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Capgemini reports very good results for H1 2016 and raises its full-year margin guidance

- **Revenues of €6,257 million, up 14.4% at constant exchange rates**
- **32% revenue growth in Digital & Cloud**
- **1.5 point increase in operating margin rate to 10.2%**
- **31% growth in normalized earnings per share to €2.52**
- **Operating margin guidance raised for 2016**

Paris, July 27, 2016 – The Board of Directors of Cap Gemini S.A. chaired by Paul Hermelin, convened in Paris on July 26, 2016 to review and authorize the issue of the accounts[1] of Capgemini Group for the 1st half of 2016.

For Paul Hermelin, Chairman and Chief Executive Officer of Capgemini Group, *"Having started the year with a good momentum, the Group has delivered an excellent first-half. Our revenue is up 14.4% at constant exchange rates and our operating margin increased sharply (+1.5 points) to 10.2% of revenues with margin improvement in each of the Group's regions.*

We continue to expand in market segments driven by innovation. Demand for Digital & Cloud remains solid with a 32% revenue progression. Our Consulting business also benefits from its position on Digital Transformation with growth of 8.1%.

We expanded our portfolio of innovative services with a Digital Manufacturing offering targeting industrial companies and launched the new Automation Drive service line, bringing together all the Group's automation technology and expertise.

This first-half has also seen confirmation of the successful integration of IGATE which has been operating under the Capgemini brand since January: synergies are delivered ahead of plan and sales momentum is excellent, as evidenced by sustained growth in key accounts.

Finally, our global network of delivery centers now counts over 100,000 employees and represents 55% of the total Group headcount. This is key to our competitiveness, notably with a growing demand in Europe.

Based on the first half results, we are raising our operating margin guidance for full year 2016 to between 11.3% and 11.5%."

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

H1 2016 KEY FIGURES

(in millions of euros)	H1 2015	H1 2016	*Change*
Revenues	**5,608**	**6,257**	**+11.6%**
Operating margin *	**486**	**638**	**+31%**
as a % of revenues	8.7%	10.2%	+150bp
Operating profit	**447**	**510**	**+14%**
as a % of revenues	8.0%	8.1%	+10bp
Net profit (Group share)	**290**	**366**	
Basic earnings per share (€)	1.76	2.15	+22%
Normalized earnings per share * (€)	1.92	2.52	+31%
Organic free cash flow *	**(86)**	**31**	**+117**
Net cash and cash equivalents / (Net debt)	1,464	(2,278)	

The Group generated **revenues** of €6,257 million in H1 2016, up 11.6% on H1 2015 reported revenues and 14.4% at constant exchange rates. Organic growth (i.e. excluding the impact of Group currencies against the euro and changes in Group scope) was 3.3% for H1 and 3.8% for Q2. Digital & Cloud revenues grew 32% at constant exchange rates and account for 28% of H1 revenues.

New orders recorded during the first six months of 2016 totaled €6,341 million, compared to €5,309 million reported for H1 2015.

Operating margin is up 31% year-on-year to €638 million, and represents 10.2% of revenues, up 150 basis points year-on-year, with an increase in all Group's regions and businesses. Beyond the positive impact of the integration of IGATE and associated synergies, this improvement in profitability demonstrates the value created by the ongoing industrialization of Group operations and the increasing contribution from high value offerings in Digital & Cloud.

Other operating income & expense totaled €128 million. The increase is primarily due to the integration costs and the amortization of intangible assets related to the acquisition of IGATE.

H1 2016 **operating profit** increases to 8.1% of revenues or €510 million, up 14% year-on-year.

Net financial expense is €62 million, up €21 million on H1 2015, mainly due to the cost of the IGATE acquisition financing. The income tax expense is €87 million, down €40 million year-on-year notably due to the recognition of a deferred tax asset of €32 million.

Net profit (Group share) reached €366 million for the first half, up 26% year-on-year. **Basic EPS** (earnings per share) is €2.15 for the first half of 2016 and **normalized EPS** increased 31% year-on-year to €2.52.

The Group generated an **organic free cash flow** of €31 million in H1 2016, an improvement of €117 million compared to H1 2015. Return to shareholder amounted to €394 million over the period through a dividend payment of €229 million and share buyback in the amount of €165 million.

OUTLOOK

For 2016, the Group upgrades its operating margin forecast to between 11.3% and 11.5% (compared with 11.1% to 11.3% previously). In addition, the Group confirms its guidance for 2016 of revenue growth at constant exchange rates of 7.5% to 9.5% and organic free cash flow generation in excess of €850 million.

