Teleperformance - First-Half 2011 Financial Results

- **Sustained growth in the first half of 2011**
- **EBITA margin impacted by external factors**
- **Robust balance sheet**

PARIS, JULY 28, 2011 – The Teleperformance Board of Directors met on July 27, 2011 under the chairmanship of Daniel Julien and approved the consolidated financial statements for the first half of 2011.

€ millions	First-half 2011	First-half 2010
Revenue	**1,061.9**	**983.2**
Growth as reported	+ 8.0%	
EBITDA*	**111.9**	**105.8**
EBITDA margin	10.5%	10.8%
EBITA before non-recurring items*	**68.6**	**65.6**
EBITA margin before non-recurring items	6.5%	6.7%
EBIT	**59.3**	**61.4**
Net profit - attributable to shareholders	**33.3**	**39.2**
Cash flow	**53.5**	**63.5**
Free cash flow	**(1.1)**	**58.2**

In € millions	June 30, 2011	Dec. 31, 2010
Equity	**1,200.8**	**1,230.5**
Net debt/(net cash)	**26.8**	**(1.1)**

Statements of income – First-half 2011: €1 = $1.44; First-half 2010: €1 = $1.32
Balance sheets – June 30, 2011: €1 = $1.44; December 31, 2010: €1 = $1.34

* Before provision related to the application of an executive non-compete clause (first-half 2011: €4.9 million; first-half 2010: €0)

EBITA before non-recurring items: Earnings before interest, taxes, amortization of acquired intangible assets and non-recurring items

REVENUE

- **First-half 2011**

Revenue amounted to **€1,061.9 million** in first-half 2011, compared with €983.2 million in first-half 2010, an **increase** of **8.0% as reported** and **6.0% like-for-like.**

The currency effect was negative, trimming €13.3 million from reported growth for the period, while **changes in scope of consolidation** contributed €31.9 million.

The period saw contrasting performances between the first and second quarters. While business was very brisk in the first three months of the year, growth was less vigorous in the following three months.
This change resulted from decreased billings in the Continental Europe & MEA region, especially in France. In the United States and Latin America, it was amplified by sharp movements in the US dollar and other foreign currencies against the euro. In particular, the US dollar weakened to $1.44 against the euro in first-half 2011 versus $1.32 in the prior-year period.

- **Second-quarter 2011**

Revenue amounted to **€535.9 million** in the second quarter of 2011, compared with €530.8 million in the year-earlier period, an **increase** of **1.0% as reported** and **2.9% like-for-like.**

The currency effect was significantly negative, mainly due to the US dollar's retreat against the euro.

Changes in the scope of consolidation added €15.5 million to revenue for the quarter, reflecting the consolidation since August 1, 2010 of beCogent in the United Kingdom and of U.S. Solutions Group Inc. (USSG) in the United States.

REVENUE PERFORMANCE BY REGION

€ millions	2011	2010	% Change	
			Reported	Like-for-Like
FIRST HALF				
English-speaking market & Asia-Pacific	411.0	349.7	+ 17.5%	+ 11.9%
Iberico-LATAM	309.1	277.5	+ 11.4%	+ 11.7%
Continental Europe & MEA	341.8	356.0	- 4.0%	- 4.5%
TOTAL	**1,061.9**	**983.2**	**+ 8.0%**	**+ 6.0%**
SECOND QUARTER				
English-speaking market & Asia-Pacific	199.2	184.0	+ 8.3%	+ 10.6%
Iberico-LATAM	161.6	152.6	+ 5.9%	+ 11.1%
Continental Europe & MEA	175.1	194.2	- 9.8%	- 10.5%
TOTAL	**535.9**	**530.8**	**+ 1.0%**	**+ 2.9%**
FIRST QUARTER				
English-speaking market & Asia-Pacific	211.7	165.7	+ 27.8%	+ 13.8%
Iberico-LATAM	147.5	124.9	+ 18.1%	+ 13.1%
Continental Europe & MEA	166.7	161.8	+ 3.0%	+ 0.0%
TOTAL	**525.9**	**452.4**	**+ 16.2%**	**+ 8.9%**

