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2020 half-year financial report

Teleperformance
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2020 half-year financial report

1. Condensed consolidated interim financial statements

1.1 Condensed consolidated statement of financial position *(in millions of euros)*

ASSETS	Notes	06/30/2020	12/31/2019
Non-current assets			
Goodwill	4	2,256	2,340
Other intangible assets		1,081	1,142
Right-of-use assets		639	689
Property, plant and equipment		560	578
Financial assets		55	57
Deferred tax assets		52	35
Total non-current assets		4,643	4,841
Current assets			
Current income tax receivable		119	178
Accounts receivable - Trade	3.1	1,143	1,223
Other current assets	3.2	198	167
Other financial assets		46	63
Cash and cash equivalents	8.5	675	418
Total current assets		2,181	2,049
TOTAL ASSETS		**6,824**	**6,890**

EQUITY AND LIABILITIES	Notes	06/30/2020	12/31/2019
Equity			
Share capital	6.1	147	147
Share premium		575	575
Translation reserve		-114	10
Other reserves		1,763	1,836
Equity attributable to owners of the Company		2,371	2,568
Non-controlling interests		1	1
Total equity		2,372	2,569
Non-current liabilities			
Provisions	9.1	29	27
Lease liabilities		524	564
Other financial liabilities	7.2	2,044	2,083
Deferred tax liabilities		258	278
Total non-current liabilities		2,855	2,952
Current liabilities			
Provisions	9.1	32	32
Current income tax	9.1	145	192
Accounts payable - Trade	3.4	192	173
Other current liabilities	3.4	586	536
Lease liabilities		159	168
Other financial liabilities	7.2	483	268
Total current liabilities		1,597	1,369
TOTAL EQUITY AND LIABILITIES		**6,824**	**6,890**

1.2 Condensed consolidated statement of income *(in millions of euros)*

	Notes	1st HY 2020	1st HY 2019
Revenues	**3.5**	**2,660**	**2,564**
Other revenues	3.5	5	2
Personnel		-1,831	-1,696
External expenses	3.6	-372	-353
Taxes other than income taxes		-12	-12
Depreciation and amortization		-101	-93
Amortization of intangible assets acquired as part of a business combination		-54	-54
Depreciation of right-of-use assets (personnel-related)		-6	
Depreciation of right-of-use assets		-91	-85
Impairment loss on goodwill		-34	-2
Share-based payments	3.3	-10	-11
Other operating income and expenses			-5
Operating profit		**154**	**255**
Income from cash and cash equivalents		2	2
Gross financing costs		-22	-28
Interest on lease liabilities		-23	-21
Net financing costs	**7.1**	**-43**	**-47**
Other financial income and expenses	7.1	-7	0
Financial result		**-50**	**-47**
Profit before taxes		**104**	**208**
Income tax	5	-41	-63
Net profit		**63**	**145**
Net profit - Group share		**63**	**145**
Net profit attributable to non-controlling interests			
Earnings per share (in euros)	**6.3**	**1.08**	**2.51**
Diluted earnings per share (in euros)	**6.3**	**1.08**	**2.49**

1.3 Condensed consolidated statement of comprehensive income *(in millions of euros)*

	1st HY 2020	1st HY 2019
Net profit	**63**	**145**
May not be reclassified to profit or loss in a subsequent period		
May be reclassified to profit or loss in a subsequent period		
Gains (losses) on foreign exchange hedges (before tax)	-13	9
Income tax on gains (losses) on foreign exchange hedges	5	-3
Translation differences	-124	44
Other recognized income and expenses	**-132**	**50**
Total comprehensive income (loss)	**-69**	**195**
Group share	-69	195
Attributable to non-controlling interests	0	0

1.4 Condensed consolidated statement of cash flows (in millions of euros)

Cash flows from operating activities	Notes	1 st HY 2020	1 st HY 2019
Net profit - Group share		63	145
Income tax expense (credit)		41	63
Net financial interest expense		16	23
Interest expense on lease liabilities		23	21
Non-cash items of income and expense	8.1	280	242
Income tax paid		-62	-87
Internally generated funds from operations		***361***	***407***
Change in working capital requirements	**8.2**	***80***	***-13***
Net cash flow from operating activities		**441**	**394**
Cash flows from investing activities			
Acquisition of intangible assets and property, plant and equipment	8.3	-120	-101
Net cash flow from investing activities		**-120**	**-101**
Cash flows from financing activities			
Acquisition net of disposal of treasury shares		3	-9
Change in ownership interest in controlled entities			-24
Dividends paid to parent company shareholders			-111
Financial interest paid		-15	-20
Lease payments		-114	-101
Increase in financial liabilities		574	899
Repayment of financial liabilities		-530	-845
Net cash flow from financing activities		**-82**	**-211**
Change in cash and cash equivalents		***239***	***82***
Effect of exchange rates on cash held		***22***	***-14***
Net cash at January 1st	**8.5**	**409**	**333**
Net cash at June 30th	**8.5**	**670**	**401**

1.5 *Condensed consolidated statement of changes in equity (in millions of euros)*

	Attributable to owners of the Company								*Total*
	Share capital	*Share premium*	*Translation reserve*	*Retained earnings*	*Impact of financial hedging instruments*	*Impact of actuarial gains and losses*	*Equity attributable to owners of the Company*	*Non-controlling interests*	
At December 31st, 2018, as published	**144**	**575**	**-58**	**1,547**	**9**	**0**	**2,217**	**8**	**2,225**
At December 31st, 2018, as restated*	**144**	**575**	**-58**	**1,543**	**9**	**0**	**2,213**	**8**	**2,221**
Translation differences from foreign operations			44				**44**		**44**
Net profit				145			**145**		**145**
Net gains on foreign exchange hedges (after tax)					6		**6**		**6**
Total recognized income and expenses	***0***	***0***	***44***	***145***	***6***	***0***	***195***	***0***	***195***
Operations on non-controlling interests				-17			**-17**	-7	**-24**
Fair value of incentive plan share awards	2			12			**14**		**14**
Treasury shares				-9			**-9**		**-9**
Dividends (€1.90 per share)				-111			**-111**		**-111**
Other				-1			**-1**		**-1**
At June 30th, 2019	**146**	**575**	**-14**	**1,562**	**15**	**0**	**2,284**	**1**	**2,285**
At December 31st, 2019	**147**	**575**	**10**	**1,828**	**13**	**-5**	**2,568**	**1**	**2,569**
Translation differences from foreign operations			-124				**-124**		**-124**
Net profit				63			**63**		**63**
Net gains on foreign exchange hedges (after tax)					-8		**-8**		**-8**
Net actuarial losses on post-employment benefits							**0**		**0**
Total recognized income and expenses	***0***	***0***	***-124***	***63***	***-8***	***0***	***-69***	***0***	***-69***
Operations on non-controlling interests							**0**		**0**
Fair value of incentive plan share awards				10			**10**		**10**
Treasury shares				3			**3**		**3**
Dividends (€2.40 per share)				-141			**-141**		**-141**
Other							**0**		**0**
At June 30th, 2020	**147**	**575**	**-114**	**1,763**	**5**	**-5**	**2,371**	**1**	**2,372**

** Restated following the adoption of IFRIC 23*

1.6 Notes to the condensed consolidated financial statements

1. Accounting policies and methods

1.1 Reporting entity

Teleperformance ("the Company") is a company domiciled in France.

The condensed consolidated interim financial statements of the Company as at and for the six months ended June 30th, 2020 include the Company and its subsidiaries (together referred to as "the Group").

The consolidated financial statements of the Group for the year ended December 31st, 2019 are available upon request from the Company's registered office at 21/25 rue Balzac, 75008 Paris, or from its website (www.teleperformance.com).

All financial information presented in euro has been rounded to the nearest million unless otherwise specified.

