts
- Adjusted EPS: Adjusted Net Income divided by the average number of shares outstanding over the period
- EBITDA: Operating margin – share-based compensation + Amortization, depreciation & changes in net provisions
- Leverage ratio defined as Net Debt divided by proforma EBITDA 12 months excl. acquisitions differed payments/earn-outs

About Altran
Altran ranks as the undisputed global leader in Engineering and R&D services (ER&D). The company offers clients an unmatched value proposition to address their transformation and innovation needs. Altran works alongside its clients, from initial concept through industrialization, to invent the products and services of tomorrow. For over 35 years, the company has provided expertise in Automotive, Aeronautics, Space, Defense & Naval, Rail, Infra & Transport, Energy, Industrial & Consumer, Life Sciences, Communications, Semiconductor & Electronics, Software & Internet, Finance & Public Sector. The Aricent acquisition extends this leadership to semiconductor, digital experience and design innovation. Altran generated revenues of €2.9 billion in 2018, with some 47,000 employees in more than 30 countries.
www.altran.com

Contacts

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Appendix:

1. Contribution of companies acquired and/or divested in Q4 2018

(in €m)	Q4 2018	Q4 2017	Change (in %)
Revenues without contribution of acquired/divested companies (a)	670.4	604.9	10.8%
Contribution of acquired companies from 1st January 2018 (b)	142.3		NA
Contribution of divested companies from 1st January 2018 (c)			NA
Total consolidated revenue (a+b+c)	**812.7**	**604.9**	**34.4%**

Changes of perimeter concern Altran Middle East and Aricent.

2. Contribution of companies acquired and/or divested for the full year of 2018 (post IFRS 5):

(in €m)	2018	2017	Change (in %)
Revenues without contribution of acquired/divested companies (a)	2,441.3	2,295.3	6.4%
Contribution of acquired companies from 1st January 2018 (b)	475.1		NA
Contribution of divested companies from 1st January 2018 (c)			NA
Total consolidated revenue (a+b+c)	**2,916.4**	**2,295.3**	**27.1%**

Changes of perimeter concern Information Risk Management, Altran Middle East, Global Edge Software, Altran Engineering Solutions and Aricent

3. Alternative Performance Measures:

a. Organic growth and economic growth for the 4th quarter

(in €m)			
Revenues Q4 2018	812.7		
Change of perimeter	(139.1)		
FOREX impact	0.6		
Revenues at constant perimeter and forex	674.2	+ 11.5%	Organic growth
Impact of working days	(9.1)		
Revenues at constant perimeter, forex and working days	665.1	+ 10.0%	Economic growth
Revenues Q4 2017		604.9	

b. Organic growth and economic growth for the year

(in €m)			
Revenues 2018	2,916.4		
Change of perimeter	(459.1)		
FOREX impact	20.7		
Revenues at constant perimeter and forex	2,478.0	+ 8.0%	Organic growth
Impact of working days	(11.5)		
Revenues at constant perimeter, forex and working days	2,466.5	+ 7.5%	Economic growth
Revenues 2017		2,295.3	

c. Adjusted net income

(in €m)	2018	2017
Net income	**80.6**	**130.8**
Acquisitions, integration & misc. costs	39.0	8.7
Restructuring costs	10.5	-
Amortization of intangible assets arising from business combinations	48.7	4.3
Net financial expenses	24.3	-
Income tax	(38.0)	(4.5)
Net income from discontinued operations	-	8.9
Adjusted Net income (in €m)	**165.1**	**148.2**

d. Free Cash Flow

Free Cash Flow is an alternative indicator used by the Company to measure performance. From 2018, the definition has changed and now refers to the cash flow generated by Group operations after payment of taxes, investments needed by the Company to carry out its business, and payment of net interest. It represents the cash flow available to repay debt, pay out dividends or carry out specific transactions, in particular growth-related operations.

Free Cash Flow is calculated as follows: operating margin plus depreciation, amortization and net operating provisions plus current income and expense with no cash impact plus non-recurring income and expense with a cash impact, plus/minus changes in working capital requirement minus net interest and financial expense paid, minus tax paid minus capital expenditure necessary for operations net of disposals and net of variation of tangible assets payables.

(in €m)	2018	2017
Operating margin	**352.3**	**250.1**
Depreciation, amortization and provisions	61.6	7.8
Non-cash P&L	2.3	(3.4)
Non recurring items (cash impact)	(69.0)	(29.4)
CASH FLOW	**347.2**	**225.1**
Change in WCR	(37.2)	(4.6)
One time Tax asset disposal	101.2	
Interest paid	(142.8)	(11.7)
Tax paid	(43.3)	(44.9)
Capital expenditures	(143.1)	(57.5)
o/w payments on large software deals	*(69.6)*	
FREE CASH FLOW	**82.0**	**106.4**

e. Net debt & leverage ratio

(in €m)	31 Dec. 2018	31 Dec. 2017
Bonds	0.0	249.4
Factoring	47.7	63.0
Bank Loans	1 734.4	407.5
FINANCIAL DEBT	**1 782.1**	**719.9**
Cash	472.7	372.9
NET FINANCIAL DEBT	**1 309.4**	347.0
Accrued interest	2.4	4.1
Employee profit-sharing		0
NET DEBT	**1 311.8**	**351.1**
PROFORMA LEVERAGE RATIO	**3.0**	**1.5**