In the **second quarter of 2011**, **revenue performance by region** was as follows:

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

In the second quarter, regional revenue **increased by 8.3% as reported** compared with the prior-year period. In the United States, growth was slightly below first-quarter levels as a result of lower volumes under a contract launched at the end of 2010 and the overall slowdown in business in the telecommunications industry. The growth rate was high nevertheless, with revenue benefiting from the acquisition of beCogent in the United Kingdom and U.S. Solutions Group Inc. in the United States. Changes in exchange rates had a very negative impact on revenue in the region due to the US dollar's steep decline.

On a like for like basis, revenue rose 10.6% compared with the same period in 2010, in line with the first-quarter performance.

- **Iberico-LATAM**

In comparison with second-quarter 2010, **revenue** was **up 5.9% as reported** and **11.1% at constant exchange rates**, continuing on the upward trend observed in the first quarter.
Momentum was particularly strong in **Brazil**, while the market in **Spain** remained structurally challenging and deeply affected by the weakened economy.

- **Continental Europe & MEA**

Second-quarter **revenue** contracted by **9.8% as reported** and by **10.5% like-for-like**.
Business in terms of both volumes and prices remained difficult in **Europe**, especially in **France** and **Italy**.

In **France**, the restructuring plan decided early in the year advanced into its final stages. On June 30, 2011, four sites were closed as planned and all of the employees concerned left the organization, with the exception of some 80 people who have protected employee status and for whom new jobs are being found.

RESULTS

EBITA before non-recurring items (earnings before interest, taxes, amortization of acquired intangible assets and non-recurring items) came to **€68.6 million** for the first half of 2011 (6.5% of revenue) versus €65.6 million (6.7% of revenue) in first-half 2010.

The Group's EBITA margin was severely weakened by several external factors:

- A significant **currency effect** associated with the decline in the US dollar, one of the main billing currencies, against certain functional currencies (especially the Mexican and Philippine pesos). Despite a strategy of systematically hedging all budgeted costs, movements in these currencies against the dollar, ranging from 5% to 7% compared with the prior-year period, reduced the Group's overall performance.

- Furthermore, last winter's events in **Tunisia** and their enduring repercussions hurt the Group's margins in this country.

However, these adverse effects were partly offset by improvements elsewhere, particularly in Brazil, the United States and Greece.

Excluding holding companies, recurring EBITA margin was a positive 8.4% in English-speaking markets & Asia-Pacific, a positive 7.8% in the Iberico-LATAM region and a negative 1.2% in the Continental Europe & MEA region, where it nevertheless showed a 1.2-point improvement on the prior-year period.

During the first half of 2011, **non-recurring provisions** were set aside in an amount of €4.9 million in relation to the application of an executive non-compete clause.

After taking into account non-recurring items, **EBIT** for the first six months of the year totaled €59.3 million in 2011 versus €61.4 million in 2010.

Net financial expense amounted to €7.1 million in the first half of 2011 versus €0.7 million in the first half of 2010. The increase compared with the year-earlier period was mainly attributable to net exchange losses, with finance costs remaining stable overall.

Income tax expense shrank to €17.1 million in the first half of 2011 from €20.8 million in the year-earlier period, reflecting a decline in the effective tax rate to 32.8% from 34.2% in the first six months of 2010.

Net profit attributable to shareholders totaled €33.3 million in first-half 2011, compared with €39.2 million in first-half 2010.

FINANCIAL STRUCTURE

- **Capital expenditure**

Capital expenditure amounted to €49 million compared with €31.8 million in first-half 2010, representing 4.6% of revenue versus 3.2% in the prior-year period. Adjusted for payments made during the period to upgrade the Group's software for a total of €6.6 million, capital expenditure represented 4% of revenue, which was significantly less than in 2010, when it represented 5%.

