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First Half 2017: Capgemini confirms its momentum

- **Revenues of €6,412 million, up 3.0% at constant exchange rates**[1]
- **23% revenue growth in Digital and Cloud**
- **Operating margin up 0.3 points to 10.5%**
- **Organic free cash flow of €64 million, up €33 million**

Paris, July 27, 2017 – The Board of Directors of Capgemini SE chaired by Paul Hermelin, convened in Paris on July 26, 2017 to review and authorize the issue of the accounts[2] of Capgemini Group for the 1st half of 2017.

For Paul Hermelin, Chairman and Chief Executive Officer of Capgemini Group: *"After starting the year on a solid footing, the momentum accelerated in the second quarter. First-half results are robust, confirming our ability to support our clients' digital transformation and process industrialization. Our portfolio's transition towards Digital and Cloud continues and these activities account for 37% of Q2 revenues. Our automation offerings are also expanding, with 4,000 experts in Robotic Process Automation, cognitive technologies and artificial intelligence.*

These results reflect the good alignment between our innovative offerings and growing client demand across all sectors and geographies. Continental Europe is particularly dynamic with double-digit growth in Germany and Italy and solid momentum in France. Growth in North America is recovering as planned and should strengthen by the end of the year.

The acceleration of our growth combined with our operating margin expansion confirms the relevance of our strategy. Following these strong first-half results, we confirm our targets for revenue growth, operating margin and free cash flow for 2017, the year of Capgemini's 50th anniversary."

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[1] As announced on the publication of the outlook for 2017, growth at constant exchange rates and organic growth are presented after removing from 2016 and 2017 revenues, the Brazilian equipment resale activity that is being discontinued.

[2] Limited review procedures on the interim consolidated financial statements have been completed. The auditors are in the process of issuing their report.

H1 2017 KEY FIGURES

(in millions of euros)	H1 2016	H1 2017	*Change*
Revenues	**6,257**	**6,412**	**+2.5%**
Operating margin *	**638**	**672**	**+5%**
as a % of revenues	10.2%	10.5%	+30bp
Operating profit	**510**	**538**	**+6%**
as a % of revenues	8.1%	8.4%	+30bp
Net profit (Group share)	**366**	**375**	**+3%**
Basic earnings per share (€)	2.15	2.23	+4%
Normalized earnings per share * (€)	2.52[a]	2.81	+12%
Organic free cash flow *	**31**	**64**	**+33**
Net cash and cash equivalents / (Net debt)	(2,278)	(1,929)	

[a] Excluding exceptional tax income of €32 million

The Group generated **revenues** of €6,412 million in H1 2017, up 2.5% on H1 2016 reported revenues and 3.0% at constant exchange rates*. Organic growth (i.e. excluding the impact of currency fluctuations and changes in Group scope) was 2.7%. Digital & Cloud revenues grew 23% at constant exchange rates and account for 35% of H1 revenues.

In Q2, Group growth accelerated slightly to reach 3.3% year-on-year at constant exchange rates and 2.9% on an organic basis. Digital & Cloud accounted for 37% of revenues up from 32% in Q1.

Bookings totaled €6,389 million in the first six months of 2017, compared with €6,341 million reported for H1 2016, which benefited from the renewal of a major multi-year contract in the UK public sector.

The **operating margin*** is €672 million, up 5% on H1 2016. It represents 10.5% of revenues, an increase of 30 basis points year-on-year.

Other operating income and expenses total €134 million, compared with €128 million in H1 2016. Restructuring costs increased to €50 million, while acquisition and integration costs fell to €17 million.

H1 2017 **operating profit** increased to 8.4% of revenues or €538 million, up 6% year-on-year.

The net financial expense is €28 million, down €34 million year-on-year, following a reduction in Group debt and the gain realized on the early unwinding of currency swaps set up in connection with IGATE acquisition financing.

The income tax expense is €140 million. The €53 million year-on-year increase is mainly due to the recognition of deferred tax income of €32 million in H1 2016.

