Press release

05.09.2019

Half year results 2019
Solid growth and strong operating performance

- **Revenues of €1,594m (+16.1% reported, +8.5% economic and +7.4% organic growth vs. H1 2018)**
- **Operating margin of €178m (+28.7% vs. H1 2018), reaching 11.2%, +110 bps vs. H1 2018 fueled by Europe and Americas equally**
- **Adjusted net income of €64m, +10.8% vs. H1 2018 in spite of the cyber-attack**
- **Free Cash Flow of -€31m vs. -€225m in H1 2018 owing to improved operating performance and reduced seasonality as part of Altran cash program**

Commenting on the Group's H1 2019 results, Altran Chairman and Chief Executive Officer Dominique Cerutti declared:

"Altran posted a solid performance in the first half of the year, reflecting both positive trends across industries and a good momentum in all our main geographies. We are thrilled with the progress made in key sectors such as Communications thanks to surging 5G expenses and our frog design. Now that the integration of Aricent is fully completed, we have achieved numerous business wins. Altran is ideally positioned, with a well-balanced market footprint and diverse offerings, to address the evolving R&D needs of major industries. We believe that our unique ability to meet the differentiated needs of our clients will integrate seamlessly with Capgemini's expertise, allowing us to create a global leader to support the digital transformation of industrial and technology companies."

Results

(in €m)	H1 2019	H1 2018	Change (%)
Revenues	**1,594.0**	**1,372.7**	*16.1%*
Net operating expenses	(1,415.8)	(1,234.2)	
Operating margin	**178.2**	**138.5**	*28.7%*
% of revenues	*11.2%*	*10.1%*	
Other operating expenses	(84.3)	(69.9)	
Operating income	**93.9**	**68.6**	*36.9%*
Net financial expenses	(44.6)	(53.8)	
Income tax	(15.8)	(5.0)	
Net income from discontinued operations	-	(0.2)	
Non-controlling interests	(0.3)	(0.1)	
Net income (Group share)	**33.2**	**9.5**	*249.5%*
Adjusted net income (Group share)	**63.7**	**57.5**	*10.8%*

Altran reported robust H1 2019 **revenues** of €1,594.0m from €1,372.7m in H1 2018[1] (up 16.1%), representing an organic growth of 7.4% and an economic growth of 8.5%, with a positive contribution from all regions.

The Group's **operating margin** amounted to €178.2m, up 28.7% compared to H1 2018, and reaching an 11.2% margin, a 110bps increase compared to last year, fueled by Europe and the Americas equally.

The Group's **net financial expenses** came in at €-44.6m, compared to €-53.8m in H1 2018, reflecting the structure of our financing that has normalized after the one-off effects of last year.

The **adjusted net income (Group share)** increased by 10.8%, to €63.7m in spite of the cyber-attack, compared to €57.5m in H1 2018. Net income (Group share) for the period was €33.2m, compared to €9.5m in H1 2018.

[1] Reminder: Aricent integrated as of March 20, 2018

Detailed analysis of H1 revenues[2]

Altran reported H1 2019 **revenues** of €1,594.0m from €1,372.7m in H1 2018 (up 16.1%), representing a robust economic and organic growth of respectively 8.5% and 7.4%, with all regions contributing in both Q2 and H1, and despite a strong base of comparison in H1 2018.

	Second Quarter				First Half			
(in €m)	Revenues	Reported Growth%	Organic Growth%	Economic Growth%	Revenues	Reported Growth%	Organic Growth%	Economic Growth%
EUROPE	**592.8**	**7.8%**	**8.4%**	**9.5%**	**1,187.5**	**7.6%**	**8.1%**	**9.1%**
West Europe	275.2	9.5%	9.5%	9.6%	553.7	6.7%	6.7%	7.5%
North Europe	93.9	5.8%	6.7%	7.1%	189.6	7.5%	7.6%	8.1%
Central Europe	72.9	-2.1%	2.3%	3.9%	148.7	2.9%	7.2%	8.0%
South East Europe	76.2	12.3%	11.5%	11.7%	148.4	10.8%	10.2%	11.1%
Iberia	74.6	10.0%	10.0%	13.5%	147.1	13.0%	13.0%	14.8%
AMERICAS	**201.0**	**7.0%**	**1.8%**	**3.0%**	**388.4**	**54.0%**	**3.9%**	**4.9%**
ASIA	**9.5**	**7.5%**	**8.6%**	**8.9%**	**18.1**	**9.7%**	**9.1%**	**10.0%**
TOTAL	**803.3**	**7.6%**	**6.8%**	**8.0%**	**1,594.0**	**16.1%**	**7.4%**	**8.5%**