- **Cash Flow**

In the first half of 2011, **cash flow before tax** came to €84.4 million or 7.9% of revenue, versus €91.4 million in the first half of 2010.

- **Financing**

The Group's **balance sheet** is very sound. **Equity** stood at €1,200.8 million at June 30, 2011, versus €1,230.5 million at December 31, 2010, The Group had **net debt** of €26.8 million, compared with **net cash** of €1.1 million at end-2010.It also had an **undrawn syndicated line of credit** representing €236.2 million at June 30, 2011.

2011 OUTLOOK

For 2011, Teleperformance reaffirms its objective of reporting **2.5% to 5% revenue growth**, like for like, and a **recurring EBITA margin** within **the 8% to 9% range**.

REVIEW OF THE ACCOUNTS BY THE AUDITORS

The auditors have completed their limited review of the interim consolidated financial statements, and will issue their report once they have completed the procedures required for the publication of the interim financial report.

UPCOMING FINANCIAL ANNOUNCEMENT

Third-quarter 2011 revenue: November 3, 2011

ABOUT TELEPERFORMANCE

Teleperformance (NYSE Euronext Paris: FR 0000051807), **the world's leading provider of outsourced CRM and contact center services**, serves companies around the world with customer acquisition, customer care, technical support and debt collection programs. In 2010, it reported consolidated revenue of €2,058 million (US$2,738 million based on €1 = US$1.33).

The Group operates about 83,000 computerized workstations, with more than 128,000 full-time equivalent employees across 263 contact centers in 50 countries. It manages programs in more than 66 languages and dialects on behalf of major international companies operating in a wide variety of industries.
www.teleperformance.com

CONTACTS

TELEPERFORMANCE

Olivier Rigaudy, Group Finance Managing Director
Phone: + 33 1 55 76 40 80 - info@teleperformance.com

Anne-Emmanuelle Dognon, Investor Relations
Phone: + 33 1 55 76 40 87 - a.dognon@teleperformance.com

LT VALUE - Investor Relations and Corporate Communication

Nancy Levain / Maryline Jarnoux-Sorin
+ 33 1 44 50 39 30 - + 33 6 72 28 91 44
nancy.levain@ltvalue.com / maryline.jarnoux-sorin@ltvalue.com

CONDENSED INCOME STATEMENT

In thousands of euros

	H1 2011	H1 2010 Restated	H1 2010 Reported
Revenues	**1 061 879**	**983 242**	**983 242**
Other revenues	4 332	5 502	5 502
Personnel	-765 508	-704 086	-704 086
External expenses	-177 867	-169 166	-169 166
Taxes other than income taxes	-6 371	-8 195	-8 195
Depreciation and amortization	-43 321	-40 214	-40 214
Amortization of intangible assets acquired as part of a business combination	-4 460	-4 167	-2 908
Change in inventories	64	-38	-38
Other operating income	1 844	3 759	3 759
Other operating expenses	-11 326	-5 214	-5 214
Operating profit	**59 266**	**61 423**	**62 682**
Income from cash and cash equivalents	317	1 554	1 554
Interest on financial liabilities	-4 558	-4 217	-4 217
Net financing costs	**-4 241**	**-2 663**	**-2 663**
Other financial income	11 947	10 119	10 119
Other financial expenses	-14 817	-8 152	-8 152
Profit before taxes	**52 155**	**60 727**	**61 986**
Income tax	-17 088	-20 776	-21 026
Net profit	**35 067**	**39 952**	**40 960**
Net profit - Group share	**33 340**	**39 154**	**40 162**
Net profit attributable to non-controlling interests	-1 727	798	798
Basic and diluted earnings per share (in €)	**0,59**	**0,69**	**0,71**

