Teleperformance - 2010 Results

2010 Objectives Achieved

- **Revenue up 11.4% as reported**
- **EBITA before non-recurring items at 8.5% of revenue**
- **Still robust financial position**

PARIS, FEBRUARY 28, 2011 - The Supervisory Board of Teleperformance met on February 25, 2011 and reviewed the financial statements for the year ended December 31, 2010.

€ millions	2010	2009
Revenue	**2,058.5**	**1,847.7**
Growth as reported	+11.4%	
EBITDA before non-recurring items*	**257.8**	**227.9**
EBITDA margin before non-recurring items	12.5%	12.3%
EBITA before non-recurring items*	**174.5**	**156.2**
EBITA margin before non-recurring items	8.5%	8.5%
Net operating profit	**119.1**	**130.0**
Net profit - attributable to shareholders	**71.9**	**88.2**
Free cash flow	**74.5**	**122.2**
Equity	**1,230.7**	**1,114.1**
Net cash surplus	**1.1**	**11.0**

Statements of Income - 2010: €1 = US$1.33 - 2009: €1 = US$1.39
Balance Sheets - 2010: €1 = US$1.34 - 2009: €1 = US$1.44

*Before provisions for restructuring operations in France (2010: €47 million -2009: €21 million)

EBITA before non-recurring items: Net operating profit before amortization of acquired intangible assets and provisions for restructuring operations in France

REVENUE

Revenue amounted to **€2,058.5 million in 2010**, compared with €1,847.7 million in 2009, an increase of **11.4% as reported** and **1.1% like-for-like**. As announced, following a more challenging first half, the Group returned to organic growth in the second six months of the year.

The **currency effect** was positive, adding €86.7 million to reported growth for the year. It primarily reflected the gains against the euro in the US dollar (€28.9 million), Brazilian real (€16.7 million), Mexican peso (€14.3 million) and Canadian dollar (€8.7 million).

Acquisitions-related **changes in the scope of consolidation** contributed €101.1 million. Acquired companies consolidated for the first time in 2010 included Colombia's Teledatos, since December 31, 2009; Metis in Turkey and TLSContact in France, since January 1, 2010; and beCogent in the United Kingdom and the U.S. Solutions Group Inc. in the United States, since August 1, 2010.

REVENUE PERFORMANCE BY REGION

Reported revenue was up in all regions, although the increase varied from one region to another. Revenue in the Iberico-LATAM region increased at a sustained pace and represented nearly one-third of annual billings, while the proportion of revenue derived from Europe declined during the year.

€ millions	2010	2009	Change	
			Reported	Like-for-like
English-speaking market & Asia-Pacific	761.9	687.0	+10.9%	+0.8%
Iberico-LATAM	581.9	456.4	+27.5%	+5.3%
Continental Europe & MEA	714.6	704.2	+1.5%	-1.7%
TOTAL	**2,058.5**	**1,847.7**	**+11.4%**	**+1.1%**

- **English-speaking market & Asia-Pacific**

Regional revenue rose by **10.9% as reported in 2010.** The **United States** saw a sharp increase, especially in the fourth quarter, led by the significant growth in existing business and the acquisition of large new customers. Revenue was positively impacted by the currency effect and by the early-August acquisition of UK-based beCogent. **Like-for-like revenue was up 0.8%** compared with 2009.

- **Iberico-LATAM**

The Iberico-LATAM region turned in the fastest revenue growth for the year, **with a 27.5% gain as reported.** This strong performance was driven by **5.3% organic growth**, as well as by the contribution from acquisitions and the rise in local currencies against the euro.
Business continued to expand at a firm pace in **Brazil** but remained adversely impacted by the difficult economic environment in **Spain**.

- **Continental Europe & MEA**

Regional revenue **rose by 1.5% as reported** but **contracted by 1.7% like-for-like**.
In **Europe**, the Group halted the decline in business by adjusting its contract portfolio, while generating a solid performance in the **Nordic and Eastern European countries**. In **France**, business stabilized late in the year with a flat fourth quarter. In addition, in late January 2011, Teleperformance France signed an Employment Protection Plan agreement with employee representatives, following completion of the consultation process. The project is a key component in the transformation plan intended to overhaul the French subsidiary.

RESULTS

EBITDA before non-recurring items (excluding provisions for restructuring operations in France) totaled €257.8 million, or 12.5% of revenue, compared with €227.9 million in 2009.

EBITA before non-recurring items (net operating profit before amortization of acquired intangible assets and provisions for restructuring operations in France) stood at €174.5 million, compared with €156.2 million the year before.
EBITA margin before non-recurring items held stable at 8.5% of revenue, in line with the previously announced objective. However, margin varied widely from one region to another, from more than 10% in the Iberico-LATAM and English-speaking market & Asia-Pacific regions to just slightly positive in Continental Europe & MEA.

During the year, **provisions** set aside to cover the restructuring of operations in France totaled €47 million versus €21 million in 2009. Of the total, €45 million concerned the second plan announced in summer 2010, the terms of which were covered by an agreement signed with employee representatives in late January 2011.