1.2 Basis of preparation

These condensed consolidated interim financial statements as at and for the six months ended June 30th, 2020 have been prepared in accordance with IAS 34 "Interim Financial Reporting". They do not include all the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended December 31st, 2019 which are included in the 2019 universal registration document D.20-0091 that was filed with the AMF (the French Stock Exchange regulator) on March 2nd, 2020. The footnote disclosures have been selected in order to analyze the principal events that have occurred since the previous reporting date and their impact on these condensed consolidated interim financial statements, and to obtain an understanding of the changes in the financial situation and of the performance of the Group over the reporting period.

The accounting policies have been applied consistently to all periods presented in these condensed consolidated interim financial statements.

These condensed consolidated interim financial statements were approved by the Board of Directors on July 29th, 2020.

1.3 Change in accounting policies

New standards and interpretations applicable from January 1st, 2020

The following amendments:

- Framework (amendment) replacing references to the conceptual framework in IFRS standards;
- Amendments to IAS 1 and IAS 8 concerning a clarification in the definition of "material";
- Amendments to IFRS 9, IAS 39 and IFRS 7 in the context of the interest rate benchmark reform;
- Amendment to IFRS 3 entitled "Definition of a business ";

came into force with effect from January 1st, 2020 but did not have a significant impact on the Group's financial statements.

Standards and interpretations adopted by the European Union but not yet applicable as of June 30th, 2020

None.

1.4 Covid-19 pandemic

On March 11th, 2020, the Covid-19 epidemic was declared by the World Health Organization to have reached pandemic proportions. This world-wide health crisis led numerous countries to bring in lockdown measures on a national scale and to impose severe restrictions on movement. Faced with this situation of an exceptional nature, the Group decided as a priority to take all steps to safeguard its personnel and the continuity of its customers' businesses, in addition to protecting its financial soundness, while complying with the laws, regulations or other instructions brought in by public administrations in the countries in which it operates.

Impact on Group operations

Steps taken included the temporary closure of a number of Group premises (those of TLScontact in particular) and expenditure to adapt working processes and to combat the epidemic (through the rapid and widespread implementation of work-from-home, the supply of personnel with masks and disinfectant gel, the frequent thorough cleaning of facilities, the checking for high body temperatures at site entrances etc.).

These procedures resulted in external expenses of approximately €22.0 million (see note 3.6 *External expenses*) and in investments in intangible assets and property, plant and equipment of €18.7 million. This expenditure for the protection of the health and continuing employment of our personnel has been offset to an extent by government subsidies in a number of countries (see note 3.5 *Income*) and by rent concessions obtained from certain lessors amounting to €2.6 million (see note 3.6 *External expenses).*

Impact on financing

On April 15th, 2020, the Group obtained additional confirmed credit lines amounting to €655 million and 6 billion yen (€50 million) in order to guard against any unexpected effects of the crisis. These facilities are in addition to the unutilized credit lines of €500 million already available (see note 7.2 *Financial liabilities*). The credit rating agency S&P has shown its approval of our continued financial strength though the confirmation of our investment grade rating BBB-, with a stable outlook, on April 14th, 2020.

Impact on the statement of financial position

The current exceptional conditions have led the Group to carry out a thorough review of the recoverability of certain assets, in particular goodwill and accounts receivable – trade.

The procedures and results of the reviews of goodwill and accounts receivable – trade are disclosed in notes 4 *Goodwill* and 3.1 *Accounts receivable – Trade*, respectively.

1.5 Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires making estimates and assumptions which affect the reported amounts in the financial statements, especially with respect to the following items:

- impairment of intangible assets and goodwill (note 4);
- impairment of accounts receivable – trade (note 3.1);
- the measurement of share-based payments expense (note 3.3);
- the effective tax rate and uncertainty over income tax treatments (note 5).

The estimates are based on information available at the time of preparation of the financial statements and may be revised in a future period if circumstances change, or if new information is available. Actual results may differ from these estimates.

The Group has revised certain estimates in the context of the on-going Covid-19 health crisis, as disclosed in note 1.4 *Covid-19 pandemic*.

2. Consolidation scope

The Group made no acquisition or disposal during the first half of 2020.

3. Operational activity

3.1 Accounts receivable - Trade

	06/30/2020			*12/31/2019*
	Cost	*Write-downs*	*Net*	*Net*
Accouts receivable - Trade	1,162	-19	1,143	1,223
Total	1,162	-19	1,143	1,223

The current exceptional conditions related to Covid-19 have led the Group to carry out a specific review of the credit risk associated with its principal customers to determine whether any expected credit losses should be recognized as of June 30th, 2020. As a number of customers are experiencing significant financial difficulties, the Group has recognized impairment of its receivables in an amount of approximately €10 million during the first half of 2020.

Factoring arrangements

The Group and a number of its subsidiaries use factoring arrangements which comply with criteria for derecognition. The outstanding amounts totaled €52.3 million and €53.9 million at June 30th, 2020 and December 31st, 2019, respectively.

Under the agreement, the Group retains the credit control and receipt functions in respect of the sold receivables on behalf of the factor.

3.2 Other current assets

Other current assets are as follows:

	06/30/2020			*12/31/2019*
	Cost	*Write-downs*	*Net*	*Net*
Other receivables	21	-5	16	12
Taxation recoverable	99		99	85
Advances and receivables on non-current assets	11		11	7
Prepaid expenses	72		72	63
Total	203	-5	198	167

3.3 Share-based payments

Incentive share award plans – Authorization given at the AGM held on May 9th, 2019

Under the authorization given at the Shareholders' General Meeting of May 9th, 2019, and subject to a ceiling of 3% of the share capital of the Company at the grant date, the Board of Directors' meeting of June 3rd, 2019 approved:

- free awards in a total amount of 442,241 incentive plan shares to Group personnel, including company officers; and
- the setting-up of a long-term incentive plan for a company officer, with the free award of 58,333 performance shares, with the same features as the above-mentioned plan.

Effective transfer of the free shares is conditional on beneficiaries' continued presence and the satisfaction of performance criteria (which represent market and non-market conditions).

The features of these plans are as follows:

	06/03/2019 plan
Date of board meeting allocating the awards	06/03/2019
Vesting period	06/03/2019 to 06/03/2022
Grant date	06/03/2019
Number of share awards*	500,574
Number of outstanding share awards at June 30th, 2020	475,625
Fair value of each share award at the grant date (taking into account the market condition)	€108.50
Fair value of each share award at the grant date (without taking into account the market condition)	€163.90
** including for company officers*	*80,333*

Incentive share award plans – Authorization given at the AGM held on April 28th, 2016

The Board of Directors' meetings on June 23rd and November 30th, 2017 and February 28th, 2018 approved free awards totaling 18,600 incentive plan shares to Group personnel, including company officers of Group companies, under the authorization given at the Shareholders' General Meeting of April 28th, 2016. Vesting of these free share awards is also conditional on the beneficiaries remaining with the Group until at least the end of the vesting period and on meeting certain performance conditions.

Under the June 23rd, 2017 plan, 11,600 shares were transferred to beneficiaries in June 2020, leaving a balance of 7,000 outstanding share awards as of June 30th, 2020.

The expense in respect of the above-mentioned plans amounted to €9.5 million in the first half of 2020.