CONDENSED BALANCE SHEET

In thousands of euros

ASSETS	June 30,2011	December 31,2010
Non-current assets		
Goodwill	678 575	701 059
Other intangible assets	95 737	107 246
Property, plant and equipment	246 013	256 007
Financial assets	24 202	23 454
Deferred tax assets	31 912	29 666
Total non-current assets	1 076 439	1 117 432
Current assets		
Inventories	507	454
Current income tax receivable	42 534	33 265
Accounts receivable - Trade	462 940	482 286
Other current assets	127 701	103 187
Other financial assets	7 110	7 397
Cash and cash equivalents	109 823	118 355
Total current assets	750 615	744 944
Total assets	**1 827 054**	**1 862 376**

EQUITY AND LIABILITIES	June 30,2011	December 31,2010
Shareholder's equity		
Share capital	141 495	141 495
Share premium	556 181	556 181
Translation reserve	-23 200	20 115
Other reserves	519 339	506 414
Attributable to equity holders of the parent	1 193 815	1 224 205
Non-controlling interests	7 003	6 246
Total shareholder's equity	1 200 818	1 230 451
Non-current liabilities		
Long-term provisions	5 526	5 465
Financial liabilities	26 561	29 439
Deferred tax liabilities	44 974	46 349
Total non-current liabilities	77 061	81 253
Current liabilities		
Short-term provisions	49 448	63 243
Current income tax	20 897	25 619
Accounts payable - Trade	80 451	93 365
Other current liabilities	288 311	280 671
Other financial liabilities	110 068	87 774
Total current liabilities	549 175	550 672
Total equity and liabilities	**1 827 054**	**1 862 376**

CONDENSED CASH FLOW STATEMENT

In thousands of euros

Cash flows from operating activities	H1 2011	H1 2010 Restated	H1 2010 Reported
Net profit - Group share	33 340	39 154	40 162
Net profit attributable to non-controlling interests	1 727	799	799
Income tax expense	17 088	20 775	21 026
Depreciation and amortization	47 647	44 369	43 110
Change in provisions	-15 423	-12 437	-12 437
Expense and income relating to share-based payments			
Unrealized gains and losses on financial instruments	-70	-1 279	-1 279
Gain/losses on disposal of non-current assets, net of tax	112	116	116
Income tax paid	-30 923	-27 920	-27 920
Other	-25	-97	-97
Internally generated funds from operations	**53 473**	**63 480**	**63 480**
Change in working capital requirements relating to operations	-5 587	26 520	26 520
Net cash flow from operating activities	**47 886**	**90 000**	**90 000**

Cash flows from investing activities			
Acquisition of intagible assets and property, plant and equipement	-49 007	-31 824	-31 824
Acquisition of subsidiaries, net of cash acquired	-6 793	-28 009	-28 009
Loans and advances made	-106	-55	-55
Proceeds relating to disposals of intangible assets and property, plant and equipement	1 282	31	31
Proceeds relating to disposals of subsidiaries, net of cash disposed	-169		
Proceeds from loans and advances	1 055	1 100	1 100
Net cash flow from investing activities	**-53 738**	**-58 757**	**-58 757**

Cash flows from financing activities			
Proceeds from the issuance of capital	6	4 282	4 282
Acquisition of treasury shares	-1 155	4	4
Dividend paid to parent company shareholders	-18 677	-18 677	-18 677
Dividend paid to non-controlling interests in consolidated subsidiaries	-227	-52	-52
Proceeds from new borrowings	39 761	33 485	33 485
Prepayment of borrowings	-30 147	-67 819	-67 819
Net cash flow from financing activities	**-10 439**	**-48 777**	**-48 777**

Change in cash and cash equivalents	**-16 291**	**-17 534**	**-17 534**
Effect of exchange rates on cash held	-718	7 324	7 324
Net cash at January 1	**111 712**	**215 851**	**215 851**
Net cash at June 30	**94 703**	**205 641**	**205 641**