

Press release

Strong operational performance in H1 2016: revenue growing 17.0% organically and operating margin up 200 basis points

Full-year guidance increased

Three acquisitions to reinforce SMACS offers and two disposals of non-core assets

Paris, September 8th 2016

In millions of euros ⁽¹⁾	30.06.2016	30.06.2015	Growth	Organic growth ⁽²⁾	Organic growth ⁽²⁾ excluding Between
Revenue	275.4	232.2	+18.6%	+17.0%	+10.1%
Operating margin	22.7	14.6	+55.7%		
In % of the revenue	8.2%	6.3%	+2.0 pt		
Operating income	16.5	13.2	+24.5%		
In % of the revenue	6.0%	5.7%	+0.3 pt		
Net income - Group share excluding the impact of disposals in Norway and Switzerland	10.1	7.5	+34.1%		
Net income - Group share	7.6	7.5	+0.6%		
Diluted earnings per share ⁽³⁾	0.98 €	0.99 €	-1.2%		
Net cash at closing⁽⁴⁾	39.5	20.4	+19.0 M€		

⁽¹⁾The financial statements presented in this press release have been approved by the Supervisory Board on September 5th 2016 and are currently being certified by the Group Auditors

⁽²⁾At comparable perimeter and exchange rates

⁽³⁾Based on the weighted average number of shares for the year

⁽⁴⁾Cash position net of all financial debts

Devoteam (Euronext Paris: DVT) reported revenues of €275.4 million for the first half of 2016, a 17.0% increase compared to the first half of 2015, excluding changes in currency and scope.

The operating margin stood at €22.7 million, representing 8.2% of the revenue, or 200 basis points above the margin rate achieved for the first half of 2015.

The Group share of net income grew by 34.1% in the first half year, to €10.1 million if we exclude the loss arising on disposal of the Grimstad entity in Norway and Genesis in Switzerland (€2.6 million of loss on disposal and assets held for sale). The Group share of net income amounted to €7.6 million after consideration of these losses.

Based on these good results, the Group stepped up the implementation of its innovation strategy, with the purchase of three companies specialized in Digital Transformation consulting and on the Cloud Technology (SAP Hana, Cherwell and ServiceNow). In addition, the Group implemented the following key internal initiatives:

- A position of Strategy and Innovation Director was created with the objective of developing the SMACS portfolio;
- Devoteam enabled key managers (excluding the Executive Board) to invest in the start-up ventures of the Group, enabling them to become a primary sponsor of the transformation and to support the growth of these innovative initiatives;
- Finally, an investment fund was launched with a financial partner to acquire minority interests in technology start-ups. The Group will invest a maximum of €3 million. The first investment was made around the solutions recommended by Google and represents an amount of €450,000 for Devoteam.

Results for the first half of 2016

Revenue for the first half of 2016 amounted to €275.4 million, representing a growth of 18.6% over the same period in 2015. At constant scope and exchange rates the growth was 17.0%.

During the second quarter of 2016, the Group generated revenues of €142.0 million, representing a 20.2% rise at comparable perimeter and exchange rates against the same period in 2015, including a 6.1% contribution from Between. Excluding Between, organic growth stood at 14.1%. Besides the strong positive effect of the working days, the increase was driven by the SMACS activities, particularly in France around Google solutions, in the Middle East, Belgium and Denmark.

The Group's commercial success has resulted in the increase in the productive headcount, the visible improvement of the project margins and the better utilization of the resources,

culminating in the strong improvement in our efficiency. **Operating margin** for the six months ending June 2016 stood at €22.7 million, representing 8.2% of the revenue. This compares against €14.6 million and 6.3% of the revenue over the corresponding period in 2015.

The **operating result** was €16.5 million and included non-recurring expenses up to €5.4 million, cost of share-based payment for €0.6 million and amortization of intangible assets from acquisitions for €0.1 million. Non-recurring expenses consisted in restructuring costs for €2.9 million, mainly in Germany, and in losses on disposals in Switzerland and in Norway for €2.6 million.

