First half 2014 results

Tuesday July 29, 2014

-

Bezons

Disclaimers

- This document contains further forward-looking statements that involve risks and uncertainties concerning the Group's expected growth and profitability in the future. Actual events or results may differ from those described in this document due to a number of risks and uncertainties that are described within the 2013 Reference Document filed with the Autorité des Marches Financiers (AMF) on April 2, 2014 under the registration number: D14-0272.
- Business Units include **Germany**, **France**, **United Kingdom & Ireland**, **Benelux & The Nordics** (BTN: The Netherlands, Belgium, Luxembourg, Denmark, Finland, and Sweden), **Worldline**, **Central & Eastern Europe** (CEE: Austria, Bulgaria, Croatia, Serbia, Poland, Czech Republic, Russia, Romania, Slovakia, Switzerland, Italy, and Turkey), **North America** (USA and Canada), **Iberia** (Spain and Portugal), and **Other Business Units** including Major Events (including MSL), Latin America (Brazil, Argentina, Mexico, Colombia and Chile), Asia Pacific (Japan, China, Hong Kong, Singapore, Malaysia, Indonesia, Philippines, Taiwan, Thailand, New Zealand, and Australia), India, Middle East, Morocco, South Africa, and Cloud & Enterprise Software.
- Revenue organic growth is presented at constant scope and exchange rates.

Agenda

1. Key figures and achievements
2. Financial performance
3. Follow-up on Tier One program
4. New commercial momentum
5. Conclusion
6. Q&A session

Thierry Breton, Chairman & CEO

Key figures and achievements

Key figures (1/2)

First half 2014

July 29, 2014

	H1 2014	H1 2013
Revenue (€m)	4,176	4,258
Operating margin rate	6.6%	6.4%
Free cash flow (€m)	124	158 Including €20m exceptional real estate sale
Net cash (€m)	845*	359

Revenue and operating margin at constant scope and exchange rates

** Net cash position including €628m restricted cash for Bull acquisition and excluding Worldline's IPO proceeds*

Key figures (2/2)

First half 2014

July 29, 2014

	H1 2014	H1 2013
Net income Group share (€m)	76	116 Including €20m before tax of exceptional real estate sale
Book to bill	104%	106%
Backlog (€bn)	15.3 1.8 years of revenue	15.5 1.8 years of revenue
Total number of employees	76,465	77,105

2014 objectives confirmed

Further to the first half of the year, and taking into account the perspective of the second semester, the Group confirms all its objectives for 2014 as stated in the February 19, 2014 release, i.e.:

- **Revenue**
  - The Group expects to **positively grow** compared to 2013.
- **Operating margin**
  - The Group has the objective to continue improving its operating margin rate targeting **7.5% to 8.0%** of revenue.
- **Free cash flow**
  - The Group expects to achieve a free cash flow **above 2013** level, in line with 2016 ambition.

Successful IPO of Worldline

Completed according to the initial planning

Introduction price at € 16.40 per share

Market capitalization of € 2.2 billion

Final size of the offering € 639 million*

Worldline raised € 255 million

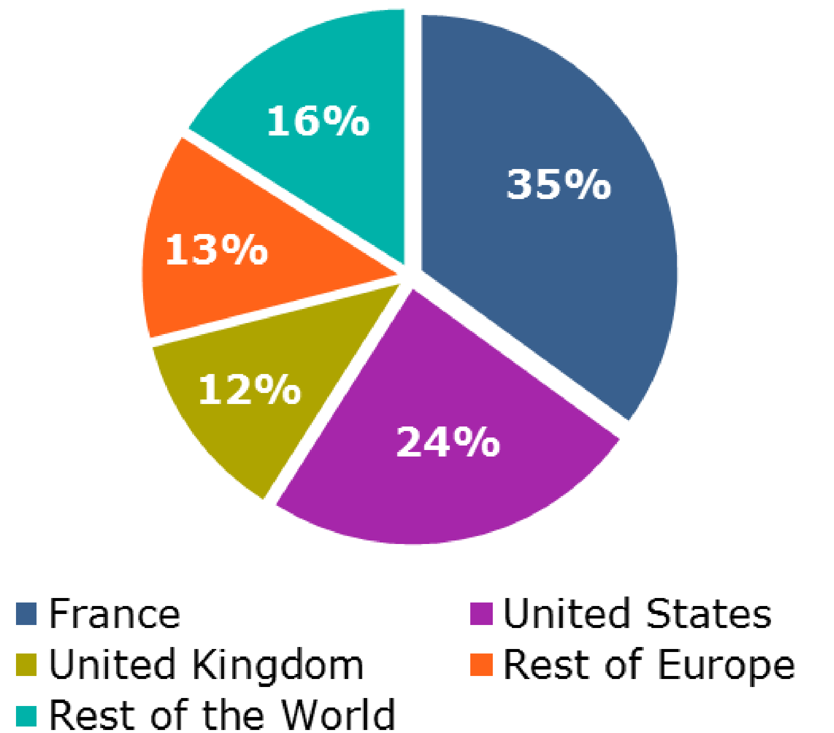
€ 384 million* of shares sold by Atos SE