As a result, **net operating profit** for the year amounted to €119.1 million, compared with €130 million in 2009. After the impact of non-recurring provisions, net operating profit represented 5.8% of revenue, versus 7% in the previous year.

Income tax expense came to €41.2 million in 2010, versus €41.3 million in the previous year. This represented an effective tax rate of 35.7%, an increase over the previous year’s 31.8%, due to different bases of calculation in Italy and France.
Net profit attributable to shareholders amounted to €71.9 million, compared with €88.2 million in 2009.

FINANCIAL STRUCTURE

- **Capital expenditure and investments**

As announced, Teleperformance focused on organic growth in 2010, with the result that **capital expenditure** rose sharply to €103 million, or 5% of revenue, from €68 million and 3.7% in 2009. Most of the outlays were committed to increasing operating capacity in Brazil, the Philippines and the United States.

Financial investments declined to €79.6 million from €97.5 million in 2009. They corresponded to the acquisitions of U.S. Solutions Group Inc. in the United States, beCogent in the United Kingdom, a 50% stake in TLSContact, a 75% stake in Turkey's Metis and the final payment for the acquisition of Teledatos, most of which was recognized in 2009.

In all, capital expenditure and investments totaled €182.5 million, compared with €165.6 million in 2009.

- **Cash Flow**

In 2010, **cash flow before non-recurring items and taxes** rose by 10.5% to €253.3 million from €229.3 million in 2009.

After payment of normalized income tax, the outlay of €18 million in payments as part of the first voluntary separation plan implemented in France, and capital expenditure, **free cash flow** totaled €74.5 million, versus €122.2 million in 2009.

- **Financing**

The Group's **financial structure** is solid. At December 31, 2010, **equity** stood at €1,230.7 million, compared with €1,114.1 million a year earlier. The **net cash surplus** amounted to €1.1 million at December 31, 2010 and, thanks to more centralized management of cash flows, Teleperformance's **unused syndicated credit facility** came to €250 million, versus €180 million at December 31, 2009.

2010 DIVIDEND

Despite the exceptional expenses related to the reorganization of operations in France, the Management Board will recommend that shareholders at the Annual Meeting on May 31, 2011 maintain the 2010 dividend at €0.33 per share.

ACQUISITIONS IN 2010

On July 28, 2010, Teleperformance acquired **U.S. Solutions Group Inc.** (USSG). Founded in 2001, the Virginia-based company manages three call centers with nearly 480 workstations. It is mainly involved in customer service and technical support as well as Web-based billing and customer service solutions.

On August 17, 2010, Teleperformance acquired all outstanding shares in UK-based **beCogent**, which employs around 3,000 people in four contact centers in Airdrie, Erskine, Kilmarnock and Glasgow, Scotland. The acquisition has considerably strengthened Teleperformance's presence in the United Kingdom, making the Group the country's second largest operator of outsourced call centers.

GOVERNANCE

At its meeting on February 25, 2011, the Supervisory Board approved the proposed changes in the bylaws that will be submitted to shareholder approval at the Annual Meeting on May 31.

Shareholders will be asked to approve a change in the governance structure from the current two-tier system, with a Supervisory Board and a Management Board, to a unitary system, with a Board of Directors. Daniel Julien, the current Chairman of the Management Board, would be appointed Chief Executive Officer and Chairman of the Board of Directors. The dual-board structure has effectively supported the Group's expansion for more than 15 years. The adoption of a single-tier system would help to make the decision-making and implementation processes more responsive, as demanded in today's globalized economic environment. The new Board of Directors would be comprised of the current Supervisory Board members, plus new members to be elected in the future. In addition, the Board will be supported by an Audit Committee and an Appointments and Compensation Committee. Lastly, an Executive Committee would be created, comprised of the Group's key managers.

STRATEGY AND OUTLOOK FOR 2011

In 2011, the Group intends to strengthen its global leadership in the industry and deploy its development strategy by successfully growing its operations in the United States and Brazil, while improving its performance in the main European markets and focusing in particular on its human resources.

The Group will also pursue its carefully controlled strategy of making targeted acquisitions, based on clearly defined criteria with regard to operational flexibility, profitability and strategic fit with its businesses and geographic locations.

For 2011, Teleperformance expects to generate organic growth in revenue of between 2.5% and 5%. EBITA before non-recurring items should also improve and represent at least 9% of revenue.

Certification of the accounts by the auditors

The consolidated financial statements have been audited. The auditors will issue their report once they have completed the procedures required for the publication of the annual financial report.

Upcoming financial announcement

First-quarter 2011 revenue: April 26, 2011

About Teleperformance

TELEPERFORMANCE (NYSE Euronext Paris: FR 0000051807), **the world's leading provider of outsourced CRM and contact center services**, has been serving companies around the world rolling out customer acquisition, customer care, technical support and debt collection programs on their behalf. In 2010, the Teleperformance Group reported €2.058 billion in revenue (US$2.738 billion based on an exchange rate of €1 = US$1.33).

The Group operates about 83,000 computerized workstations, with more than 120,000 full-time equivalent employees across 268 contact centers in 50 countries and conducts programs in more than 66 different languages and dialects on behalf of major international companies operating in various industries.