Financial result went from -€0.6 million in the first half 2015 to -€1.1 million in the first half of 2016, primarily impacted by the interests on the EuroPP loan contracted in 2015 and by currency losses on the pound sterling and the Polish zloty.

Tax expenses amounted to €6.1 million. It represented 39.9% of the profit before tax versus 32.1% over the first half of 2015. The tax expenses included the effect of local taxes (mainly CVAE in France) for €1.2 million.

The **net income** was €9.2 million, against €8.5 million a year ago, of which €7.6 million attributable to the shareholders of Devoteam S.A. The diluted earnings per share amounted to €0.98 per share.

On June 30th 2016, the **net cash** of the Group was €39.5 million, a €19 million increase compared to June 30th 2015. It remained stable compared to December 31st 2015. The detail of the net cash is presented in the appendix of this press release.

Headcount and utilization rate

As of June 30th 2016, the Group employed 4 002 people compared to 4 016 people as of March 31st 2016. Excluding the disposal of the system integration activity in Norway, the headcount increased by 16 people over the second quarter of 2016. The acquisitions of Q-Partners, HNCO and Globicon will bring 55 additional people over the third quarter while the disposal of the Swiss entity reduced the headcount by 20 people on July, 1st 2016.

The ratio of billable headcount to total headcount remained stable and stood at 84.5%, compared to March 31st 2016.

On the second quarter, the Group showed an improvement of the utilization rate of internal resources excluding divestments which stood at 85.1%, versus 82.9% in the first quarter of 2016.

Detail of the changes in scope 2016

The portfolio rationalization has been dynamic in 2016 with the divestment of Devoteam Genesis, the Swiss subsidiary of the Group, specialized in the resale of software and

associated maintenance in the field of IP Management. This subsidiary, located in a non-strategic country, employed 20 people and reported revenues of €6.3 million in 2015. In the first half of 2016, Devoteam Genesis contributed €2.8 million to the Group revenue and generated profit of €0.1 million. It was sold for €3.0 million and resulted in a loss on disposal of €1.2 million in 2016. The entity is deconsolidated as of July, 1st 2016.

In July 2016, the Group also completed the acquisitions of Q-Partners, HNCO and Globicon.

Devoteam acquired a 70% stake in the German company Q-Partners Consulting und Management GmbH, a leading SAP HANA partner (SAP Gold Partner, SAP Recognized expertise in in-memory Computing SAP & Database). Q-Partners has 25 employees and generated a turnover of €3.5 million for its last financial year. This acquisition should enable Devoteam to break into the SAP Big Data solutions, which are key elements in the digital transformation of customers. It is consolidated as of July, 1st 2016.

The Group also acquired 100% stake in the Danish company HerbertNathan & Co, a Scandinavian specialist in strategy and organization consulting. HNCO employs 15 consultants who equip the customers in their processes of digitalization. HerbertNathan & Co achieved revenues of €3.6 million in its last financial year. This acquisition is also consolidated as of July, 1st 2016.

Still in Denmark, the Group purchased 100% of Globicon, a company specialized in IT Service Excellence. Through this deal, Devoteam strengthens its partnerships with ServiceNow and HP, while opening a new partnership with Cherwell, a very promising young software vendor. Globicon is consolidated as of July, 1st 2016 and generated annual revenues of €2.5 million with 15 employees.

Finally, the Group carried out two operations to acquire minority interests in its subsidiaries, for a total amount of €7.2 million.

2016 outlook

Based on the operational performance of the first half of 2016, and taking into account the changes in perimeter, the Group increased its annual target of revenue and operating margin. For the full year 2016, the revenue is estimated to be in the region between €540 and €550 million (against €525 to €535 million in the previous guidance). The operating margin should exceed 8% of the revenue (50 basis points above previous target).

Considering restructuring costs expected at a maximum of €2 million in the second half of the year, the Group share of net income should increase more than 10%, a 25% to 30% increase when excluding the impact of the losses on disposals.

