

# DEVOTEAM: Results for the First Half of 2012

## and Changes in operational governance

- ✓ **€262 million revenues and €7 million operating margin**
- ✓ **Steady progress of the transformation plan – full year 2012 guidance confirmed**
- ✓ **Sound financial position: €22.6 million of cash available as of June 30<sup>th</sup>, 2012 to secure financing during the transformation period**

**Paris - August 29, 2012** – Devoteam (NYSE Euronext Paris: DVT) today announced financial results for H1 2012 and provided details of its new operational governance, aiming at reinforcing the execution of its transformation.

<i>In millions of euros, except per share data<sup>(1)</sup></i>	<b>30.06.2012</b>	30.06.2011
<b>Revenue</b>	<b>262.3</b>	268.5
<i>Growth rate</i>	<b>-2.3%</b>	+11.8%
<i>Growth rate (like-for-like)<sup>(2)</sup></i>	<b>-2.9%</b>	+5.6%
<b>Operating margin<sup>(3)</sup></b>	<b>7.2</b>	13.0
<i>% of the revenue</i>	<b>2.7%</b>	4.9%
<b>Operating income</b>	<b>-2.0</b>	11.7
<i>% of the income</i>	<b>-0.8%</b>	4.4%
<b>Net income – Group share</b>	<b>-2.4</b>	6.9
<i>Diluted earnings per share<sup>(4)</sup></i>	<b>- 0.25€</b>	0.68€
<b>Net cash position<sup>(5)</sup></b>	<b>22.6</b>	40.7

(1) The H1 2012 financial statements presented in this press release were approved by the Executive Board on August 28<sup>th</sup>, 2012, presented to the Supervisory Board on the same day and are certified audit.

(2) At constant exchange rates and perimeter.

(3) Current operating income before the amortization of intangible assets resulting from acquisitions and excluding impact of stock options.

(4) Based on the weighted average number of shares during the period.

(5) Including bank overdrafts and cash management tools booked as 'other current financial assets'.

Consolidated financial statements for H1 2012 are available on our website:

<http://www.devoteam.com>

## Results for the First Half of 2012

Total **revenue** for the first half of 2012 was €262.3 million, slightly down (-2.3% and -2.9% like-for-like), compared to the first half of 2011.

The **operating margin** amounted €7.2 million, or 2.7% of the revenue. Reflecting the uncertain economic environment, the utilization rate<sup>1</sup> declined 1.8 point compared to the first half of 2011 (82% versus 83.8%). The pressure on contract margins started to ease by the end of the first half of the year following a strong focus on the profitability of projects and subcontractors as part of the transformation program. This should allow some margin improvement in the second half of the year along with the progress of the implementation of the transformation.

The **operating result** stood at €-2 million, representing -0.8% of the revenue, as opposed to €11.7 million over the same period last year. An increase in non-current expenses compared to the first half year of 2011 came as a result of a one-off transformation cost (€4.4 million) and a €4.3 million restructuring expense. Downsizing helped the Group adapt to the current market situation, notably in Belgium where R&D activities for Nokia Siemens Networks are being progressively discontinued.

As of June 30<sup>th</sup>, 2012, the Group **headcount** stood at 4,782 employees. Over the past six-month period, the total number of employees reduced by 75 (of which, 40 billable and 35 non-billable), reflecting, apart from Belgium, the continued effect of the turn-around in Poland. The billable headcount to total headcount ratio continued to increase and represented 85.8% against 84.8% in June 2011, and 85.3% last December.

The **financial result** improved to €-0.5 million (compared to €-1 million in the first half of 2011) as a positive consequence of a lower level of financial debt.

**Income tax** amounted €0.6 million. The increase in effective tax rate resulted from operational losses in some entities - mainly in Poland – which could not lead to recognition of tax assets and from the effect of French local taxes.

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<sup>1</sup> Utilization rate measures the percentage of working hours (excluding paid holidays) of billable employees who were billed to a client.

Reflecting the significant cost of the transformation, **net earnings available to the shareholders of the parent company** were €-2.4 million, compared to €7 million one year earlier.

The **cash flow from operations** improved significantly to €-8.4 million, from €-19.2 million in the first half of 2011. It was helped by a better control of the seasonal increase in working capital during the first half of 2012 (€7.8 million), compared to the same period last year (€26.1 million).

The **investments** over the first half of 2012 totaled €1.8 million, of which one million was spent to acquire minority stakes in Axance and Inflexys, two companies focused on Mobility.