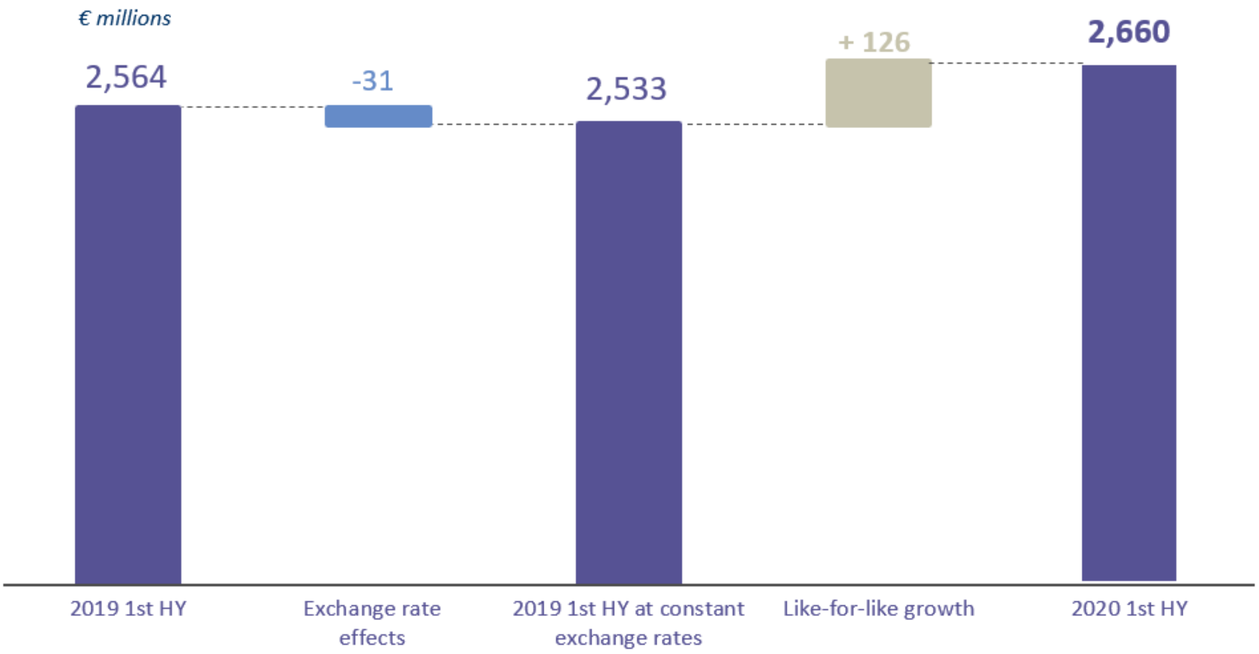
3.4 Accounts payable – Trade and Other current liabilities

	06/30/2020	*12/31/2019*
Accounts payable - Trade	192	173
Other payables	203	217
Taxes payable	77	71
Accrued expenses	241	199
Other operating liabilities	65	49
Total	778	709

Other operating liabilities at June 30th, 2020 include an amount of €25.6 million (December 31st, 2019: €5.2 million) in respect of the negative fair value of derivative financial instruments used for currency hedging.

3.5 Income

Revenues



Group revenues in the first half of 2020 amounted to €2,659.9 million, which represents an increase (on the basis of published figures) of 3.7% over the same period in 2019.

At constant exchange rates and consolidation scope, there is an increase of 5.0%.

The following schedule sets out the contribution of each segment and management region to group revenues in the first half of 2020 and 2019, and the resulting changes on a like-for-like basis. The areas most affected by the Covid-19 crisis were core services in India & Middle East and the visa business of specialized services.

	1st HY 2020	*1st HY 2019*	*Like-for-like change*
CORE SERVICES & D.I.B.S.	**2,344**	**2,221**	**7.3%**
English-speaking & APAC (EWAP)	856	801	4.8%
Ibero-LATAM	711	645	18.5%
Continental Europe & MEA (CEMEA)	562	519	8.3%
India & Middle East	215	255	-13.3%
SPECIALIZED SERVICES	**316**	**344**	**-9.7%**
TOTAL	2,660	2,564	5.0%

Other revenues

Other revenues are mainly from government grants.

During the first half of 2020, these amounted to €5.3 million, compared with €1.3 million in the same period of 2019. The 2020 amount includes government subsidies totaling €4.4 million received in a number of countries in respect of the Covid-19 health crisis.

3.6 External expenses

External expenses amounted to €371.9 million in the first half of 2020 compared with €353.3 million in the same period of 2019. They are comprised essentially of telecommunications and travel and entertainment expenses, and all expenses related to the occupation of premises with the exception of lease expenses under contracts meeting the criteria of IFRS 16. Only lease expenses under contracts for low value assets or for short-term rentals are still included in external expenses.

External expenses also include expenses related to the health crisis, as follows:

	1st HY 2020
Expenses related to protection from infection	-14
Expansion of work-from-home solutions	-8
less: negotiation of rent concessions	3
Total	-19

The Group has early applied the amendment to IFRS 16 in respect of Covid-19-related rent concessions and has therefore deducted lease payment reductions agreed with a number of lessors from external expenses.

3.7 Segment reporting

Group activity as followed by the chief executive officer is split into the following segments and management regions:

- The core services & D.I.B.S. (Digital Integrated Business Services) segment which includes customer care, technical support and new customer acquisitions, in addition to the management of business processes, digital platform services and the high added-value consulting and data analysis offered by Praxidia. It is divided into four principal management regions:
  - English-speaking & APAC, which covers the activities in the following countries: USA, Canada, Philippines, United Kingdom, South Africa, China, Indonesia, Malaysia, Singapore and Japan,
  - Ibero-LATAM, which covers the activities in the following countries: Mexico, Colombia, Brazil, Argentina, Chile, Costa Rica, Dominican Republic, El Salvador, Guyana, Guatemala, Peru, Portugal and Spain,
  - Continental Europe & MEA, which covers the activities in Europe, with the exception of those in the United Kingdom, Spain and Portugal, as well as the Group's historic activities in the Middle East and Africa,
  - India & Middle East, which covers the activities in India, the former Intelenet businesses in the Middle East, and the analytics solutions activity developed by its subsidiary, Praxidia.

- The Specialized Services segment which includes the interpreting services of LanguageLine Solutions, the visa application management services for government departments offered by TLScontact and the accounts receivable credit management services of AllianceOne Receivables Management in North America.

Six months ended June 30th, 2020	CORE SERVICES & D.I.B.S.					SPECIALIZED SERVICES	TOTAL
	English-speaking & APAC	*Ibero-LATAM*	*Continental Europe & MEA*	*India & Middle East*	*Holding companies*		
Revenues	**856**	**711**	**562**	**215**		**316**	**2,660**
Operating profit	**33**	**61**	**-8**	**8**	**15**	**45**	**154**
Impairment loss on goodwill			**-30**			**-4**	**-34**
Capital expenditure	**31**	**43**	**23**	**10**	**1**	**12**	**120**
Intangible assets, right-of-use assets and other property, plant and equipment (carrying amounts)	**1,110**	**537**	**385**	**966**	**6**	**1,532**	**4,536**
Depreciation and amortization of non-current assets	**-68**	**-59**	**-41**	**-31**	**-1**	**-52**	**-252**

Six months ended June 30th, 2019	CORE SERVICES & D.I.B.S.					SPECIALIZED SERVICES	TOTAL
	English-speaking & APAC	*Ibero-LATAM*	*Continental Europe & MEA*	*India & Middle East*	*Holding companies*		
Revenues	**801**	**645**	**519**	**255**		**344**	**2,564**
Operating profit	**46**	**66**	**30**	**28**	**6**	**79**	**255**
Impairment loss on goodwill			**-2**				**-2**
Capital expenditure	**19**	**34**	**26**	**9**	**0**	**13**	**101**
Intangible assets, right-of-use assets and other property, plant and equipment (carrying amounts)	**1,107**	**520**	**418**	**1,038**	**7**	**1,586**	**4,676**
Depreciation and amortization of non-current assets	**-64**	**-49**	**-39**	**-28**	**-1**	**-50**	**-231**

Inter-segment operations are not significant and are not identified separately.

4. Goodwill

4.1 Methodology

The Covid-19 pandemic alone does not represent an indication of loss of value, but it has nevertheless required the Group to review the situation of all of its CGUs or CGU groups (hereafter referred to as CGUs) as its resulting economic impacts may be very significant.

In order to identify the CGUs where an indication of loss of value exists, the Group performed various procedures based on the most recent budget reviews in June 2020, and also used analysts' forecasts for 2021 and 2022 that were issued in May.