The Group estimates the negative impact of currency fluctuations on revenues at -2%, primarily due to the appreciation of the euro against the pound sterling and the Brazilian real.

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

TRENDS BY BUSINESS

Consulting Services (4% of Group revenues) reaping the benefits of its repositioning on Digital Transformation reported an increase in revenues of 8.1% at constant exchange rates with strong growth in the UK. Operating margin improved 230 basis points year-on-year to 10.4%.

Technology & Engineering Services (15% of Group revenues, previously known as Local Professional Services) reported revenue growth of 13.1% at constant exchange rates in the first six months. Growth was driven, beyond the IGATE contribution, by North America and Rest of Europe regions. The operating margin increased 260 basis points year-on-year to 11.3% in the first half.

Application Services (60% of Group revenue) reported an increase of 17.2% at constant exchange rates for the first-half. Beyond the contribution of IGATE, growth was mainly driven by an acceleration in Europe. Operating margin rose to 11.4% from 10.0% in 2015.

Other Managed Services (21% of Group revenue) reported 9.3% growth in revenues at constant exchange rates thanks to the impact of IGATE and despite the anticipated marked drop in activity in the United Kingdom. Operating margin is 9.2%, up 100 basis points on the first-half 2015.

TRENDS BY REGION

North America (30% of Group revenues) reported, including the integration of IGATE, revenue growth at constant exchange rates of 36.2% year-on-year, driven by the financial services, consumer goods and retail and manufacturing sectors. Excluding the Energy & Utilities sector where the slowdown accelerated in the second quarter, like-for-like growth was 5%. Operating margin increased 180 basis points to 15.1%.

United Kingdom and Ireland (17% of Group revenues) reported revenue growth of 8.6% at constant exchange rates. Local momentum was boosted by contract wins in the private sector which now represents more than half of revenues and reported double-digit organic growth, while the public sector was down as anticipated. The operating margin improved 180 basis points year-on-year to 14.5%.

In the first-half 2016, **France** (20% of Group revenues) reported a 4.8% increase in revenues, fueled by strong traction in application services. The financial services and consumer goods and retail sectors were the most dynamic during the period. Operating margin improved 40 basis points year-on-year to 6.6%.

Rest of Europe region (which now includes Benelux and represents 26% of Group revenues) reported 6.9% growth in revenues at constant exchange rates, with all geographies and sectors contributing to this result. The operating margin increased 110 basis points to 8.9% for the half-year.

The **Asia-Pacific and Latin America** region (7% of Group revenues) reported growth of 10.3% at constant exchange rates. Growth remains very dynamic in Asia-Pacific, driven by the financial services and consumer goods and retail sectors. The economic environment remains weak in Brazil but the negative impact on Group growth is reducing. The operating margin, traditionally low in the first half of the year in this region, increased 60 basis points to 3.8% of revenues.

Q2 TRENDS

Q2 revenue growth was 15.0% at constant exchange rates, up sequentially 1.1 points on the first quarter. In the second quarter, adjusted for the impact of exchange rates and changes in Group scope, Continental Europe accelerated, North America growth reached its lowest point of the year and Brazil showed signs of improvement. At Group level, organic growth accelerated in Q2 to 3.8%, compared with 2.9% in Q1.

HEADCOUNT

At June 30, 2016, the total headcount of the Group stood at 184,899 compared with 180,639 employees at the end of 2015. Our global delivery network counts 101,546 employees (including 90,539 in India), representing 55% of the total Group headcount compared with 48% at June 30, 2015.

BALANCE SHEET

The Group had €1,487 million in cash and cash equivalents (net of bank overdraft) at June 30, 2016. After accounting for borrowings of €3,867 million mainly related to IGATE acquisition financing in 2015, cash management assets and derivative instruments, Group net debt* amounts to €2,278 million at the end of H1 2016. The increase in net debt in the first-half is mainly due to the payment of the dividend and the share buyback program.

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 Cap Gemini’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 Cap Gemini’s Registration Document available on Cap Gemini’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 Cap Gemini. 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, Cap Gemini 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.

APPENDICES

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.

Operating margin is one of the Group's key performance indicators. It is defined as the difference between revenues and operating costs. It is calculated before "other operating income and expense" 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, badwill, 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, 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 the 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.

Since January 1, 2016, the "**Rest of Europe**" region groups together the former "Rest or Europe" and "Benelux" regions.