As of end of June 2012, the Group **financial position** was solid. The available cash (net of bank overdrafts) was €22.6 million compared to €40.7 million as of end of 2011. The change in cash position during the period included €4.8 million spent on the payment of dividends and €2.7 million allocated to the buyback of Devoteam's own shares. The Group net debt amounted to €4 million on June 30<sup>th</sup>, 2012. Plus, a 3-year credit facility amounting to €25 million has been agreed.

### **Analysis of the Second Quarter of 2012**

**Total revenue for the second quarter of 2012** was €130 million, a decrease of 3.7% compared to the same period in 2011. It included a 0.9% positive effect from foreign currencies exchange rates. The change is mainly due to a lower utilization rate combined with an unfavorable seasonal effect in the number of billable days. Excluding seasonal effects, the yearly growth rate in the second quarter of 2012 stood close to that of the first quarter, around -2%.

Revenue from **Business Consulting** activities decreased 11.7% compared to the second quarter of 2011. Changes in foreign currencies exchange rates stood at 2.8%. The signature of a major deal in the Middle East back in 2011 unbalanced the comparison with the first half of 2012. Excluding this one-off contract, the growth rate for the second quarter of 2012 would have stood around -3%.

Revenue from the **Technology Consulting** business slowed down slightly (-1.9%) in the second quarter 2012, compared to the same period in 2011. Changes in currencies contributed to growth for 0.4%.

**Business in France** had a virtually flat growth rate (-1.2%) compared to the second quarter of 2011. The market conditions in the banking sector were challenging, but partly offset by activities with clients coming from industry and non-financial services. Keeping the same trend as the previous quarters, Business Consulting in France further increased its performance and improved its position on the value chain.

**Activities outside France** represented 54% of the Group total revenue for the period, and decreased 5.8% compared to the same period last year (including a 1.6 point positive effect from changes in currencies). As mentioned previously, the Middle East challenging comparison base in 2011 influenced this trend.

### **Strategic plan and prospects for 2012**

Devoteam confirmed the guidance provided on July 3<sup>rd</sup>, 2012. Total revenue should decrease slightly and stand between €515 million and €520 million in 2012. Operating Margin is expected to represent around 4% of total revenue.

The first moves towards the transformation of our operating model are encouraging. Similarly, some of the recent customer contracts signed in the Group confirm the choices made in terms of portfolio repositioning, especially in the Cloud, IT Service Management and Telecom Network Optimization offers. As an example, after having extended their partnership to Denmark, Devoteam and ServiceNow recently won their first shared client in Scandinavia. The Group was also chosen by Nokia Siemens Networks in Germany to provide them with a network optimization service center.

As previously announced, the Eagle transformation plan aims at bringing, by 2015, Devoteam's growth rate and operating margin to 10% each, a level close to the best performing of its comparable competitors.

In this context, Devoteam has announced changes of its operational governance and created, five major regions with the entities where the transformation is being deployed, aiming at allowing a closer monitoring of operations. These regions were defined based on criteria of balanced revenues, offer portfolio synergies, as well as geographical position and similarities in language. Each region will be led by an Executive Vice-President, who will join the Executive Committee from September, 2012, together with the co-CEOs - Stanislas and Godefroy de Bentzmann, the CFO, and the Executive Vice President in charge of Corporate Finance and Ventures.

## Next release

Revenue of the Third Quarter of 2012: November 7<sup>th</sup>, 2012 after closing of the stock exchange.

## Appendices

### H1 2012 revenues and operating margin by segment and geography

In millions of euros	<b>Business Consulting</b>				<b>Technology Consulting</b>			
	H1 2012	H1 2011	H1 2011	Var.	H1 2012	H1 2011	H1 2011	Var.
		(R*)	(P*)			(R*)	(P*)	
<b>Revenue contribution<sup>(1)</sup></b>	<b>44.5</b>	<b>48.1</b>	<b>48.3</b>	<b>-7.3%</b>	<b>217.8</b>	<b>220.5</b>	<b>220.3</b>	<b>-1.2%</b>
<i>Variation (like-for-like)<sup>(2)</sup></i>	-9.6%	-	-		-1.5%	-	-	
<b>Operating margin<sup>(1)</sup></b>	<b>2.2</b>	<b>3.2</b>	<b>3.6</b>	<b>-32%</b>	<b>5.0</b>	<b>9.9</b>	<b>9.4</b>	<b>-48.9%</b>
<i>% of the revenue</i>	4.9%	6.6%	7.5%		2.3%	4.5%	4.3%	

