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Capgemini: H1 2013 profit increase 31%

Paris, July 25, 2013 – Capgemini Group reports H1 2013 consolidated revenues of €5,033 million, down 2.3% vs. H1 2012 at current group structure and exchange rates and -1.1% on like-for-like basis (i.e. at constant Group structure and exchange rates). In Q2 revenues decreased slightly (-0.4%) compared with the -1.7% in Q1, excluding the Aspire contract (public service contract in the United Kingdom), revenue increased 0.9% in Q2. The H1 operating margin is 7.3%, up 0.5 points vs. the same period in 2012. Profit for H1 attributable to shareholders surged 31% to €176 million, compared with €134 million in H1 2012.

(in millions of euros)	H1 2012 IAS19R*	**H1 2013**	Change
Revenues	5,150	**5,033**	-2.3%
Operating margin[1]	350	**367**	
as % of revenues	*6.8%*	***7.3%***	*+0.5pt*
Operating profit[2]	240	**302**	
Profit attributable to shareholders	134	**176**	+31%
as % of revenues	*2.6%*	***3.5%***	
Net cash and cash equivalents at the end of the period	27	**272**	
Organic free cash flow	(309)	**(313)**	

**2012 figures have been adjusted for the application of IAS 19 revised (see table in the appendix)*

[1] Operating margin is one of the Group's key performance indicators. It is defined as the difference between revenues and operating costs, these being equal to the cost of services rendered (expenses incurred during project delivery) plus selling, general and administrative expenses and before amortization of intangible assets recognized in business combinations.

[2] Operating profit of the Group incorporates the charges associated with shares or options allocated to a large number of employees, as well as other non-recurring income and expenses such as goodwill impairment, capital gains or losses on disposals, restructuring costs, the cost of acquiring and integrating acquired companies, as well as the impacts of the curtailment and/or settlement of defined benefit pension plans.

Like-for-like growth in revenues breaks down as follows:

- by business, The combined revenue of Consulting Services, Local Professional Services and Technology Services fell 1.5%. Technology Services grew slightly by 0.3%, while Consulting Services and Local Professional Services (Sogeti), more sensitive to the economic environment, contracted 9.0% and 3.9% respectively. Outsourcing Services revenues were almost stable, down 0.3%.

- by region, the emerging countries of Asia Pacific and Latin America reported strong growth (+10.5%). The United Kingdom and Ireland region contracted 2.2%. With an increase of revenues of 0.5%, North America is back to growth which should continue in the second-half. Activity in France contracted 2.2% in H1, although with a positive trend in Q2 with 0.7% growth in revenues. Benelux reported a 6.2% fall in revenues in H1, with the contraction limited to 3.7% in Q2, confirming the objective of stabilizing activity in the second-half. The rest of Europe (-1.7%) is also showing signs of stabilization.

Bookings totaled €4,824 million in H1 2013. The combined book-to-bill ratio of Consulting Services, Local Professional Services and Technology Services is 1.06.

The operating margin of the Group for H1 2013 is €367 million, or 7.3% of revenues, up 0.5 points on H1 2012.

For the first time, the Group presents a breakdown of operating margins by region which includes the full value added of services rendered to clients. This puts in evidence the accretive impact of offshore on margins; for example the operating margin of the North America region, which now includes all margins realized with clients in this market including offshore center margins, is 12.3%.

Profit for the period attributable to shareholders is €176 million, compared with €134 million for H1 2012, an increase of 31%.

Organic free cash flow is -€313 million for H1 2013, despite anticipated payments received at the end of 2012, and compares with -€309 million for H1 2012. Net cash and cash equivalents total €272 million on June 30, 2013.

At the end of H1, the total headcount of the Group was 127,968. Offshore employees totaled 54,280, up 18% on June 30, 2012 (including 44,195 in India) and represented 42% of the total headcount, up more than 4 points on June 30, 2012.

Capgemini announces that it made a €235 million exceptional contribution to Group pension funds. In addition to reducing the level of the provision for pensions in the balance sheet, this payment will improve the Group's organic free cash flow by approximately €30 million per year from 2014 and reduce financial expense.

In addition, on July 24, 2013, the Board of Directors adopted two measures aimed at optimizing the balance sheet:

- the Group will seek to neutralize the future dilution generated by the various equity-based instruments granted to employees;
- it will allocate €400 million to neutralize part of the potential dilution caused by the OCEANE 2009 convertible bond in the next 18 months.