Financial calendar

Press release after market closed	
Q3 2016	Q4 2016
November 15 th 2016	March 1 st 2017

Appendix

Revenue by region

In millions of euros	Q1 2016 ⁽¹⁾	Q1 2015 ⁽¹⁾	Q2 2016	Q2 2015	H1 2016	H1 2015
France	56.4	50.3	58.8	51.2	115.2	101.4
Variation	12.3%		14.9%		13.6%	
L-f-I variation	11.9%		14.6%		13.3%	
Northern Europe & Benelux	28.4	27.1	30.0	28.2	58.4	55.3
Variation	4.8%		6.4%		5.6%	
L-f-I variation	7.2%		9.6%		8.4%	
Central Europe	11.5	11.6	11.2	10.8	22.7	22.4
Variation	-0.6%		3.5%		1.4%	
L-f-I variation	-0.7%		3.5%		1.4%	
Rest of the world	16.2	13.2	21.4	13.2	37.7	26.4
Variation	23.2%		62.1%		42.7%	
L-f-I variation	-4.9%		34.3%		14.7%	
Corporate	(0.1)	0.0	(0.1)	(0.1)	(0.2)	(0.1)
Between	18.2	9.0	19.1	10.5	37.3	19.5
Variation	102.7%		81.4%		91.2%	
L-f-I variation	102.7%		81.4%		91.2%	
Divestments (2015-2016)	2.6	4.3	1.6	2.9	4.2	7.2
Total	133.4	115.5	142.0	116.7	275.4	232.2
Variation	15.5%		21.7%		18.6%	
L-f-I variation	13.7%		20.2%		17.0%	
L-f-I variation excluding Between	6.2%		14.1%		10.1%	

Of which contribution of the acquisitions:

In millions of euros	Q1 2016	Q1 2015	Q2 2016	Q2 2015	H1 2016	H1 2015
France	0.2	-	0.1	-	0.3	-
myG France, consolidated as of October 1 st 2015	0.2	-	0.1	-	0.3	-
Rest of the world	3.8	-	4.0	-	7.7	-
Drago, consolidated as of October 1 st 2015	3.7	-	4.0	-	7.7	-
myG Spain, consolidated as of October 1 st 2015	0.1	-	(0.0)	-	0.1	-

⁽¹⁾Q1 2016 and Q1 2015 are restated compared to Q1 2016 press release. Devoteam Genesis is reclassified from the segment "Central Europe" to the segment "Divestments (2015-2016)"

Revenue and operating margin by region

In millions of euros	H1 2016	H1 2015
France		
Group contribution	115.2	101.4
Operating margin	14.8	9.6
In % of Group contribution	12.8%	9.5%
Northern Europe & Benelux		
Group contribution	58.4	55.3
Operating margin	4.3	3.0
In % of Group contribution	7.4%	5.4%
Central Europe		
Group contribution	22.7	22.4
Operating margin	1.7	0.6
In % of Group contribution	7.5%	2.8%
Rest of the world		
Group contribution	37.7	26.4
Operating margin	2.3	1.5
In % of Group contribution	6.1%	5.6%
Corporate		
Group contribution	(0.2)	(0.1)
Operating margin	(1.1)	(1.2)
Between		
Group contribution	37.3	19.5
Operating margin	0.7	0.4
In % of Group contribution	1.8%	2.2%
Divestments (2015-2016)		
Group contribution	4.2	7.2
Operating margin	(0.1)	0.6
In % of Group contribution	-1.9%	7.8%
Total		
Group contribution	275.4	232.2
Operating margin	22.7	14.6
In % of Group contribution	8.2%	6.3%