In millions of euros	<b>France</b>				<b>Rest of the World</b>			
	H1 2012	H1 2011	H1 2011	Var.	H1 2012	H1 2011	H1 2011	Var.
		(R*)	(P*)			(R*)	(P*)	
<b>Revenue contribution<sup>(1)</sup></b>	<b>120.5</b>	<b>120.9</b>	<b>120.3</b>	<b>-0.4%</b>	<b>141.8</b>	<b>147.6</b>	<b>148.2</b>	<b>-3.9%</b>
<i>Variation (Like-for-like)<sup>(2)</sup></i>	-0.4%	-	-		-5.03%	-	-	
<b>Operating margin<sup>(1)</sup></b>	<b>3.4</b>	<b>5.8</b>	<b>4.4</b>	<b>-40.6%</b>	<b>3.8</b>	<b>7.3</b>	<b>8.5</b>	<b>-48%</b>
<i>% of the revenue</i>	2.8%	4.8%	3.7%		2.7%	4.9%	5.7%	

\* (P)=Published; (R)=Restated.

(1) Costs and revenues from headquarter have been allocated to each segment in proportion to revenues.

(2) At constant exchange rates and perimeter.

## Quarterly revenue by segment and geography

In millions of euros		Q1 2012	Q1 2011	Q2 2012	Q2 2011
<b>Business Consulting<sup>(1)</sup></b>		<b>22.6</b>	23.2	<b>22.0</b>	24.9
	<b>Var.</b>	<b>-2.7%</b>		<b>-11.7%</b>	
	<i>Var. Like-for-like<sup>(2)</sup></i>	<i>-4.3%</i>		<i>-14.5%</i>	
<b>Technology Consulting<sup>(1)</sup></b>		<b>110.0</b>	110.6	<b>107.7</b>	109.8
	<b>Var.</b>	<b>-0.5%</b>		<b>-1.9%</b>	
	<i>Var. Like-for-like<sup>(2)</sup></i>	<i>-0.6%</i>		<i>-2.4%</i>	
<b>France<sup>(1)</sup></b>		<b>60.6</b>	60.3	<b>59.9</b>	60.7
	<b>Var.</b>	<b>+0.4%</b>		<b>-1.2%</b>	
	<i>Var. Like-for-like<sup>(2)</sup></i>	<i>+0.4%</i>		<i>-1.2%</i>	
<b>Rest of the World<sup>(1)</sup></b>		<b>72.1</b>	73.5	<b>69.8</b>	74.1
	<b>Var.</b>	<b>-2.0%</b>		<b>-5.8%</b>	
	<i>Var. Like-for-like<sup>(2)</sup></i>	<i>-2.6%</i>		<i>-7.4%</i>	
<b>Total</b>		<b>132.6</b>	133.8	<b>129.7</b>	134.7
	<b>Var.</b>	<b>-0.9%</b>		<b>-3.7%</b>	
	<i>Var. Like-for-like<sup>(2)</sup></i>	<i>-1.3%</i>		<i>-4.6%</i>	

(1) Costs and revenues from headquarter have been allocated to each segment in proportion to revenues

(2) At constant exchange rates and perimeter

## Cash position – net from financial debts on June, 30<sup>th</sup> 2012

<i>In millions of euros</i>	<b>30.06.2012</b>	<b>31.12.2011</b>
Cash Management tools, included in « other current assets » in the balance sheet	6.8	12.7
Cash and Cash Equivalent	26.3	37.4
Bank overdrafts	(10.5)	(9.4)
<b>Available cash, net of bank overdrafts</b>	<b>22.6</b>	<b>40.7</b>
Current financial debt <sup>(1)</sup>	20.6	20.1
Non-current financial debt	6.0	6.1
<b>Cash position – net of all financial debts</b>	<b>(4.0)</b>	<b>14.4</b>
<b>Total Equity</b>	<b>127.6</b>	<b>137.1</b>
<b>Debt to Equity Ratio (%)</b>	<b>3.1%</b>	<b>-10.5%</b>

(1) Excluding bank overdrafts, already included in the available cash position

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### About Devoteam :

Devoteam is an IT consulting group created in 1995, a preferred partner for accompanying the IT transformation of its clients. Combining consulting know-how and technical expertise enables Devoteam to provide its customers with independent advice and effective solutions that meet their industrial objectives.

In 2011, Devoteam achieved revenues of 528M€ and an operating margin of 5.5%. The Group consists of 4,782 employees in 23 countries across Europe, North Africa and the Middle East.

ISIN: FR 0000073793, Reuters: DVTM.PA, Bloomberg : DEVO FP. [www.devoteam.com](http://www.devoteam.com)

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