Net profit (Group share) is €375 million for the first half, up 3% year-on-year. **Basic EPS** (earnings per share) is €2.23. **Normalized EPS*** is €2.81, representing a 12% year-on-year increase on H1 2016 EPS adjusted for the one-off tax income.

The Group generated **organic free cash flow*** of €64 million in H1 2017, an improvement of €33 million on H1 2016. Return to shareholder amounted to €338 million over the period, comprising a dividend payment of €262 million and share buybacks totaling €76 million.

OUTLOOK

For 2017, the Group forecasts revenue growth at constant exchange rates of 3.0%, an operating margin of 11.7% to 11.9% and organic free cash flow generation in excess of €950 million.

In addition:

- The impact of currency movements on revenues on a full-year basis is now expected to be negative by slightly more than 1 point (compared with a positive but negligible impact expected at the start of the year), following the strengthening of the Euro against the Group's main currencies;
- As announced in February 2017, the Group has decided to discontinue its equipment resale activity in Brazil, which represented approximately €60 million in 2016; to ensure comparable analysis of quarterly trends, organic growth and growth at constant exchange rates are presented after removing this activity from 2016 and 2017 revenues;

* The terms and non-GAAP measures marked with an (*) are defined and/or reconciled in the appendix to this press release.

- The impact of acquisitions on revenue growth is estimated at this stage to be a few tens of basis points.

OPERATIONS BY BUSINESS

Consulting Services (4% of Group revenues) grew 10.7% at constant exchange rates, with strong growth in Continental Europe. The operating margin increased 20 basis points year-on-year to 10.6% of revenues.

Technology & Engineering Services (15% of Group revenues) grew 3.5% in H1, bolstered by strong growth in France and Scandinavia. The operating margin increased 90 basis points year-on-year to 12.2% for the half-year.

Application Services (62% of Group revenues) fully benefit from new demand driven by Digital and Cloud, recording revenue growth of 5.6% at constant exchange rates in the first-half. Growth is approaching or exceeding 10% in many European countries (France, Germany, Sweden, Italy) but also in Asia. The operating margin increased 50 basis points to 11.9%.

Other Managed Services (19% of Group revenues) reported a 6.6% decrease in revenues. This was mainly attributable to Infrastructure Services and reflects notably the anticipated decline in the UK public sector. The operating margin is 7.7% compared with 9.2% in H1 2016.

OPERATIONS BY REGION

In H1, as planned, **North America** (30% of Group revenues) began to restore its growth momentum, reporting a slight increase of 0.4% at constant exchange rates. In this region, the Energy & Utilities sector confirmed its recovery, with a fourth quarter of sequential revenue stability, while the Financial Services and Manufacturing sectors were the most dynamic. The operating margin fell 190 basis points to 13.2%, impacted by strong price pressure on large contract renewals and investments to boost growth in the region.

The **United Kingdom and Ireland** (14% of Group revenues) reported revenues down 5.9%, reflecting a decline in the public sector in line with our forecast and a healthy private sector (62% of region revenues), particularly in Financial Services and Energy & Utilities. The operating margin increased 60 basis points year-on-year to 15.1%.

France (21% of Group revenues) grew 4.7%, driven by Application Services and Technology & Engineering Services. The Financial Services, Manufacturing and Retail & Consumer Goods sectors were the most dynamic over the period. The operating margin improved 50 basis points year-on-year to 7.1%.

The **Rest of Europe** (27% of Group revenues) reported revenue growth of 7.9% at constant exchange rates, with all geographies and sectors contributing. The Group reported double-digit growth in Germany and Italy and in the Retail & Consumer Goods and Manufacturing sectors. The operating margin increased 220 basis points to 11.1% for the half-year.

Asia-Pacific and Latin America (8% of Group revenue) grew 11.1% at constant exchange rates. In Asia-Pacific, which now accounts for three-quarters of activity in this region, growth momentum continues to be buoyant, fueled by the Financial Services and Retail & Consumer Goods sectors. Activity in Latin America continues to decline with a challenging economic environment in Brazil. The operating margin increased 220 basis points to 6.0%.