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STATEMENTS OF INCOME

In thousands of euros

	2010	2009
Revenues	**2 058 473**	**1 847 654**
Other revenues	9 099	13 873
Personnel	-1 447 116	-1 293 803
External expenses	-346 113	-311 565
Taxes other than income taxes	-13 847	-15 688
Depreciation and amortization	-83 329	-71 620
Amortization of intangible assets acquired as part of a business combination	-8 410	-5 205
Business combination		
Change in inventories	-121	42
Other operating income	5 768	5 939
Other operating expenses	-55 322	-39 592
Net operating profit before financing costs	**119 082**	**130 035**
Income from cash and cash equivalents	3 161	4 068
Interest on financial liabilities	-8 805	-7 771
Net financing costs	**-5 644**	**-3 703**
Other financial income	22 606	15 333
Other financial expenses	-20 508	-11 601
Share of profit of equity-accounted investees (net of tax)	0	0
Profit before taxes	**115 536**	**130 064**
Income tax	-41 195	-41 310
Net profit	**74 341**	**88 754**
Net profit - Group share	**71 887**	**88 201**
Net profit attributable to non-controlling interests	2 454	553
Basic and diluted earnings per share (€)	**1,27**	**1,56**

BALANCE SHEETS

In thousands of euros

ASSETS	12.31.2010	12.31.2009
Non-current assets		
Goodwill	709 423	627 842
Other intangible assets	96 001	84 048
Property, plant and equipment	256 007	217 283
Financial assets	23 454	18 080
Deferred tax assets	29 666	10 438
Total non-current assets	1 114 551	957 691
Current assets		
Inventories	454	567
Current income tax receivable	33 265	31 781
Accounts receivable - Trade	482 286	445 626
Other current assets	103 187	93 500
Other financial assets	7 397	6 239
Cash and cash equivalents	118 355	238 686
Total current assets	744 944	816 399
Total assets	**1 859 495**	**1 774 090**

EQUITY AND LIABILITIES	31.12.2010	31.12.2009
Equity		
Share capital	141 495	141 490
Share premium	556 181	556 181
Translation reserve	20 115	-46 245
Other reserves	506 682	459 706
Total equity attibutable to equity holders of the parent	1 224 473	1 111 132
Non-controlling interests	6 246	2 933
Total equity	1 230 719	1 114 065
Non-current liabilities		
Long-term provisions	5 465	6 251
Financial liabilities	29 439	36 589
Deferred tax liabilities	43 200	31 473
Total non-current liabilities	78 104	74 313
Current liabilities		
Short-term provisions	63 243	34 810
Current income tax	25 619	25 277
Accounts payable - Trade	93 365	88 088
Other current liabilities	280 671	246 433
Other financial liabilities	87 774	191 104
Total current liabilities	550 672	585 712
Total equity and liabilities	**1 859 495**	**1 774 090**

CASH FLOW STATEMENTS

In thousands of euros

Cash flows from operating activities	2010	2009
Net profit - Group share	71 887	88 201
Net profit attributable to minority interests	2 454	553
Income tax expense	41 195	41 310
Depreciation and amortization	91 739	76 825
Change in provisions	29 279	21 557
Unrealized gains and losses on financial instruments	-1 851	808
Gain/losses on disposal of non-current assets, net of tax	-197	1 029
Income tax paid	-52 906	-31 296
Other	787	-1 029
Internally generated funds from operations	**182 387**	**197 958**
Change in working capital requirements relating to operations	-4 855	-7 806
Net cash from operating activities	**177 532**	**190 152**
Cash flows from investing activities		
Acquisition of intangible assets and property, plant and equipement	-102 960	-68 096
Acquisition of subsidiaries, net of cash acquired	-79 570	-97 514
Loans and advances made	-116	-673
Proceeds relating to disposals of intangible assets and property, plant and equipment	2 354	1 006
Proceeds relating to disposals of subsidiaries, net of cash disposed of	1 431	1 921
Net cash from investing activities	**-178 861**	**-163 356**
Cash flows from financing activities		
Cash flows from financing activities		
Proceeds from the issue of share capital	4 313	3 342
Acquisition of treasury shares	186	353
Dividends paid to parent company shareholders	-18 677	-24 808
Dividends paid to minority interests in consolidated subsidiaries	-53	-160
Proceeds from new borrowings	10 895	165 654
Repayment of borrowings	-100 070	-192 998
Net cash from financing activities	**-103 406**	**-48 617**
Change in cash and cash equivalents	**-104 735**	**-21 821**
Effect of exchange rates on cash held	596	-563
Net cash at January 1	**215 851**	**238 235**
Net cash at December 31	**111 712**	**215 851**

ADJUSTMENT OF THE 2009 ACCOUNTS

The allocation of the acquisition price of Teledatos, acquired at the end of 2009, to the assets and liabilities acquired led to the identification in 2010 of certain intangible assets and items of property plant and equipment. The 2009 accounts were adjusted to take into account the recognition of these intangible assets and items of property, plant and equipment at the date of acquisition of Teledatos, leading to a reduction in the initial amount of goodwill and the recognition of a deferred tax liability.