Press release

06.09.2018

Half-year results 2018
Solid operating performance delivering 10.1% margin

- **Revenues: €1,373m (+18.5% reported and +5.2% economic growth vs. H1 2017)**
- **Operating margin: €138.5m (+28.8% vs. H1 2017)**
- **10.1% operating margin, +80 bps vs. H1 2017**
- **Adjusted net income at €57.5m, +2.2% vs. H1 2017**
- **Free Cash Flow at -€225m mostly impacted by Aricent's transaction and working capital variation, not reflective of full year expectation**
- **External investigation confirms Aricent forgery is an isolated event**

Commenting on the Group's H1 2018 results, Altran Chairman and Chief Executive Officer Dominique Cerutti declared: *"Altran posted a solid operating performance in H1 while completing a key transformative deal. In what was a very busy semester, we recorded growth across our geographies and particularly in Altran US operations which was a key management objective. We announced mid-July an incident within Aricent, and following the external investigation, the forgery is confirmed to be an isolated event. The integration of Aricent is well on track, we have launched a targeted action plan early July to restore Aricent's margin to its previous profile by year end. Our team is fully focused on top line growth, profit expansion and enhanced cash conversion."*

Results

(in €m)	H1 2018	H1 2017	%
Revenues	**1,372.7**	**1,158.0**	**+18.5%**
Operating margin	**138.5**	**107.5**	**+28.8%**
% of Revenues	***10.1%***	***9.3%***	
Other expenses	(69.9)	(16.0)	
Thereof amortization of intangibles arising from business combinations	*(26.4)*	*(2.2)*	
Thereof restructuring costs	*(14.8)*	*(7.3)*	
Thereof acquisition and integration costs	*(27.5)*	*(2.6)*	
Operating income	**68.6**	**91.5**	**-25.0%**
Net financial expenses	(53.8)	(14.1)	
Income tax	(5.0)	(23.1)	
Share of net income of associates		(0.2)	
Net income before discontinued operations	**9.8**	**54.1**	**-81.9%**
Net income from discontinued operations	**(0.2)**	**0.6**	
Non-controlling interests	(0.1)		
Net income (Group share)	**9.5**	**54.7**	**-82.6%**
Adjusted net income (Group share)[1]	**57.5**	**56.2**	**+2.2%**

The performance of the Group reflects the contribution of Aricent starting 20 March 2018. H2 2018 will be the first reporting period including the full contribution of Aricent. All reported figures fully reflect the implementation of IFRS15. Financial statements for H1 2017 have been restated accordingly.

Altran reported robust H1 2018 **revenues** of €1,372.7m vs €1,158.0m in H1 2017 (up 18.5%), representing organic growth of 5.0% and economic growth of 5.2%.

The Group's **operating margin** amounted to 138.5m, up 28.8% compared to H1 2017, reflecting the growth of the business and the contribution of Aricent.

Aricent contributed €162 million revenues over the period, starting 20 March 2018, and €27.4 million in operating margin, or 16.9%.

Group **net financial expenses** came in at €53.8m, compared to €14.1m in H1 2017 when the Company's debt was much lower. H1 2018 is impacted by €23.9m of one-off costs and penalties related to early debt repayments linked to the implementation of the new financing structure for Altran.

Adjusted net income increased by 2.2%, to €57.5m compared with €56.2m in H1 2017. On a reported basis, net income for the period was €9.5m, reflecting the various Aricent acquisition-related items.

[1] Adjusted for non-cash PPA expenses arising from the Aricent acquisition, acquisition fees, insurance premium, one-offs related to the Group refinancing, integration costs, net of tax impacts.

Detailed analysis of revenues

(in €m)	First Half			
	2018	Reported Growth	Organic Growth%*	Economic Growth%**
FRANCE	**484.5**	**2.9%**	**3.5%**	**4.3%**
EUROPE	**619.5**	**4.1%**	**5.7%**	**5.7%**
Germany & Austria	144.5	4.0%	6.9%	7.1%
Iberia	130.2	12.2%	12.3%	12.1%
Italy	117.8	8.2%	8.1%	7.3%
Belgium & Netherlands	79.4	-5.5%	-4.9%	-4.1%
UK	98.9	5.2%	3.7%	3.7%
Scandinavia	32.6	-9.4%	3.1%	3.1%
Switzerland	16.1	-5.3%	3.1%	3.9%
AMERICAS	**252.2**	**227.1%**	**10.5%**	**9.7%**
ASIA (China)	**16.5**	**8.6%**	**-2.3%**	**-3.5%**
TOTAL	**1,372.7**	**18.5%**	**5.0%**	**5.2%**

- **France:** economic growth +4.3%. Net hiring accelerated in the second quarter and should further benefit from an ambitious recruitment campaign in Q2 and Q3.