Q2 TRENDS

Year-on-year revenue growth accelerated in Q2 to reach 3.3% at constant exchange rates, 50 basis points above Q1. Q2 year-on-year organic growth was 2.9%.

As anticipated, North America returned to growth in Q2 (+1.0% year-on-year at constant exchange rates), while France slowed slightly (+4.1%) with some unfavorable calendar effects. The United Kingdom & Ireland reported slightly improved momentum (-4.2%), while Brazil slowed further penalizing the Asia-Pacific & Latin America region (+9.0%). Finally, the Rest of Europe continued its sustained growth (+8.1%).

HEADCOUNT

At June 30, 2017, the Group's total headcount exceeded 196,000, an increase of 6% year-on-year, with nearly 112,000 employees in offshore centers (57% of the total headcount compared with 55% at June 30, 2016).

BALANCE SHEET

The Group had €1,315 million in cash and cash equivalents (net of bank overdrafts) at June 30, 2017. After including borrowings of €3,472 million, mainly comprising IGATE acquisition financing secured in 2015, cash management assets and derivative instruments, Group net debt* totals €1,929 million at the end of H1 2017, compared with €1,413 million at the end of 2016. The increase in net debt in the first-half is mainly attributable to the dividend payment and the share buyback program.

FUTURE APPLICATION OF IFRS 15

IFRS 15 on revenue recognition becomes effective on January 1, 2018. The Group has been working with international sector peers and within Syntec Numérique in France on its implementation terms.

The Group can resell hardware, software and services purchased from third-party suppliers to its clients. The new standard amends the principles and indicators determining whether the Group should present these transactions on a gross or net basis (i.e. revenues invoiced to clients are presented net of amounts invoiced by suppliers). Based on preliminary analyses, the Group expects more transactions to be presented on a net revenue basis, resulting in a decrease in revenues estimated to date at around 2%.

The Group will further specify the application impact of this standard when it publishes its 2017 financial statements.

CONFERENCE CALL

Paul Hermelin, Chairman and Chief Executive Officer, Aiman Ezzat, Chief Financial Officer and Rosemary Stark, Global Sales Officer, will present this press release during a conference call in English to be held **today at 8 a.m. Paris time (CET)**. You can follow this conference call live via webcast at the following link. A replay will also be available for a period of one year.

All documents relating to this publication will be placed online on the Capgemini investor website at https://www.capgemini.com/results.

SCHEDULE

October 25, 2017	Publication of 2017 Q3 revenues
February 15, 2018	Publication of 2017 annual results

DISCLAIMER

This press release may contain forward-looking statements. Such statements may include projections, estimates, assumptions, statements regarding plans, objectives, intentions and/or expectations with respect to future financial results, events, operations and services and product development, as well as statements, regarding future performance or events. Forward-looking statements are generally identified by the words "expects", "anticipates", "believes", "intends", "estimates", "plans", "projects", "may", "would" "should" or the negatives of these terms and similar expressions. Although Capgemini's management currently believes that the expectations reflected in such forward-looking statements are reasonable, investors are cautioned that forward-looking statements are subject to various risks and uncertainties (including without limitation risks identified in Capgemini's Registration Document available on Capgemini's website), because they relate to future events and depend on future circumstances that may or may not occur and may be different from those anticipated, many of which are difficult to predict and generally beyond the control of Capgemini. Actual results and developments may differ materially from those expressed in, implied by or projected by forward-looking statements. Forward-looking statements are not intended to and do not give any assurances or comfort as to future events or results. Other than as required by applicable law, Capgemini does not undertake any obligation to update or revise any forward-looking statement.

This press release does not contain or constitute an offer of securities for sale or an invitation or inducement to invest in securities in France, the United States or any other jurisdiction.