- **Europe** (including France): posted solid organic growth of +8.1% (economic growth: +9.1%), with revenue of €1,187.5m in H1 2019.
    - West Europe (35% of revenues): revenues totaled €553.7m, representing a +6.7% organic growth (economic growth: +7.5%). For the period, France is the most dynamic country in the region, mainly in the Aeronautics and Energy sectors. In Morocco, the Group has implemented its strong near-shoring development strategy in the Automotive segment and confirmed its ability to diversify through programs in the Life Sciences and Aeronautics segments.
    - North Europe (12% of revenues): revenues were of €189.6m, representing an organic growth of +7.6% (economic growth: +8.1%) thanks to a high added-value positioning which in the future will be used as a growth platform for other European countries.
    - Central Europe (9% of revenues): revenue amounted to €148.7m, representing an organic growth of +7.2% (economic growth: +8.0%).
    - South East Europe (9% of revenues): revenues for H1 2019 were €148.4m, representing 10.2% of organic growth (economic growth: +11.1%) thanks to a strong position in the Communications and Life Sciences segments.
    - Iberia (9% of revenues): strong acceleration of revenues growth at +13.0% organic growth (economic growth: +14.8%) with revenues of €147.1m driven by Portugal's strong growth in the Communications segment and Spain's good performance in the Space, Defense and Naval segment.

- **Americas** (25% of revenues): revenues totaled €388.4m, representing +3.9% organic growth (economic growth: +4.9%) including a scope effect of €114.5m corresponding to the Aricent's contribution for the first quarter of 2019 (acquisition on March 20, 2018). During the second quarter of the year, as committed,

[2] Reminder : Europe is operating through clusters since January 1st, 2019. West Europe: France, Belgium, Luxemburg, Morocco, Tunisia; South East Europe: Italy, Switzerland; Iberia: Spain, Portugal; Central Europe: Germany, Austria, Czech Republic, Slovakia, Romania; North Europe: Netherlands, Scandinavia, United Kingdom

the former Aricent returned to growth, excluding the large software deal business where growth was not expected, notably thanks to the Communications sector and surging 5G expenses.

- **Asia** (1% of revenues): +9.1% organic growth (economic growth: +10.0%). Business in China suffered in the Automotive sector, but recorded good performances in the Semiconductor and Communications sectors.

Cash and debt

At the end of H1 2019, the Group's **Free Cash Flow** came at -€31m, vs. -€225m at end-June 2018, driven by the strong operating performance and the continued positive impact of the disciplined cash management program implemented last year. Free Cash Flow in H1 2018 was impacted by one-offs related to the acquisition of Aricent.

The Group's **net financial debt** came out at €1,429.3m in H1 2019, versus €1,697.6m at end-June 2018. This translates into a c. 3.2x leverage ratio at end of H1, which is in line with our mid-term deleveraging trajectory.

At the end of H1 2019, the Group had **available cash** of €337m, vs. €208m at end-June 2018.

Application of IFRS 16

The Group has presented the expected impacts of the application of IFRS 16 from January 1, 2019, in its Registration Document 2018.

As a reminder, with the implementation of this standard, all leases (formerly operating leases and finance leases) are to be accounted in the same way. Every lessee has to recognize an asset for the Right of Use of the leased item and a lease liability for the present value of its future lease payments. IFRS 16 is an accounting treatment cash neutral for the company.

In its **balance sheet** on January 1st 2019 the Group recognized an impact of €234m in lease liabilities. There is no impact on Leverage on H1 2019.

In its **Profit & Loss account** at the end of June the Group recognized as anticipated a positive impact on EBITDA of €35.3m.

Elsewhere, the impact of the application of IFRS 16 is overall neutral:

- Marginally positive impact on **operating margin**: +€4.2m.
- Slight negative impact on **net result**: -€1.7m.
- No impact on cash.

Update on the cyber-attack

End of January 2019, Altran was the target of a cyber-attack affecting operations in several European countries.