- **Europe:** economic growth +5.7%. Economic growth in the region is strongly accelerating compared to H1 2017. In Germany, the Group's priority remains the profit turnaround as revenue growth is now sustained. Iberia and Italy remain on a high growth path and business trends in those geographies are excellent. Belgium & the Netherlands are improving in Q2. The UK posted a solid and strengthening performance, particularly remarkable in the context of Brexit. Scandinavia and Switzerland have returned to growth.

- **Americas:** economic growth +9.7%. The region has achieved double-digit growth in H1 following our successful integration efforts.

Cash and debt

At the end of H1 2018, the Group's **Free Cash Flow** came in at -€225m, vs. -€14m at end-June 2017 (H1 2017 normalized for a €35m invoicing shift was -€49m). This significant difference is due to cash outflows related to Aricent's acquisition, new cash items induced by Aricent and working capital variation. The H1 2018 Free Cash flow level is not reflective of the Free Cash Flow expected for the full year.

The Group's **net debt** came in at €1,698m in H1 2018, versus €351m at end-December 2017 This reflects the set up of the new financial structure of the Group including the acquisition-related debt and rights issue. This translates into a c.4.2x leverage ratio end of H1, which is consistent with our deleveraging pattern.

At the end of H1 2018, the Group had **available cash** of €208m, vs. €373m at end-December 2017, after the €61m dividend payment.

Aricent incident

On 13 July 2018, we announced a pre-acquisition forgery discovered at Aricent. $10m of forged purchase orders were booked at Aricent between Q3 2017 and Q1 2018. This was the act of one individual affecting one client only.

As a consequence, Aricent's margin was reassessed from the previously communicated 18.3% margin (LTM September 2017) to 15.6% (LTM June 2018), taking into account:

- the reversal of the profit linked to the $10m of forged purchase orders; and
- in the context of this inflated profit, misguided spending decisions and accelerated investments which have not yet materialized in expected growth.

An external investigation was immediately launched after the discovery of the incident; it has confirmed that the forgery was an isolated event.

An action plan was implemented as early as July to restore Aricent's margin profile to previously communicated levels, and we foresee this targeted action plan to bear expected fruits by year end.

We also initiated a complete overhaul of Aricent's internal controls to bring them to the highest standards.

The Company's counsels will advise on the next legal steps and provide the Board of Directors with recommendations.

Outlook

Altran presented during its Capital Market Day on 28 June 2018 its new mid-term strategic plan. The deployment of *The High Road, Altran 2022* strategic plan is expected to achieve in 2022:

- Revenues: c.€4.0 billion at constant perimeter
- Operating Margin: c.14.5% of Revenues
- Free cash Flow (incl. financing costs): c.9% of Revenues
- Leverage ratio: below 1.5x
- Earnings per Share: x2 (vs. reported 2017 of €0.68/share)

The Group will deploy its capital in a balanced way between shareholder value creation, reinvestment in the business, and taxes and financial commitments is anticipated. The Group's financial policy will prioritize deleveraging, with the objective to be below 2.5x in 2020.

Additional information

Altran's Board of Directors met on 5 September 2018 to review the H1 2018 financial statements. The Statutory Auditors have performed a limited review of the Group's H1 2018 and H1 2017 financial data.

The Group's Interim financial report is available on the Company website www.altran.com.

Financial calendar

26 October 2018: Q3 2018 revenues
28 February 2019: Full year 2018 results

Glossary

- **Operating margin** is made up of the difference between the Revenues and the net operating expenses
- **Organic growth** is the reported growth restated for the impact of perimeter and change effects
- **Economic growth** is the organic growth restated for the variation in the number of working days
- **Free Cash Flow:** Operating margin + D&A + non-cash P&L – non-recurring items cash impact +/- WCC – Capex – net interest and financial expense paid – tax paid

A conference call for investors will be held on Thursday 6 September at 9:00 am Paris time (CET)

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About Altran

Altran ranks as the undisputed global leader in Engineering and R&D services (ER&D), following its acquisition of Aricent. 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 30 years, the company has provided expertise in aerospace, automotive, defense, energy, finance, life sciences, railway and telecommunications. The Aricent acquisition extends this leadership to semiconductors, digital experience and design innovation. Combined, Altran and Aricent generated revenues of €2.9 billion in 2017, with some 45,000 employees in more than 30 countries.

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