The TLScontact CGU which holds the visa request management services on behalf of government administrations is the one most affected by the present crisis due to the border closures. However, the carrying amount of its goodwill is only €3.1 million and the impairment tests did not show any risk of loss of value.

The LanguageLine Solutions CGU which contains the interpreting services is only slightly affected by the pandemic as the business was able to continue on a normal basis as a large majority of its interpreters were already working from home.

In respect of the other CGUs, the following analyses were carried out to determine whether it was necessary to prepare new 3-year plans for them:

- are the 2020 revenues of the CGU in line with those forecast at the time of impairment testing as of the 2019 year-end?
- if not, is the impact only on the first half of 2020 or also on the second?
- is forecast EBITDA for the second half of the year lower than that expected at the time of impairment testing as of the 2019 year-end?
- if yes, what would the CGU's enterprise value have been if this level of EBITDA had been used in the impairment testing as of the 2019 year-end?
- is the growth forecast in the 3-year plans used for the impairment testing as of the 2019 year-end consistent with the most recent analysts' forecasts?
- if not, what is the impact on the enterprise value?

Based on these analyses, further procedures were deemed to be necessary for the following CGUs:

- French-speaking market CGU, which showed a significant decline in its results, including those forecast for the second half of 2020;
- Central Europe CGU has been shown to be borderline for impairment in the past, and although the updated forecast results are in line with the earlier 2019 forecast, growth forecast for 2021 and 2022 is in excess of market expectations;
- India & Middle East CGU took a hit in the first half of 2020 but does not expect to be below budget in the second, and also retains its 2021 and 2022 forecasts which are slightly in excess of market expectations.

4.2 Testing results

French-speaking market CGU

This CGU contains the core services & D.I.B.S. business of the French subsidiary and the production subsidiaries in Tunisia, Morocco, Lebanon and Madagascar.

A new 3-year plan was prepared incorporating lower growth in revenues and EBITDA. The discount rate applied was raised to 6.1% from that of 5.5% used at the end of 2019. The annual rate of growth to infinity was set equal to inflation of 2.1%. These adjustments led to the recognition in the first half of 2020 of an impairment loss corresponding to the entire carrying amount of goodwill of €30.1 million.

Central Europe CGU

This CGU contains the core services & D.I.B.S. businesses of the subsidiary companies located in Germany, Switzerland, and The Netherlands, in addition to the production subsidiaries in Kosovo and Bosnia. The carrying amount of goodwill at June 30th, 2020 was €49.9 million.

Under the updated procedures, forecast growth in 2021 and 2022 was restricted to that expected by the market, and the discount rate was increased to 5.7% from 4.8% as used at the end of 2019. The annual rate of growth to infinity was set at 2.1%, the expected rate of inflation. These revised parameters did not result in the recognition of a loss of value of goodwill.

India & Middle East CGU

This CGU was set up following the acquisition of Intelenet in October 2018 and holds the former Intelenet businesses in India and the Middle East as well as those of the Group's existing Indian subsidiary. The carrying amount of goodwill at June 30th, 2020 was €591.5 million.

Under the updated procedures, forecast growth in 2021 and 2022 was restricted to that expected by the market. The discount rate is 11.0% and the annual rate of growth to infinity was set at 4.0%, the expected rate of inflation. These revised parameters did not result in the recognition of a loss of value of goodwill.

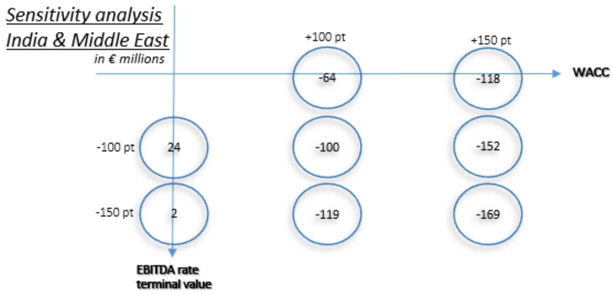
4.3 Sensitivity analysis

Sensitivity analyses were performed on the Central Europe and India & Middle East CGUs.

As of June 30th, 2020, only the latter CGU was identified as at risk of impairment loss, due to its recent acquisition.

The following chart shows the impact of increases of 100 and 150 basis points in the discount rate combined with reductions of 100 and 150 basis points in profitability on the terminal value calculation for this CGU.

The amounts in the chart show the difference between the CGU's recoverable and carrying amounts, restricted to the carrying amount of its goodwill. A negative amount therefore indicates a potential impairment loss.



5. Income tax

Income tax expense in an interim period is measured by applying the best estimate of the annual weighted average income tax rate to the profit or loss before tax for the period.

The income tax expense in the first half of 2020 amounted to €41.3 million compared with €62.6 million in the first half of 2019, which represents an effective tax rate of 39.5% compared with 30.1% in the same period last year. Without the effect of the impairment loss on goodwill, the effective tax rate would have been 29.7%. The effective tax rate has been calculated on the basis of the most recent 2020 budget, which integrates the estimated impact of the Covid-19 pandemic.

6. Equity and Earnings per share

6.1 Share capital and dividends

Teleperformance SE has made a share capital increase of €29,000 in June 2020 through the issue of 11,600 new shares in connection with the effective transfer of performance shares.

The share capital at June 30th, 2020 now amounts to €146,826,500 represented by 58,730,600 shares with a nominal value of €2.50 each, fully paid up.

The Company made a dividend distribution of €140.9 million on July 6th, 2020.

6.2 Treasury shares

At June 30th, 2020, the Group held 3,001 treasury shares, acquired under its liquidity contract, in a carrying amount of €0.7 million.

These amounts have been deducted from equity.

6.3 Earnings per share

Basic and diluted earnings per share are calculated as follows:

	1st HY 2020	1st HY 2019
Net profit - Group share	**63**	**145**
Weighted-average number of shares used to calculate basic earnings per share	58,702,829	57,881,330
Dilutive effect of incentive share awards	11,154	659,076
Weighted-average number of shares used to calculate diluted earnings per share	58,713,983	58,540,406
Basic earnings per share *(in €)*	1.08	2.51
Diluted earnings per share *(in €)*	1.08	2.49

Weighted-average number of shares used to calculate basic earnings per share

	1st HY 2020	1st HY 2019
Number of ordinary shares in issue at January 1st	58,719,000	57,780,000
Treasury shares	-16,617	-181,997
Shares isssued	446	283,327
Total	58,702,829	57,881,330

7. Financial assets and financial liabilities

7.1 Financial result

	1st HY 2020	1st HY 2019
Income from cash and cash equivalents	**2**	**2**
Interest expense	-17	-25
Bank commissions	-5	-3
Gross financing costs	**-22**	**-28**
Interest on lease liabilities	-23	-21
Net financing costs	-43	-47
Foreign exchange gains	45	32
Foreign exchange losses	-51	-34
Other financial income (expenses)	-1	2
Other financial income and expenses	-7	0
Financial result	-50	-47

7.2 Financial liabilities

Net financial indebtedness: Schedule of debt maturities

	06/30/2020	Current	Non-current*	12/31/2019	Current	Non-current
Loans from financial institutions	217	45	172	257	38	219
Commercial paper	310	310		228	228	
USPP loans - 2014	295		295	291		291
USPP loans - 2016	223		223	223		223
Bonds	1,366		1,366	1,362		1,362
Total bonds and loans	2,411	355	2,056	2,361	266	2,095
Loan issuance expense/premiums	-12		-12	-13	-1	-12
Loan hedging instruments	-36	-36		-22	-22	
Bank overdrafts and advances	5	5		9	9	
Other financial liabilities**	159	159		16	16	
Total financial liabilities excluding lease liabilities	2,527	483	2,044	2,351	268	2,083
Lease liabilities	683	159	524	732	168	564
Total financial liabilities	**3,210**	**642**	**2,568**	**3,083**	**436**	**2,647**
Marketable securities	109	109		25	25	
Cash and bank	566	566		393	393	
Total cash and cash equivalents	**675**	**675**		**418**	**418**	
Net debt	2,535	-33	2,568	2,665	18	2,647

** Includes €915 million due after 5 years*

*** Includes Teleperformance SE dividends of €141 million payable on July 6th, 2020*

Loans from financial institutions mainly include:

- a bank loan of US$500 million obtained in 2016 and repayable in four equal installments on August 19th, 2018, 2019, 2020 and 2021. In 2018 and 2019 early repayments have been made and the loan's remaining balance as of December 31st, 2019 amounted to US$120 million (€107 million). In June 2020, the Group has made an early partial repayment of the 2021 instalment in the amount of US$20 million. To date, the loan's remaining balance amounted to US$100 million (€89 million);
- a bank loan of €164 million obtained in 2018 and repayable in four equal installments on June 15th, 2020, 2021, 2022 and 2023. In 2019 an early repayment has been made and the loan's remaining balance as of December 31st, 2019 amounted to €150 million. In June 2020, the Group repaid the balance of the first instalment and the loan's remaining balance amounted to €123 million at the reporting date.