ABOUT CAPGEMINI

With more than 190,000 people, Capgemini is present in over 40 countries and celebrates its 50th Anniversary year in 2017. A global leader in consulting, technology and outsourcing services, the Group reported 2016 global revenues of EUR 12.5 billion. Together with its clients, Capgemini creates and delivers business, technology and digital solutions that fit their needs, enabling them to achieve innovation and competitiveness.

A deeply multicultural organization, Capgemini has developed its own way of working, the Collaborative Business Experience™, and draws on Rightshore®, its worldwide delivery model.
Learn more about us at www.capgemini.com.
Rightshore® is a trademark belonging to Capgemini

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APPENDIX

Organic growth, or like-for-like growth, in revenues is the growth rate calculated at **constant Group scope and exchange rates**. The Group scope and exchange rates used are those for the published fiscal year. Exchange rates for the published fiscal year are also used to calculate **growth at constant exchange rates**.

As announced on the publication of the outlook for 2017, organic growth and growth at constant exchange rates are presented after removing the Brazilian equipment resale activity from 2016 and 2017 revenues, to enable comparable presentation of quarterly trends:

Reconciliation of growth rates	Q2 2017	H1 2017
Organic growth	**+2.9%**	**+2.7%**
Changes in Group scope	+0.4pt	+0.3pt
Growth at constant exchange rates	**+3.3%**	**+3.0%**
Exchange rates fluctuations	-0.6pt	-0.2pt
Current growth	**+2.7%**	**+2.8%**
Activities being discontinued	-0.3pt	-0.3pt
Reported growth	**+2.4%**	**+2.5%**

H1 currency impacts primarily concern the depreciation of the pound sterling and the appreciation of the U.S., Canadian and Australian dollars and the Brazilian real. The impact of discontinued operations reflects changes in the Brazilian equipment resale business, which generated revenues of €36 million in H1 2016.

Operating margin is one of the Group's key performance indicators. It is defined as the difference between revenues and operating expenses. It is calculated before "Other operating income and expenses" which include amortization of intangible assets recognized in business combinations, the charge resulting from the deferred recognition of the fair value of shares granted to employees, and non-recurring revenues and expenses, notably impairment of goodwill, negative goodwill, capital gains or losses on disposals of consolidated companies or businesses, restructuring costs incurred under a detailed formal plan approved by the Group's management, the cost of acquiring and integrating companies acquired by the Group, including earn-outs comprising conditions of presence in companies acquired, and the effects of curtailments, settlements and transfers of defined benefit pension plans.

Normalized net profit is equal to profit for the year (Group share) adjusted for the impact of items recognized in "Other operating income and expense", net of tax calculated using the effective tax rate. **Normalized earnings per share** is computed like basic earnings per share, i.e. excluding dilution.

Organic free cash flow is equal to cash flow from operations less acquisitions of property, plant, equipment and intangible assets (net of disposals) and adjusted for cash out relating to net interest cost.

RESULTS BY REGION

	Revenues	Year-on-year growth		Operating margin rate	
	H1 2017 *(in millions of euros)*	Reported	At constant exchange rates	H1 2016	H1 2017
North America	1,956	+3.5%	+0.4%	15.1%	13.2%
United Kingdom and Ireland	894	-14.7%	-5.9%	14.5%	15.1%
France	1,332	+4.7%	+4.7%	6.6%	7.1%
Rest of Europe	1,712	+7.6%	+7.9%	8.9%	11.1%
Asia Pacific and Latin America	518	+13.9%	+11.1%	3.8%	6.0%
TOTAL	**6,412**	**+2.5%**	**+3.0%**	**10.2%**	**10.5%**

RESULTS BY BUSINESS

	Revenues	Year-on-year growth		Operating margin rate	
	H1 2017 *(in millions of 'euros)*	Reported	At constant exchange rates	H1 2016	H1 2017
Consulting Services	295	+11.1%	+10.7%	10.4%	10.6%
Technology & Engineering Services	971	+3.1%	+3.5%	11.3%	12.2%
Application Services	3,944	+5.9%	+5.6%	11.4%	11.9%
Other Managed Services	1,202	-9.2%	-6.6%	9.2%	7.7%
TOTAL	**6,412**	**+2.5%**	**+3.0%**	**10.2%**	**10.5%**