** After exercise of 75% of the over-allotment option*

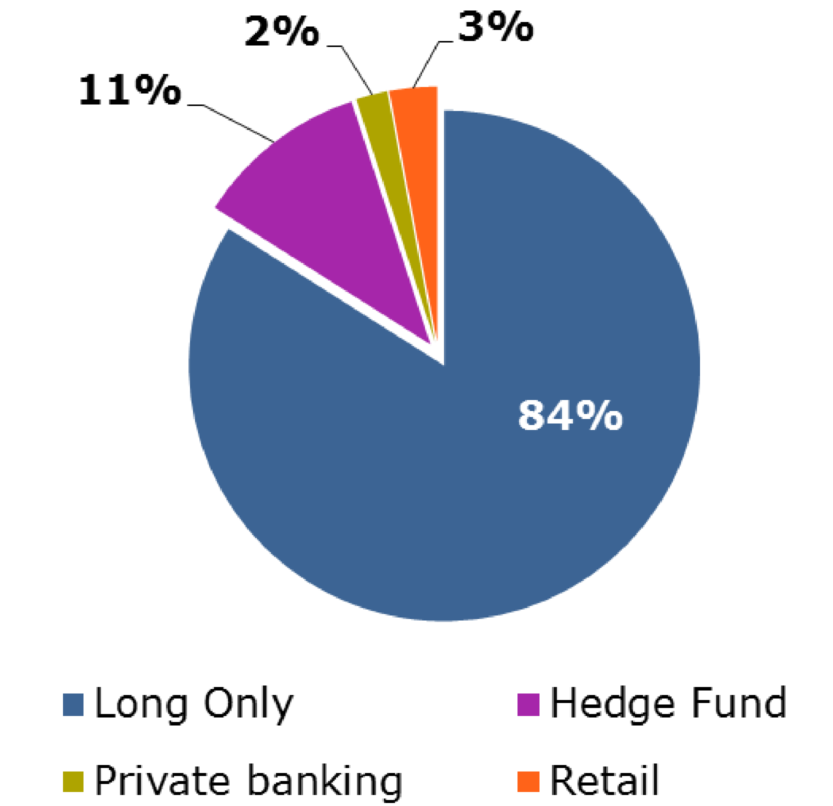
Successful IPO of Worldline

Final allocation

Breakdown by geography



Breakdown by investor type



- Atos holding **70%** of Worldline

Planned acquisition of Bull

A compelling strategic fit

1	COMPLEMENTARY TECHNOLOGIES AND SKILLS IN CRITICAL SEGMENTS	Strong acceleration in : • Cloud • Big Data • Cybersecurity Solutions
2	STRENGTHENED POSITIONS	Reinforced positions in selected clients /segments / geographies, such as Manufacturing, Healthcare, and Public sectors, and in France Allow cross-selling of Atos offerings
3	SUBSTANTIAL SYNERGIES (€80 million)	Performance improvement and efficiencies due to the implementation of substantial synergies (e.g., SG&A) Scale effects in certain geographies (e.g., reduced purchasing and real estate costs)