The Group also has a number of unutilized credit facilities as of June 30th, 2020:

- a multi-currency (EUR and USD) syndicated facility of €300 million, expiring in February 2023;
- four bilateral credit lines negotiated during 2019 and 2020, each of €50 million, expiring respectively in July 2020 and April, June and July 2021;
- an additional revolving credit line amounting to €655 million in order to guard against any unexpected effects of the crisis, negotiated during the first half of 2020 and expiring on April 15th, 2021;
- a bilateral credit line of 6 billion yen (€50 million), negotiated during the first half of 2020 and expiring on July 22nd, 2021 with an option to prolong for a further six months.

Analysis of the variation of financial liabilities

			Non-cash items				
	12/31/2019	*Cash flows*	*Lease liabilities*	*Dividends payable*	*Accrued interest*	*Translation differences*	*06/30/2020*
Total Financial liabilities	3,084	41	-21	141	2	-37	3,210

Loans and bond issues: schedule of debt maturities

	Total at 06/30/2020	*Total current*	*Total non-current*	*Due from July 2021 to June 2022*	*Due from July 2022 to June 2023*	*Due from July 2023 to June 2024*	*Due from July 2024 to June 2025*	*Due from July 2025 to June 2026*	*Due from July 2026 to June 2027*
Loans from financial institutions	217	45	172	131	41				
Commercial paper	310	310							
USPP loans	518		518	148		67	147		156
Bonds	1,366		1,366			607		759	
Total loans and bond issues	2,411	355	2,056	279	41	674	147	759	156

Covenants

The following financial liabilities are subject to financial covenants, which were complied with as of June 30th, 2020:

US private placements of US$250 million and US$325 million:

At June 30th, 2020, the relevant ratios were as follows:

	Contractual	Actual
Consolidated equity (in millions of euros)*	> 1,749	2,372
Consolidated net debt*/consolidated EBITDA*	≤ 2.75x	2.16x

** As defined in the agreements*

Syndicated multicurrency facility of €300 million, 2016 bank loan of US$100 million, CMCCIC bank facility of €50 million, Banco Santander bank facility of €50 million, MUFG bank facility of 6 billion yen, bank facility of €655 million and the 2018 bank loan of €123 million:

At June 30th, 2020, the relevant ratio was as follows:

	Contractual	Actual
Consolidated net debt*/consolidated EBITDA*	≤ 2.75x	2.16x

** As defined in the agreements*

Lease liabilities

Lease liabilities amounted to €682.9 million as of June 30th, 2020 and mature as follows:

	Total at 06/30/2020	*Total current*	*Total non-current*	*From July 2021 to June 2022*	*From July 2022 to June 2023*	*From July 2023 to June 2024*	*From July 2024 to June 2025*	*Over 5 years*
Lease liabilities	683	159	524	131	109	85	66	133

7.3 Foreign exchange and interest rate hedging operations

Revenues and operating expenses of Group subsidiaries may be denominated in a currency other than the functional currency of each country concerned. Hedge contracts are entered into to cover the exposure between the following principal currencies:

- the US dollar and the Mexican peso;
- the US dollar and the Colombian peso;
- the US dollar and the Philippine peso;
- the US dollar and the Indian rupee;
- the pound sterling and the Indian rupee;
- the euro and the US dollar, the Colombian peso, the Turkish pound, the Tunisian dinar.

The policy of the Group is cover its highly probable commercial transactions denominated in foreign currency, usually up to 12 months ahead but longer in certain cases. The Group uses forward exchange contracts and plain vanilla foreign exchange options.

In addition, currency hedges are in place to cover the exchange risk between currencies managed within the cash pool and the euro (in particular the US dollar) as well as certain loans between Teleperformance SE and its subsidiaries.

The Group has also put in place interest rate hedges in order to convert certain liabilities from fixed to floating rates, as well as caps to limit the impact of possible high interest rate rises.

The principal derivative financial instruments in place at the reporting date are as follows:

Derivative financial instruments at June 30th, 2020	Notional amount in currency	Notional amount in € at 06/30/2020	Fair value in € at 06/30/2020	In equity	In 2020 1st HY profit or loss
Hedge of forecast transactions					
USD/MXN	71	64	-6	-3	-3
USD/MXN*	11	9	-1		-1
MXN/USD	653	25	-3	-3	
MXN/USD *	175	7			
USD/PHP	4,625	83	4	3	1
USD/PHP *	1,550	28			
COP/EUR	12	12	-1		
COP/EUR *	2	2			
COP/USD	160	143	-2		-2
COP/USD *	25	23	-1	-1	
USD/INR	152	136	-1	-1	
USD/CAD	17	15			
USD/INR*	13	11			
GBP/INR	64	70	7	7	
TND/EUR	84	26	1	1	
EUR interest rate hedge	1,165	1,165	36	12	25
USD interest rate hedge	200	179			
Hedge of intra-group loans					
- in USD	22	20			
- in PHP	8,406	151	2		2
- in GBP	15	16	1		1

** Not eligible for hedge accounting*

The principal derivative financial instruments in place at June 30th, 2019 were as follows:

Derivative financial instruments at June 30th, 2019	Notional amount in currency	Notional amount in € at 06/30/2019	Fair value in € at 06/30/2019	In equity	In 2019 1st HY profit or loss
Hedge of forecast transactions					
USD/MXN	49	43	2	1	1
USD/MXN*	11	9			
MXN/USD	430	20	1	1	
MXN/USD *	78	4			
USD/PHP	7	6	5	4	1
USD/PHP *	2	2			
COP/EUR	18	18			
COP/EUR *	2	2			
COP/USD	32	28			
COP/USD *	9	8			
EUR/TND	42	13	1	1	
USD/INR	37	32	2	1	1
USD/INR*	9	7			
GBP/INR	114	127	14	14	
USD/INR	144	127	4	4	
EUR interest rate hedge	1	1	19	18	1
USD interest rate hedge	0.2	0			
Hedge of intra-group loans					
- in USD	26	23			
- in PHP	7,802	134	6	1	5
- in GBP	13	15	1		1
- in PLN	44	10			
- in MYR	51	11	-1		-1
Cash pooling hedges					
- in GBP	10	11			
- in USD	36	32			

** Not eligible for hedge accounting*

At June 30th, 2020, the net positive fair value of derivative financial instruments amounted to €33.0 million (December 31st, 2019: positive fair value of €55.5 million) of which €22.5 million is presented in Other financial assets, -€25.6 million in Other current liabilities and €36.1 million as a reduction of Other financial liabilities.

Counterparty credit risk (Credit value adjustment – CVA) and own credit risk (Debt value adjustment – DVA) are taken account of in the fair values of hedging instruments, but the amounts are not significant.