4. Consolidated financial statements

Balance sheet / assets (in €m)	Dec. 2018 Net Value	Dec. 2017 Net value
Net Goodwill	**2 363**	902
Intangible assets	**680**	90
Tangible assets	**144**	92
Investments in associates		
Non-current financial assets	**50**	39
Deferred tax assets	**101**	96
Non-current tax assets	**75**	117
Other non-current assets	**22**	5
Total non-current assets	**3 435**	**1 341**
Inventory and work in progress	**2**	**2**
Advances to suppliers	1	
Trade receivables and related accounts	385	358
Other receivables	141	136
Trade accounts and other receivables	**527**	494
Assets relating to contracts with customers	**202**	128
Current financial assets	**23**	13
Cash	**465**	204
Cash equivalents	**8**	169
Assets held for sale		
Total current assets	**1 227**	**1 010**
TOTAL ASSETS	**4 662**	**2 351**

Balance sheet / liabilities (in €m)	Dec. 2018	Dec. 2017
Shareholders' equity	**1 692**	**891**
Bank loans and borrowings (>1 year)	1 602	
Other non-current financial liabilities	1	1
Non-current financial liabilities	**1 603**	**1**
Non-current provisions for contingencies and liabilities	61	48
Non-current employee benefits	65	39
Non-current liabilities for fixed assets	48	
Deferred tax liabilities	169	19
Non-current liabilities for securities		33
Other long-term liabilities	18	6
Other non-current liabilities	**361**	**145**
Total non-current liabilities	**1 964**	**146**
Trade payables and related accounts	158	136
Taxes payable	137	111
Current employee benefits	272	214
Current liabilities for fixed assets	62	4
Other current payables	19	7
Liabilities relating to contracts with customers	100	96
Suppliers and other current payables	**748**	**568**
Provisions for short-term risks and charges	23	17
Current liabilities for securities	53	6
Current financial liabilities	182	723
Other current liabilities	**258**	**746**
Total current liabilities	**1 006**	**1 314**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**4 662**	**2 351**

Income statement (in m€)	2018	2017
Revenues	2 916.4	2 295.3
Other operating income	99.1	69.4
TOTAL OPERATING INCOME	**3 015.5**	**2 364.7**
Purchases & external expenses	(643.3)	(500.8)
Personnel costs	(1 957.1)	(1 607.4)
Taxes	(4.0)	(2.9)
Amortization and provisions	(60.0)	(7.3)
Customer-relationship amortization / Goodwill depreciation	(48.7)	(4.3)
CURRENT OPERATING INCOME	**302.4**	**242.0**
Non recurring income/losses	(85.4)	(39.0)
OPERATING INCOME	**217.0**	**203.0**
Cost of net financial debt	(60.0)	(11.8)
Other financial income/losses	(34.8)	(8.3)
Shares of net income of associates		(0.4)
Income tax	(41.1)	(42.8)
Net income from discontinued operations	(0.1)	(8.9)
Non-controlling interest	(0.4)	0.0
NET INCOME (GROUP SHARE)	**80.6**	**130.8**

Cash flow statement (in m€)	Dec. 2018	Dec. 2017
Operating income from continuing activities	217.0	203.1
Goodwill impairment and amortization of customer-relationship intangible assets	48.7	4.2
Depreciation, amortization and net operating provisions	40.2	10.2
Income and expenses relating to share-based payments	1.0	2.3
Gains or losses on disposals	1.4	(0.2)
Other gains and charges	38.9	5.5
Cash flows before net interest expenses and taxes	347.2	225.1
Change in inventory and work in progress	(0.4)	(0.3)
Change in trade accounts and other receivables	38.0	(24.2)
Change in trade accounts and other payables	26.4	19.9
Change in working capital requirement	64.0	(4.6)
Net operating cash flows	411.2	220.5
Net interest paid	(114.7)	(9.9)
Tax paid	(43.3)	(44.9)
Cash impact of other financial income and expenses	(28.1)	(1.8)
Net cash flows from discontinued operations	(0.1)	(2.9)
Net cash flows from operating activities	225.0	161.0
Cash outflows for acquisitions of property, plant & equipment and intangible assets	(144.2)	(58.0)
Proceeds from disposals of property, plant & equipment and intangible assets	1.1	0.4
Cash outflows for acquisitions of financial assets (unconsolidated investments)	(1.4)	(2.8)
Proceeds from disposals of financial assets (unconsolidated investments)	–	0.8
Earn-out disbursements	0.1	(0.4)
Impact of scope-of-consolidation changes	(1 785.1)	(108.7)
Change in loans and advances granted	0.5	(2.7)
Other flows from investing activities	1.1	1.9
Net cash flows from investing activities	(1 927.9)	(169.5)
Capital increase	718.5	–
Proceeds from the exercise of stock options	–	(0.3)
Purchase and sales of treasury stocks	0.4	(1.6)
Liquidity contract	(1.3)	0.1
Dividends paid to owners of the parent	(60.9)	(41.5)
Proceeds from new loans	2 390.8	0.9
Reimbursement of loans	(1 006.3)	(127.4)
Other flows from financing activities	(233.4)	81.6
Net cash from financing activities of from discontinued operations	–	–
Net cash flows from financing activities	1 807.8	(88.2)
Impact of variations in exchange rates	(5.1)	(8.8)
Impact of changes in accounting principles	–	–
Changes in net cash	99.8	(105.4)
Opening cash balance	372.9	478.3
Closing cash balance	472.7	372.9
Changes in net cash	99.8	(105.4)