RESULTS BY REGION

	Revenues	Year-on-year growth		Operating margin rate	
	H1 2016 *(in millions of euros)*	Published	At constant exchange rates	H1 2015	H1 2016
North America	1,891	+35.1%	+36.2%	13.3%	15.1%
United Kingdom and Ireland	1,048	+2.1%	+8.6%	12.7%	14.5%
France	1,273	+4.8%	+4.8%	6.2%	6.6%
Rest of Europe*	1,590	+6.3%	+6.9%	7.8%	8.9%
Asia Pacific and Latin America	455	-3.7%	+10.3%	3.2%	3.8%
TOTAL	**6,257**	**+11.6%**	**+14.4%**	**8.7%**	**10.2%**

RESULTS BY BUSINESS

	Revenues	Year-on-year growth		Operating margin rate	
	H1 2016 *(in millions of euros)*	Published	At constant exchange rates	H1 2015	H1 2016
Consulting Services	266	+9.1%	+8.1%	8.1%	10.4%
Technology & Engineering Services	942	+13.2%	+13.1%	8.7%	11.3%
Application Services	3,725	+15.2%	+17.2%	10.0%	11.4%
Other Managed Services	1,324	+2.0%	+9.3%	8.2%	9.2%
TOTAL	**6,257**	**+11.6%**	**+14.4%**	**8.7%**	**10.2%**

SUMMARY INCOME STATEMENT AND OPERATING MARGIN

(in millions of euros)	H1 2015	H1 2016	*Change*
Revenues	**5,608**	**6,257**	**+11.6%**
Operating expenses	(5,122)	(5,619)	
Operating margin	**486**	**638**	**+31%**
as a % of revenues	8.7%	10.2%	*+150bp*
Other operating income and expense	(39)	(128)	
Operating profit	**447**	**510**	**+14%**
as a % of revenues	8.0%	8.1%	*+10bp*
Net financial expense	(41)	(62)	
Income tax income (expense)	(127)	(87)	
(-) Non-controlling interests	11	5	
Profit for the period, Group share	**290**	**366**	**+26%**

NORMALIZED EARNINGS PER SHARE

(in millions of euros)	H1 2015	H1 2016	*Change*
Profit for the period, Group share	**290**	**366**	**+26%**
(-) Exceptional tax income	-	(32)	
Profit for the period, Group share restated	**290**	**334**	
Effective tax rate	31.2%	26.5%	
(-) Other operating income and expense, net of tax [a]	27	95	
Normalized profit for the period	**317**	**429**	
Weighted average number of ordinary shares outstanding	165,150,124	170,241,240	
Normalized earnings per share (in euros)	**1.92**	**2.52**	**+31%**

(in millions of euros)	H1 2015	H1 2016	*Change*
Profit for the period, Group share	**290**	**366**	**+26%**
Diluted average number of shares outstanding	175,753,055	180,184,197	
Diluted earnings per share (in euros)	**1.67**	**2.05**	**+23%**

[a] calculated at the effective tax rate

CHANGE IN CASH AND CASH EQUIVALENTS AND ORGANIC FREE CASH FLOW

(in millions of euros)	H1 2015	H1 2016
Cash flow from operations	**(40)**	**113**
Acquisitions of property, plant, equipment and intangible assets (net of disposals)	(58)	(74)
Net interest cost	12	(8)
Organic free cash flow	**(86)**	**31**
Other cash flows from (used in) investing and financing activities	3,640	(426)
Increase (decrease) in cash and cash equivalents	**3,554**	**(395)**
Effect of exchange rate fluctuations	46	(66)
Opening cash and cash equivalents, net of bank overdraft	**2,140**	**1,948**
Closing cash and cash equivalents, net of bank overdraft	**5,740** [b]	**1,487**

[b] includes the cash for IGATE acquisition

NET DEBT

(in millions of euros)	12/31/2015	06/30/2016
Cash and cash equivalents	1,950	1,488
Bank overdrafts	(2)	(1)
Cash and cash equivalents, net of bank overdraft	**1,948**	**1,487**
Cash management assets	**116**	**110**
Long-term borrowings	(3,161)	(3,171)
Short-term borrowings and bank overdrafts	(652)	(697)
(-) Bank overdrafts	2	1
Borrowings, excluding bank overdrafts	**(3,811)**	**(3,867)**
Derivative instruments	**(20)**	**(8)**
(NET DEBT) / NET CASH AND CASH EQUIVALENTS	**(1,767)**	**(2,278)**