Planned acquisition of Bull
Value creation ambition based on 3 sources

€ 80 million of annual cost synergies expected after 24 months

1	Accelerate "One Bull" program through combination with TOP initiatives	€ 30 million
2	Combination synergies of Atos and Bull on SG&A	€30 million
3	Synergies on procurement and real estate	€20 million

Not taking into account revenue synergies

Best estimates based on public information (2013 Registration Document)

Planned acquisition of Bull
Indicative timeline of the transaction

June 06, 2014	Filing of the tender Offer with the AMF
June 24, 2014	Statement by the AMF certifying that the offer is compliant
June 26, 2014	Publication of the Prospectus and the document "Additional information"
June 27, 2014	Opening of the Offer
July 31, 2014	Closing of the Offer
August 11, 2014	**Publication by the AMF of the notice of the result of the Offer**
August 18, 2014	**Settlement and delivery of shares**
September 30, 2014	**Implementation of the squeeze-out procedure if 95% shareholding ultimately reached or implementation of a merger process**

Michel-Alain Proch,

Executive Vice President and Group CFO

Financial performance

Constant scope and exchange rates reconciliation

First half 2014

July 29, 2014

In € million	**H1 2014**	**H1 2013**	***% growth***
Statutory revenue	4,176	4,290	*-2.7%*
Scope effect		5	
Exchange rates effect		-37	
Revenue at constant scope and exchange rates	**4,176**	**4,258**	***-1.9%***
Operating margin	274.6	279.0	*-1.6%*
Scope impact		1.0	
Exchange rates impact		-6.5	
Operating margin at constant scope and exchange rates	**274.6**	**273.5**	***+0.4%***
as % of revenue	***6.6%***	***6.4%***	

- **Significant exchange rates effect** resulting from the Argentine peso, the Brazilian real, and the US dollar depreciating versus the euro and from the British pound strengthening versus the euro.
- **Scope effect** resulted from the acquisition of WindowLogic (Asia-Pacific, July 2013) and the disposal of Atos Formation (France, March 2013) and Metrum (The Netherlands, January 2014).

Performance by Service Line

First half 2014

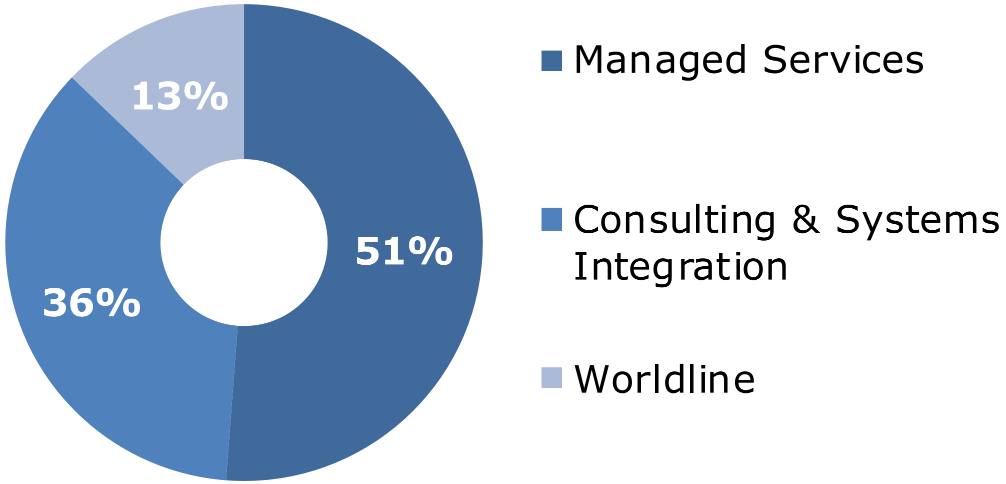
July 29, 2014

In € million	Revenue			Operating margin		*Operating margin %*	
	H1 2014	**H1 2013***	***% growth***	**H1 2014**	**H1 2013***	***H1 2014***	***H1 2013****
Managed Services	2,138	2,190	*-2.3%*	136.1	165.4	*6.4%*	*7.6%*
Consulting & Systems Integration	1,503	1,535	*-2.1%*	100.5	76.9	*6.7%*	*5.0%*
Corporate costs**				-42.0	-46.2	*-1.2%*	*-1.2%*
Total IT Services	**3,641**	**3,724**	***-2.2%***	**194.6**	**196.0**	***5.3%***	***5.3%***
Worldline	**535**	**534**	***+0.2%***	**80.0**	**77.5**	***15.0%***	***14.5%***
TOTAL GROUP	**4,176**	**4,258**	***-1.9%***	**274.6**	**273.5**	***6.6%***	***6.4%***