7.4 Foreign currencies

Principal currencies	*Country*	*Average rate* 1st half year 2020	*Closing rate* 06/30/2020	*Average rate* 1st half year 2019	*Closing rate* 06/30/2019
Europe					
Pound sterling	United Kingdom	0.88	0.91	0.87	0.85
Americas and Asia					
Brazilian real	Brazil	5.41	6.11	4.34	4.52
Colombian peso	Colombia	4,064	4,210	3,599	3,683
US dollar	USA	1.10	1.12	1.13	1.12
Indian rupee	India	81.71	84.62	79.12	80.19
Mexican peso	Mexico	23.84	25.95	21.65	21.22
Philippine peso	Philippines	55.83	55.83	58.98	56.90

8. Cash flows

8.1 Non-cash items of income and expense

	1st HY 2020	*1st HY 2019*
Depreciation, amortization and impairment losses on non-current assets	155	147
Impairment loss on goodwill	34	2
Amortization of right-of-use assets	97	85
Change in provisions	3	-5
Unrealized gains and losses on financial instruments	-18	3
Share-based payments	9	10
Total	280	242

8.2 Change in working capital requirements

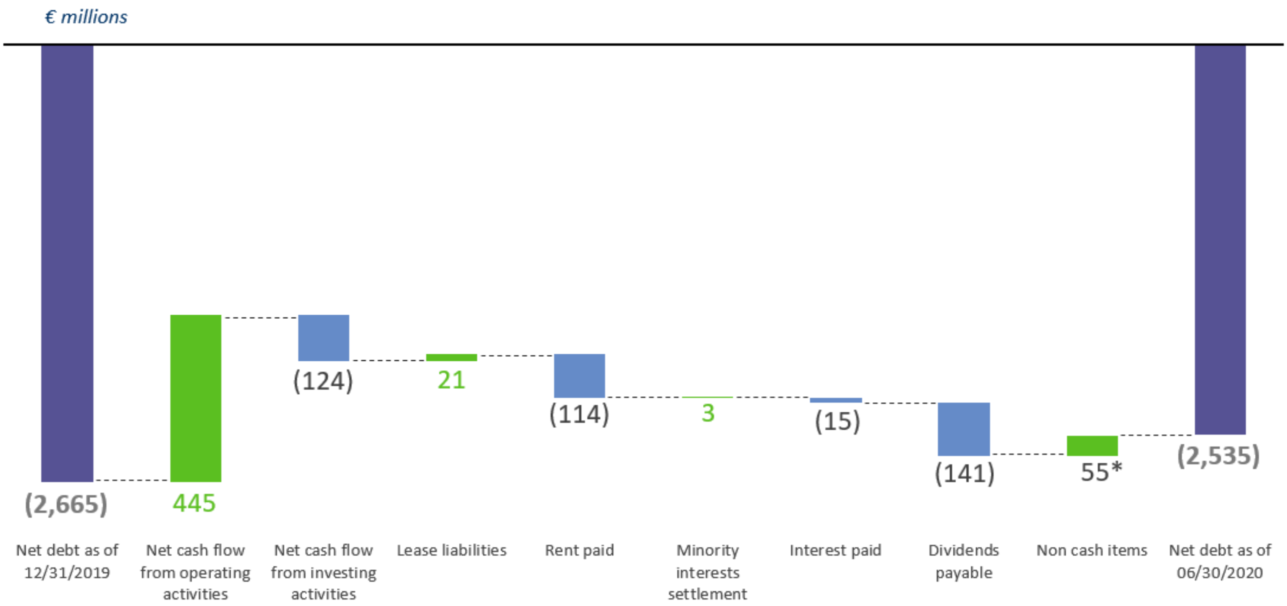
	1st HY 2020	*1st HY 2019*
Accounts receivable - Trade	30	-24
Accounts payable - Trade	37	12
Other	13	-1
Total	80	-13

The change in working capital in the first half of 2020 has been particularly impacted by the deferment of certain taxes and social charges obtained by a number of our subsidiaries.

8.3 Acquisition of intangible assets and property, plant and equipment

Investments in the first half of 2020 in respect of the implementation of work-from-home related to the Covid-19 pandemic amounted to €18.7 million.

8.4 Explanation of the change in net debt in the first half of 2020



** including exchange rate effects of €58 million*

8.5 Analysis of net cash presented in the condensed consolidated statement of cash flows

	06/30/2020	*12/31/2019*
Bank overdrafts and advances	-5	-9
Marketable securities	109	25
Cash and bank	566	393
Net cash	670	409

9. Provisions, litigation, commitments and other contractual obligations

9.1 Change in provisions

	12/31/2019	*Increases*	*Releases*		*Translation*	*Other*	*06/30/2020*
			Utilized	*Not utilized*	*differences*		
Non-current							
Provisions for retirement benefits	26	1				1	28
Provisions for other expenses	1						1
Total	27	1	0	0	0	1	29
Current							
Provisions for risks	22	2	-2		-1		21
Provisions for other expenses	10	2	-1				11
Total	32	4	-3	0	-1	0	32
TOTAL	**59**	**5**	**-3**	**0**	**-1**	**1**	**61**

Provisions for risks at June 30th, 2020 include personnel-related risks in an amount of €8.3 million, principally concerning lawsuits with former employees, particularly in Argentina, Brazil and France.

As legal proceedings are ongoing for most of these disputes, their settlement date is uncertain.

9.2 Warranties and other contractual obligations

The Group has neither given nor received any significant warranty or guarantee during the first half of 2020.

10. Related parties

The Group has no knowledge of any significant transactions with related parties during the first half of 2020.

11. Events after the reporting date

None.

2. 2020 half-year management report

2.1 Covid-19 Pandemic

On March 11th, 2020, the Covid-19 epidemic was declared by the World Health Organization to have reached pandemic proportions. This world-wide health crisis led numerous countries to bring in lockdown measures on a national scale and to impose severe restrictions on movement. Faced with this situation of an exceptional nature, the Group decided as a priority to take all steps to safeguard its personnel and the continuity of its customers' businesses, in addition to protecting its financial soundness, while complying with the laws, regulations or other instructions brought in by public administrations in the countries in which it operates.

Steps taken included the temporary closure of a number of Group premises (those of TLScontact in particular) and expenditure to adapt working processes and to combat the epidemic (through the rapid and widespread implementation of work-from-home, the supply of personnel with masks and disinfectant gel, the frequent thorough cleaning of facilities, the checking for high body temperatures at site entrances etc.).

2.2 Business activity over the last half year

1. Group revenue in the first half year 2020

Consolidated revenue came in at €2,660 million for the first half of 2020, representing a year-on-year increase of +5.0% at constant exchange rates and scope of consolidation (like-for-like) and of +3.7% as reported. The unfavorable currency effect, which totaled a negative €31 million, primarily stemmed from the decline against the euro in the main Latin American currencies and the Indian rupee, despite the positive impact from the stronger US dollar.

Month by month revenue tracked a V-shaped curve, bottoming out in April in the depths of the health crisis. After two and a half months of more than +7% like-for-like growth, the Covid-19 crisis broke the trend from mid-March onwards, with declines varying by country (depending on the extent of their lockdowns) and customer segment. The Group's business cooled slightly in April, mainly due to the near-stop of TLScontact's visa application management activities (Specialized Services). Performance then steadily improved in May before returning to very strong growth in June.

REVENUE BY ACTIVITY

in millions of euros	**H1 2020**	**H1 2019**	**% change** *Like-for-like*	*Reported*
CORE SERVICES & D.I.B.S.	**2,344**	**2,221**	***+7.3%***	***+5.6%***
English World & Asia-Pacific (EWAP)	856	801	*+4.8%*	*+6.9%*
Ibero-LATAM	711	645	*+18.5%*	*+10.2%*
Continental Europe & MEA (CEMEA)	562	519	*+8.3%*	*+8.1%*
India & Middle East	215	255	*-13.3%*	*-15.5%*
SPECIALIZED SERVICES	**316**	**344**	***-9.7%***	***-8.1%***
TOTAL	**2,660**	**2,564**	***+5.0%***	***+3.7%***

- **Core Services & Digital Integrated Business Services (D.I.B.S.)**

Core Services & D.I.B.S. revenue amounted to €2,344 million in first-half 2020, a year-on-year increase of +7.3% like-for-like. Reported revenue growth was limited to +5.6%, primarily due to the decline against the euro in the main Latin American currencies and the Indian rupee, despite the positive impact from the stronger US dollar.