Utilization rate of internal resources excluding divested entities

Q1 2015	Q2 2015	Q3 2015	Q4 2015	FY 2015	Q1 2016	Q2 2016
83.2%	84.7%	85.2%	84.9%	84.5%	82.9%	85.1%

Net debt

In millions of euros	30.06.2015	31.12.2014	30.06.2014
Short-term investments	15.0	15.0	0.0
Cash at bank*	57.0	57.5	28.0
Bank overdrafts (liability)	(1.5)	(1.5)	(2.3)
Cash and cash equivalents	70.6	71.0	25.8
Cash management assets	2.5	2.5	3.2
Bonds	(29.7)	(29.7)	-
Obligations under finance leases	(1.3)	(1.6)	(2.1)
Draw-downs on bank and similar facilities and other borrowings	(0.7)	(0.6)	(0.2)
Long-term borrowings	(31.7)	(32.0)	(2.3)
Bonds	(0.9)	(0.4)	-
Obligations under finance leases	(0.8)	(1.0)	(1.1)
Draw-downs on bank and similar facilities and other borrowings	(0.1)	(0.1)	(5.1)
Short-term borrowings	(1.9)	(1.5)	(6.3)
Total borrowings	(33.6)	(33.5)	(8.5)
Derivative instruments	-	-	-
Net cash	39.5	40.0	20.4
Total Equity	131.1	131.2	123.2
Debt to Equity Ratio	30.1%	30.5%	16.6%

*Including factoring position (net of deposit) for €18.9 million on June 30th 2016, €18.5 million on December 31st 2015 and €10.9 million on June 30th 2015

Changes in exchange rates

For €1	Average rate H1 2016	Average rate H1 2015	Variation
UAE dirham	4.100	4.102	0.1%
Swiss franc	1.096	1.058	-3.5%
Czech koruna	27.038	27.478	1.6%
Danish krone	7.450	7.456	0.1%
Algerian dinar	121.352	106.284	-12.4%
Pound sterling	0.779	0.733	-5.9%
Moroccan dirham	10.880	10.734	-1.3%
Mexican peso	20.160	16.887	-16.2%
Norwegian krone	9.421	8.647	-8.2%
Zloty	4.367	4.136	-5.3%
Tunisian dinar	2.290	2.158	-5.7%
Turkish lira	3.260	2.858	-12.3%

Glossary

Like-for-like or l-f-l variation: variation at comparable perimeter and exchange rates

France: French operations including the two nearshore centers in Morocco and Spain

Northern Europe & Benelux: Belgium, Denmark, United-Kingdom, Luxembourg, Netherlands excluding Between, and Norway excluding divested activities

Central Europe: Austria, Czech Republic, Germany and Poland

Rest of the world: Middle East, Algeria, Spain excluding nearshore, Italy, Morocco excluding nearshore, Mexico, Tunisia and Turkey

Corporate & other: headquarter activities which cannot be allocated directly to the operational regions. It also includes some non-significant remaining activities of the discontinued businesses in France (mainly outsourcing)

Between: the " Between" subsidiary in the Netherlands, specializing in " sourcing" of IT professionals, has a relatively volatile revenue to the extent that , according to the contracts concluded and the type of missions carried out, turnover recognized in the consolidated accounts is either gross margin contracts or the entire client billing. Consequently, the Group separates this activity to calculate its growth aggregates

Divestments (2015-2016) or discontinued activities: in 2016, discontinued activities include Grimstad activities in Norway, deconsolidated as of May, 1st 2016, and Devoteam Genesis, deconsolidated as of July, 1st 2016. In 2015, they also include Exa ECS, deconsolidated as of April 1st, 2015

Utilization rate of resources: number of working days of billable employees that were billed to a client compared to the total number of available days excluding holidays

Operating margin: current operating result excluding the cost of share-based payments and the amortization of intangible assets resulting from acquisitions.

ABOUT DEVOTEAM

At Devoteam, we deliver **innovative technology consulting** for business. We are 4,000 professionals dedicated to ensuring our clients win their digital battles.

Present in 20 countries and drawing on 20 years of experience, we improve **business performance** making their companies truly digital. We build IT infrastructure for digital, and make sure people are along for the ride.

In 2015, Devoteam achieved revenues of €485m.

At Devoteam, we are **Digital Transformakers**.

ISIN: FR 0000073793, Reuters: DVTM.PA,
Bloomberg: DEVO FP

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