** at constant scope and exchange rates*

*** Corporate costs exclude Global Delivery Lines costs allocated to the Service Lines*

- **Managed Services** benefited from positive dynamic in the Public sector in the UK and in North America
- +170bp margin improvement in **Consulting & Systems Integration** thanks to META program
- **Worldline** contribution to operating margin improvement



Managed Services

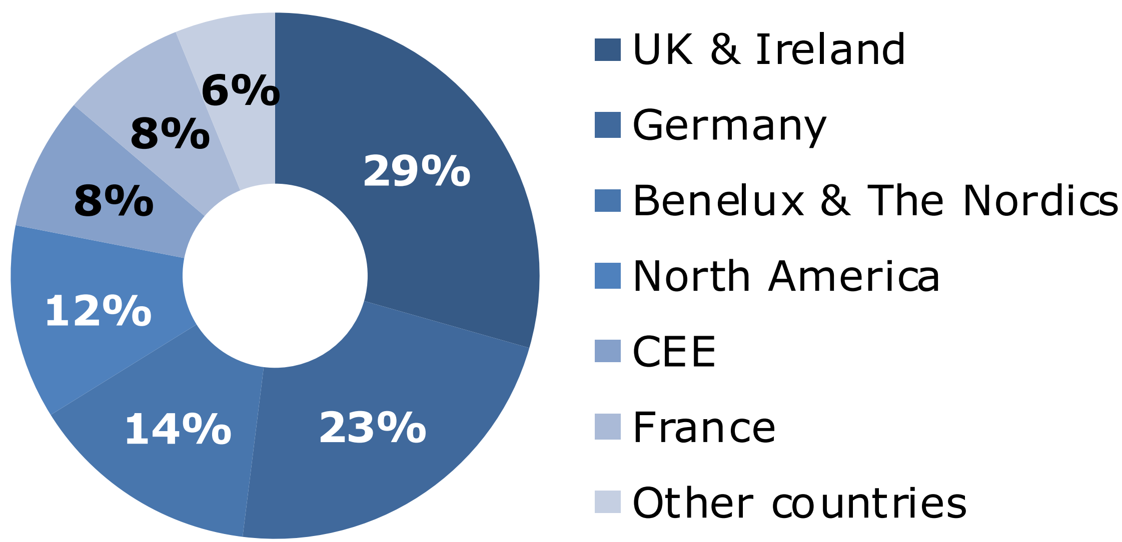
First half 2014

July 29, 2014

In € million	**H1 2014**	**H1 2013***	***% variation***
Revenue	2,138	2,190	*-2.3%*
Operating margin	136.1	165.4	
Operating margin rate	*6.4%*	*7.6%*	
Direct headcount end of June	33,720	33,277	

** at constant scope and exchange rates*

- **Revenue as expected**
- Strong dynamics of **BPO**
- Investment in **Cloud**
- Contract overrun in **France**
- Outsourcing of on-site services activities in the US and project in France*