SUMMARY INCOME STATEMENT AND OPERATING MARGIN

(in millions of euros)	H1 2016	H1 2017	*Change*
Revenues	**6,257**	**6,412**	**+2.5%**
Operating expenses	(5,619)	(5,740)	
Operating margin	**638**	**672**	**+5%**
as a % of revenues	10.2%	10.5%	*+30bp*
Other operating income and expense	(128)	(134)	
Operating profit	**510**	**538**	**+6%**
as a % of revenues	8.1%	8.4%	+30bp
Net financial expense	(62)	(28)	
Income tax income (expense)	(87)	(140)	
(-) Non-controlling interests	5	5	
Profit for the period, Group share	**366**	**375**	**+3%**

EARNINGS PER SHARE AND NORMALIZED EARNINGS PER SHARE

(in millions of euros)	H1 2016	H1 2017
Profit for the year, Group share	**366**	**375**
Weighted average number of shares outstanding	170,241,240	168,548,476
Basic earnings per share (in euros)	**2.15**	**2.23**
Diluted average number of shares outstanding	180,184,197	172,942,376
Diluted earnings per share (in euros)	**2.05**	**2.17**

(in millions of euros)	H1 2016	H1 2017
Profit for the year, Group share	**366**	**375**
Effective tax rate	26.5%	27.4%
(-) Other operating income and expenses, net of tax [a]	95	97
Normalized profit for the year	**461**	**472**
Weighted average number of shares outstanding	170,241,240	168,548,476
Normalized earnings per share (in euros)	**2.71**	**2.81**

[a] calculated at the effective tax rate

In H1 2016, the Group recognized exceptional deferred tax income of €32 million, increasing basic earnings per share and normalized earnings per share for the period by €0.19 and diluted earnings per share by €0.18.

Adjusted for this exceptional tax income, Normalized earnings per share for the half year would be 2.52 euros:

(in millions of euros)	H1 2016	H1 2017
Normalized earnings per share (in euros)	**2.71**	**2.81**
(-) Exceptional tax income	(32)	-
Weighted average number of shares outstanding	170,241,240	168,548,476
(-) impact of exceptional tax income (in euros)	**(0.19)**	**-**
Normalized earnings per share (in euros) – excl. exceptional tax income	**2.52**	**2.81**

CHANGE IN CASH AND CASH EQUIVALENTS AND ORGANIC FREE CASH FLOW

(in millions of euros)	H1 2016	H1 2017
Cash flow from operations	**113**	**164**
Acquisitions of property, plant, equipment and intangible assets (net of disposals)	(74)	(113)
Net interest cost	(8)	13
Organic free cash flow	**31**	**64**
Other cash flows from (used in) investing and financing activities	(426)	(540)
Increase (decrease) in cash and cash equivalents	**(395)**	**(476)**
Effect of exchange rate fluctuations	(66)	(79)
Opening cash and cash equivalents, net of bank overdraft	**1,948**	**1,870**
Closing cash and cash equivalents, net of bank overdraft	**1,487**	**1,315**

NET DEBT

(in millions of euros)	06/30/2016	12/31/2016	06/30/2017
Cash and cash equivalents	1,488	1,879	1,319
Bank overdrafts	(1)	(9)	(4)
Cash and cash equivalents, net of bank overdraft	**1,487**	**1,870**	**1,315**
Cash management assets	**110**	**157**	**207**
Long-term borrowings	(3,171)	(3,287)	(3,284)
Short-term borrowings and bank overdrafts	(697)	(125)	(192)
(-) Bank overdrafts	1	9	4
Borrowings, excluding bank overdrafts	**(3,867)**	**(3,403)**	**(3,472)**
Derivative instruments	**(8)**	**(37)**	**21**
NET CASH AND CASH EQUIVALENTS / (NET DEBT)	**(2,278)**	**(1,413)**	**(1,929)**