Beginning in March, like-for-like growth declined sharply across every region due to the Covid-19 pandemic. Revenue growth nevertheless remained positive in Core Services & D.I.B.S. in March and April, albeit at a slower pace than in the prior-year period. It then gradually improved to a new high in June, led by the ramp-up of recently awarded contracts and the start-up of new contracts signed during the crisis.

Performance varied by region, with Ibero-LATAM delivering the strongest gains, and India & Middle East reporting a steep decline after lockdowns forced the closure of certain facilities.

- **English World & Asia-Pacific (EWAP)**

In first-half 2020, revenue for the region came to €856 million, up +4.8% like-for-like and +6.9% as reported, lifted by the dollar's rise against the euro.

In North America, the global health crisis weighed especially on travel and accommodation industries. However, business in healthcare, internet and automotive segments was buoyed by the speedy ramp-up of recently signed contracts

Business in Asia returned to robust growth after the strictest health measures were lifted in China in March. Operations in Malaysia enjoyed very strong growth throughout the first half, led by the contribution of recently signed contracts in the social media industry. Lastly, in Japan, where operations got underway in 2019, business is expanding quickly, in particular with new contracts landed in the consumer electronics and online entertainment industries.

Business in the United Kingdom remained brisk throughout the first half, mainly supported by the deployment of Covid-19 helpline services for the government. Business is also ramping up quickly in the construction and automotive markets.

- **Ibero-LATAM**

First-half 2020 revenue for the Ibero-LATAM region amounted to €711 million, a year-on-year increase of +18.5% like-for-like and of +10.2% as reported, mainly due to the decline in the Brazilian real, the Colombian peso, the Argentine peso and the Mexican peso against the euro.

Second-quarter revenue growth came to +18.8% like-for-like, confirming the positive first-quarter trend despite the rapid spread of Covid-19 across the region. Growth gained momentum to reach a new peak in June, spurred by new contracts primarily won in the digital economy ecosystem.

The fast-paced deployment of work-from-home solutions in the region to meet sustained client demand helped to drive double-digit business growth throughout the first half.

Growth for the region was mainly led by operations in Colombia and Brazil and the nearshore business in Mexico. In terms of client industries, there were solid gains in financial services, e-tailing and online entertainment, and fast growth in the automotive segment.

- **Continental Europe & MEA (CEMEA)**

Revenue for the CEMEA region totaled €562 million in first-half 2020, representing year-on-year growth of +8.3% like-for-like and +8.1% as reported.

On the whole, Covid-19's impact on business was less severe in CEMEA than in the other operating regions, mainly because situations contrasted widely from one country and one industry to another. In countries that enforced the strictest lockdowns, such as Italy, France and Tunisia, business contracted significantly between March and May.

In other countries, business rose steadily over the period, supported by satisfactory contract wins from multinational clients, particularly in the online entertainment and e-tailing industries. This was the case in Greece (multilingual hubs), Scandinavia (Sweden and Denmark), Germany (offshore activities in particular), as well as in Turkey, Egypt and Russia, where the Group recently opened new facilities.

Business in the Netherlands was also robust, in particular with the deployment of Covid-19 support services for the government.

- **India & Middle East**

In the first half of 2020, operations in the India & Middle East region generated €215 million in revenue, a year-on-year decline of -13.3% like-for-like and of -15.5% as reported. Adverse currency effect stemmed from the decline in the Indian rupee against the euro.

This decline in business since March was primarily attributable to the drastic lockdown measures deployed in India, some of which are still in effect. The closure of many facilities had a particularly adverse impact in the financial services and transportation segments, despite the expansion of work-from-home solutions in response to client demand.

Initiated in late 2019, the process of terminating low-margin contracts in domestic activities in India was stepped up in first-half 2020 during the pandemic.

- **Specialized Services**

Revenue from Specialized Services stood at €316 million in the first six months of 2020, a decline of -9.7% like-for-like and of -8.1% as reported, due to the increase in the US dollar against the euro. In the second quarter, business fell by -21.0% like-for-like, primarily due to the near-stop of TLScontact's operations since April in the wake of travel restrictions and border closures. On the other hand, LanguageLine Solutions overcame the impact of the health crisis in the healthcare segment (postponement of many non-essential medical procedures at the height of the crisis) and returned to strong growth in June.

LanguageLine Solutions' activities proved particularly resilient during the crisis, thanks to a portfolio of services delivered by 11,000 interpreters working from home to ensure the smooth, uninterrupted flow of business.

Revenue from the Group's debt collection operations in North America was down year-on-year in the first half of 2020.

2. First half 2020 operating profit

EBITDA before non-recurring items stood at €450 million for first-half 2020, down -10.8% from the prior-year period.

EBITA before non-recurring items declined by -22.8% to €253 million from €327 million in first-half 2019, representing a margin of 9.5% versus 12.8% the year before. This was primarily attributable to the near-stop of TLScontact's operations in Specialized Services from April, as well as to the impact on Core Services & D.I.B.S. of the lockdown policies that forced many facilities to close, particularly in India, the Philippines and Tunisia.

EBITA BEFORE NON-RECURRING ITEMS BY ACTIVITY

	H1 2020	**H1 2019**
in millions of euros		
CORE SERVICES & D.I.B.S.*	**171**	**215**
% of revenue	**7.3%**	**9.7%**
English World & Asia-Pacific (EWAP)	44	58
% of revenue	5.1%	7.2%
Ibero-LATAM	62	69
% of revenue	8.7%	10.7%
Continental Europe & MEA (CEMEA)	22	32
% of revenue	3.8%	6.2%
India & Middle East	18	39
% of revenue	8.4%	15.3%
Holding companies	25	17
SPECIALIZED SERVICES	**82**	**112**
% of revenue	**26.1%**	**32.6%**
TOTAL	**253**	**327**
% of revenue	**9.5%**	**12.8%**

- **Core Services & D.I.B.S.**

For Core Services & D.I.B.S., EBITA before non-recurring items came to €171 million in the first half of 2020, versus €215 million in the first half of 2019. The margin narrowed in the first half, to 7.3% from 9.7% a year earlier, primarily due to (i) the impact of the lockdowns implemented in India, the Philippines, Tunisia and many other countries and (ii) the cost of rapidly deploying, in a challenging environment, a work-from-home model for most agents.

- **English World & Asia-Pacific (EWAP)**

The EWAP region generated EBITA before non-recurring items of €44 million in first-half 2020, compared with €58 million in the prior-year period, while the margin declined to 5.1% from 7.2% the year before.

In the English World, profitability was impacted by lockdowns, particularly in the Philippines. In the Asia-Pacific region, the margin continued to improve thanks to robust, profitable growth in Malaysia, where the contact center industry was not locked down, and the return to sustained growth in China since March when the strictest health measures were lifted.

- **Ibero-LATAM**

EBITA before non-recurring items in the Ibero-LATAM region fell to €62 million in first-half 2020, from €69 million in the prior-year period, representing a margin of 8.7% versus 10.7% the year before.

The margin weakened in most countries in the region, mainly due to the cost of deploying local work-from-home solutions and the start-up costs on many new contracts. However, margin remains high and resilient in Colombia, bolstered by the very vibrant business development drive, essentially in the digital economy.

- **Continental Europe & MEA (CEMEA)**

In first-half 2020, EBITA before non-recurring items in the Continental Europe & MEA region came to €22 million yielding a margin of 3.8%, versus respectively €32 million and 6.2% in the prior-year period,

The margin erosion in the region stemmed mainly from the impact of the lockdowns, which were strictest in the French-speaking operations in Tunisia and, to a lesser extent, France, and work from home transformation costs. This impact was partly offset by increased profitability in some countries like Germany, in particular with nearshore activities, Benelux and Albania.