The impact on revenues, mostly in the first quarter, is estimated to €15m, mostly in West and Central Europe. The bench (unutilized resources) linked to the cyber-attack, as well as remediation costs, amounted to €19m in the first half of the year. All these costs have been booked as non-recurring expenses, as being both significant in amount and exceptional by nature. Some remediation costs, estimated to be marginal, will still occur and be booked in the second half of the year.

During the course of the second quarter, the insurance funded Altran with an advance payment of €3m based on the preliminary report of damages and as a partial anticipation of the full damage compensation.

This insurance proceed has been booked under non-recurring income. As a consequence, the net impact of the cyber-attack in the half of the year non-recurring expenses is a €16m loss.

Altran is expecting insurance refunds to take place before year end.

The net impact on the Group's full-year operating income is still expected to be negative and marginal, owing to this insurance coverage.

Trends in staff levels

As of June 30, 2019, total headcount of the Altran group was 48,555 employees, compared with 46,693 at December 31, 2018. Net hiring over the period reached 1,986 with an acceleration in Q2 2019.

Change in organization

As of September 6, 2019, William Rozé, currently Chief Operating Officer for the Europe will expand the scope of his responsibilities to take over full accountability for the Europe zone and be appointed Executive Vice President in charge of Europe. Cyril Roger, Senior Executive Vice-President in charge of Europe, decided to leave the Group to pursue other career opportunities.

Update on Capgemini proposed transaction

On June 24, 2019, Capgemini (Euronext Paris: CAP) and Altran have entered into an agreement for exclusive negotiations whereby Capgemini is to acquire Altran, through a friendly takeover bid at €14.00 per Altran share, payable in cash. The agreement was approved unanimously by the boards of directors of both companies.

On August 11, 2019, Capgemini and Altran signed the tender offer agreement which sets the terms and conditions of the proposed acquisition of Altran by Capgemini through this friendly cash tender.

The filing of the tender offer is subject to the satisfaction of certain customary conditions precedent, in particular in relation to regulatory approvals (notably CFIUS in the United States and merger control clearances).

The tender offer will be subject to an acceptance threshold set at 50.10% of the share capital and voting rights of Altran, on a fully diluted basis.

The process of the transaction is on track.

Outlook

The Group confirms it remains confident in its business outlook thanks to its diversified portfolio of offerings, which addresses clients' needs. The continuous improvement of operating performance will enable Altran to further deleverage at year end.

The Group is focused to deliver its set of mid-term financial objectives, by leveraging its service models.

Additional information

Altran's Board of Directors met on September 4, 2019 to close the H1 2019 financial statements. The Statutory Auditors have performed a limited review of the Group's H1 2019 and H1 2018 financial data.

The Group's interim report and a presentation of these results are available on the Company website www.altran.com.

Investor Call Details

Investor meeting & conference call on September 5, 2019 at 9:00 am Paris time (CET) in Altran HQ,

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

Telephone numbers:

FR: +33 172727403

UK: +44 2071943759

US: +1 6467224916

Confirmation Code: 76664493#

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

Telephone numbers:

FR: +33 172727403

UK: +44 2071943759

US: +1 6467224916

Confirmation Code: 33551864#

Financial calendar

31 October 2019: Q3 2019 revenues

Glossary

- Organic growth is the reported growth decreased by the impact of changes in the consolidation scope and the impact of exchange rate changes
- 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 + amortization of rights of use + current income and expenses without cash impact) - non-recurring items +/- change in WCR - net interest and financial expense paid – lease interests - tax paid - Capex - repayment of lease liabilities
- 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 + personnel costs (IAS 19)
- Financial leverage ratio: Net financial debt divided by LTM EBITDA

About Altran

Altran is the undisputed world leader in engineering and R&D services. The Group offers its customers a unique value proposition to meet their transformation and innovation challenges. Altran supports its customers, from concept to industrialization, to develop the products and services of tomorrow. Altran has been working for more than 35 years with major players in many sectors: Automotive, Aeronautics, Space, Defence & Naval, Rail, Infrastructure & Transport, Industry & Consumer Products, Life Sciences, Communications, Semiconductor & Electronics, Software & Internet, Finance & Public Sector. The acquisition of Aricent expands the Group's portfolio of expertise in semiconductors, digital experience and design innovation. Altran generated €2.9 billion in revenue in 2018, with nearly 47,000 employees in more than 30 countries. www.altran.com

Contacts

Stéphanie Bia
Group Vice-President Investor Relations and Communications
Tel: + 33 (0)1 46 41 72 01
stephanie.bia@altran.com

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