H1 performance supports the Group's annual guidance:

- it confirms its objective of organic revenue growth in line with 2012;
- the Group reasserts its objective of an increase in the operating margin of at least 30 basis points in 2013, i.e. 8.4% compared with 8.1% in fiscal year 2012 (after restatement of the accounts for application of IAS 19 revised).
- the cumulated organic free cash flow objective for 2012-2013 is now €800 million, before the exceptional pension fund contribution, i.e. the high end of the previously announced range.

"In a challenging economic environment, we met our commitments and reported an improvement in our profit for the period, enabling us to start the second half with confidence", announced Paul Hermelin, Chairman and Chief Executive Officer of Capgemini Group.

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Appendix

Results by region (after allocation of offshore production center margins to the regions managing the contracts)

	% Revenues H1 2013	Growth vs. H1 2012		Operating margin*	
		Published	Like-for-like	H1 2012**	H1 2013
North America	20.5%	-0.9%	0.5%	11.0%	12.3%
France	21.7%	-2.2%	-2.2%	6.9%	7.2%
United Kingdom and Ireland	20.1%	-5.5%	-2.2%	7.5%	8.1%
Benelux	10.7%	-6.2%	-6.2%	5.2%	8.2%
Rest of Europe	18.7%	-0.8%	-1.7%	6.9%	6.2%
Asia Pacific and Latin America	8.3%	5.0%	10.5%	3.0%	2.6%
TOTAL	100.0%	-2.3%	-1.1%	6.8%	7.3%

* Before amortization of intangible assets recognized in business combinations and after allocation of offshore production centers margins to the geographic regions managing the contracts
** 2012 figures have been adjusted for the application of IAS 19 revised

Analysis of the impact of the reallocation of offshore production center margins to the regions managing the contracts on the operating margin

	FY 2012 *	
	Before reallocation	After reallocation
North America	9.3%	11.8%
France	8.3%	8.8%
United Kingdom and Ireland	7.6%	8.6%
Benelux	7.5%	7.9%
Rest of Europe	7.2%	7.2%
Asia Pacific and Latin America	15.3%	5.2%

** 2012 figures have been adjusted for the application of IAS 19 revised*

N.B. Previously, part of the margins generated by our offshore production centers was recognized in these regions and not included in the results of the country managing the contracts. The table highlights the change in allocation of operating margins based on the 2012 financial statements. Overall Group margin is of course unaffected by this change in presentation. Conversely, as a result of this change, the accretive nature of offshore is fully accounted for in the margins presented by Region.

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Reminder of H1 2012 published results and results adjusted for application of IAS19 revised

(in millions of euros)	H1 2012 published	H1 2012 IAS19R
Revenues	5,150	5,150
Operating margin	*347*	350
as % of revenues	*6.7%*	*6.8%*
Operating profit	237	240
Profit attributable to shareholders	143	134
as % of revenues	*2.8%*	*2.6%*

Results by business

	% revenues H1 2013	Growth [1] vs. H1 2012	Operating margin	
			H1 2012*	H1 2013
Consulting	4.7%	-9.0%	10.8%	7.7%
Local Professional Services	15.0%	-3.9%	9.6%	9.1%
Technology Services	40.8%	0.3%	7.0%	7.2%
Outsourcing	39.5%	-0.3%	6.4%	8.3%

[1] like-for-like

* *2012 figures have been adjusted for the application of IAS 19 revised*

Key events of H1 2013

- Information systems migration for the UK insurance company, Direct Line Group, approximately £100 million;
- Strengthening of the Capgemini and EMC alliance to offer cloud-based solutions in Brazil;
- Application services agreement with the Norwegian Post Office, value of 34 million euro;
- BPO contract with the industrial group, Sandvik, for the management of financial and accounting services, a multi-million euro contract;
- Contract with E.On, a European energy producer and supplier, for smart meter management services in Sweden, double digit agreement;
- Cloud computing strategic partnership with Microsoft, called “SkySight”, aimed at developing a global cloud-based service offering operated by Capgemini and using Microsoft technology;
- Outsourcing contract signed by Sogeti France with Total for its upstream oil & gas business, worth tens of millions of euros;
- Infrastructure services contract with the Kadaster Dutch public service, estimated at 100 million euros.