- **India & Middle East**

EBITA before non-recurring items in the India & Middle East region amounted to €18 million in first-half 2020, versus €39 million in the prior-year period, feeding through to a margin of 8.4% versus 15.3% in first-half 2019.

Margin was heavily compressed by the numerous facility closures resulting from the enforcement of drastic lockdown measures in India. International offshore contracts were prioritized in the gradual deployment of work-from-home solutions.

- **Specialized Services**

Specialized Services reported EBITA before non-recurring items of €82 million and a margin of 26.1% in first-half 2020, representing a decline from the 32.6% reported for the prior-year period.

TLScontact's margin contracted sharply in the first half following the shutdown of its visa application management business starting in March, even though cost-cutting measures were very quickly implemented to attenuate the impact.

At LanguageLine Solutions, EBITA rose further over the period and margin, which remained high, proved to be particularly resilient during the crisis. This reflected the fact that the company's services are delivered by 11,000 interpreters who were already working from home before the pandemic and were therefore able to ensure the smooth, uninterrupted flow of business.

3. Other items of the 2020 first half-year results

Group EBIT amounts to €154 million compared with €255 million in the same period of 2019, representing a decrease of 39.4% due to the impact of the Covid-19 pandemic, not only on business operations in the half-year, but also on the risk of impairment of goodwill and certain customer receivables.

EBIT for the 2020 first half year includes amortization expense of intangible assets for €54 million, share-based payments expense of €10 million in respect of incentive share plans, and impairment losses on goodwill of €34 million.

The financial result is a net expense of €50 million, compared with one of €47 million in the first half of 2019.

The income tax expense amounted to €41 million. The weighted average income tax rate for the group is 29.7%, excluding the effect of non-deducible goodwill impairment, compared with 30.1% in the same period last year.

2.3 Group financing and cash flow

1. Group financing at June 30th, 2020

Long-term financing

in millions of euros	*06/30/2020*	*12/31/2019*
Equity	2,372	2,569
Non-current financial liabilities	2,568	2,647
Total long-term financing	4,940	5,216

Non-current financial liabilities at June 30th, 2020 and December 31st, 2019 include lease liabilities amounting to €524 million and €564 million, respectively.

Short-term financing

in millions of euros	*06/30/2020*	*12/31/2019*
Current financial liabilities	642	436
Cash and cash equivalents	675	418
Surplus (deficit) of net cash over current financial liabilities	33	-18

Current financial liabilities at June 30th, 2020 and December 31st, 2019 include lease liabilities amounting to €159 million and €168 million, respectively.

On April 15th, 2020, the Group obtained additional confirmed credit lines amounting to €655 million and 6 billion yen (€50 million) in order to guard against any unexpected effects of the crisis. These facilities are in addition to the unutilized credit lines of €500 million already available. The credit rating agency S&P has shown its approval of our continued financial strength though the confirmation of our investment grade rating BBB-, with a stable outlook, on April 14th, 2020.

2. Cash flow

Sources and volumes of cash flows

in millions of euros	*1st HY 2020*	*1st HY 2019*
Internally generated funds from operations before change in working capital requirements	361	407
Change in working capital requirements	80	-13
Net cash flow from operating activities	**441**	**394**
Capital expenditure, net	-120	-101
Net cash flow from investing activities	**-120**	**-101**
Acquisition net of disposal of treasury shares	3	-9
Change in ownership interest in controlled entities		-24
Dividends paid to parent company shareholders		-111
Net change in financial liabilities	44	54
Lease payments	-114	-101
Financial interest paid	-15	-20
Net cash flow from financing activities	**-82**	**-211**
Change in cash and cash equivalents	**239**	**82**

The Group's free cash flow amounted to €192 million in the first half of 2020, compared with €172 million in the same period last year.

The change in working capital requirements in the first half of 2020 has been particularly impacted by the deferment of certain taxes and social charges obtained by a number of our subsidiaries.

Capital expenditure amounted to €120 million, compared with €101 million in the same period last year, and included investments in respect of the implementation of work-from-home in an amount of €19 million.

Including the accrued dividend of €141 million, net debt amounted to €2,535 million at June 30th, 2020, of which an amount of €683 million is in respect of lease liabilities.

Group financing remains solidly based, with equity of €2,372 million as of June 30th, 2020.

2.4 Consolidation scope

The group made no acquisition or disposal during the first half of 2020.

2.5 Events after the reporting date

None.

2.6 Trends and prospects

1. Risks and uncertainties

The group is exposed to a series of risks which have been described in the 2019 universal registration document filed with the AMF.

Group management does not expect any significant change in these existing risks and uncertainties, or the occurrence of any new ones, during the second half of 2020.

2. Outlook

Based on its resilient, promising first-half performance, led by the successful worldwide adaptation of its portfolio of solutions to the new crisis reality and by its business momentum remaining strong, the Group is confident that it will deliver even faster gains in the second half of the year. As a result, it is once again able to issue guidance for the current year:

- Like-for-like revenue growth of around +6%;
- EBITA margin before non-recurring items of at least 12.5%;
- Strong cash flow generation.

Based on these new 2020 objectives, the Group has adjusted its medium-term targets for 2022 and reaffirmed its commitment to pursuing sustainable, profitable growth in its business:

- Revenue of around €7 billion in 2022, including targeted acquisitions in high-value services;
- Average like-for-like growth of at least +6% per year over the 2020-2022 period;
- An EBITA margin of around 14.5% in 2022.

3. Certification by the person responsible for the half-year financial report

This is a free translation into English of the certification by the person responsible for the half-year financial report and is provided solely for the convenience of English-speaking users.

"I hereby declare that, to the best of my knowledge, the condensed consolidated financial statements for the first half of 2020 have been prepared in accordance with applicable accounting principles and give a true and fair view of the assets and liabilities, financial situation and results of the Group. I further declare that the half year Management Report gives a true and fair view of the material events occurring during the first six months of the financial year and of their impact on the half year financial statements, of the principal related party transactions, and of the principal risks and uncertainties for the remaining six months of 2020."

Paris, July 29th, 2020

Daniel Julien

Chairman & Chief Executive Officer

4. Statutory auditors' review report on the 2020 half-yearly financial information

This is a free translation into English of the statutory auditors' review report on the half-yearly financial information issued in French and is provided solely for the convenience of English-speaking users. This report includes information relating to the specific verification of information given in the Group's half-yearly management report. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

For the period from January 1st, 2020 to June 30th, 2020

To the Shareholders,

In compliance with the assignment entrusted to us by your shareholders meeting and in accordance with the requirements of article L. 451-1-2 III of the French Monetary and Financial Code ("*Code monétaire et financier*"), we hereby report to you on:

- the review of the accompanying condensed half-yearly consolidated financial statements of Teleperformance SE, for the period from January 1st, 2020 to June 30th, 2020;

- the verification of the information presented in the half-yearly management report.

These condensed half-yearly consolidated financial statements are the responsibility of the Board of Directors and have been prepared on July 29th, 2020 based on the information available at that date in the evolving context of the Covid-19 and related difficulties to assess its impact and outlook. Our role is to express a conclusion on these financial statements based on our review.

I. Conclusion on the financial statements

We conducted our review in accordance with professional standards applicable in France. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed half-yearly consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 - standard of the IFRSs as adopted by the European Union applicable to interim financial information.

II. Specific verification

We have also verified the information presented in the half-yearly management report prepared by the Board of Directors on July 29th, 2020 on the condensed half-yearly consolidated financial statements subject to our review. We have no matters to report as to its fair presentation and consistency with the condensed half-yearly consolidated financial statements.

The statutory auditors

Paris-La Défense July 29th, 2020	Paris-La Défense July 29th, 2020
KPMG Audit IS Jacques Pierre Partner	Deloitte & Associés Ariane Bucaille Partner