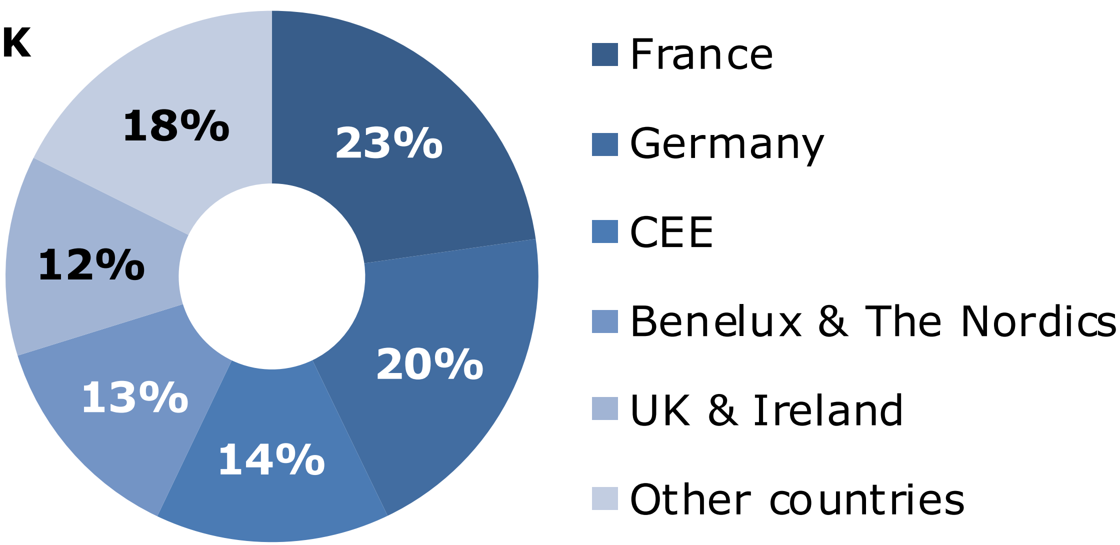
** subject to information-consultation of the relevant employee representatives bodies*

Consulting & Systems Integration

In € million	**H1 2014**	**H1 2013***	***% variation***
Revenue	1,503	1,535	*-2.1%*
Operating margin	100.5	76.9	
Operating margin rate	*6.7%*	*5.0%*	
Direct headcount end of June	30,413	30,482	

** at constant scope and exchange rates*

- **Consulting growth** thanks to **UK**
- Good momentum in Germany, France and CEE in **Systems Integration**
- **Public & Health** grew in almost all GBUs
- **Operating margin increased** thanks to Germany, Central & Eastern Europe and France

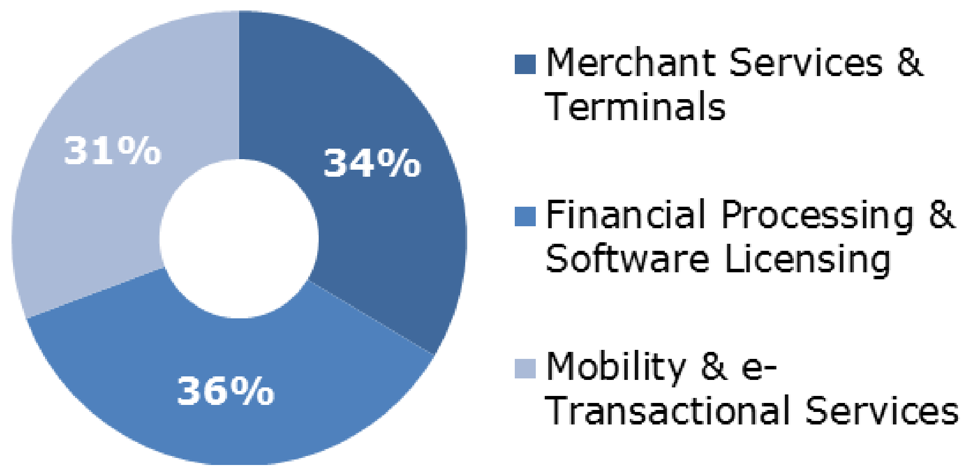


Worldline

In € million	**H1 2014**	**H1 2013***	***% variation***
Revenue	535	534	*+0.2%*
Operating margin	80.0	77.5	
Operating margin rate	*15.0%*	*14.5%*	
Direct headcount end of June	6,605	6,623	

** at constant scope and exchange rates*

- **Volume dynamic** in Financial Processing & Software Licensing and Merchant Services
- **Good project activity** in Online Banking and e-ticketing
- Anticipated price decrease on one large UK contract in Mobility & e-Transactional Services



- **Profitability improvement** thanks to Financial Processing & Software Licensing and Merchant Services and TEAM efficiency program

Performance by Business Unit

- **Operating margin improved in most Business Units**

- **UK** impacted by **TFGM** contract and **DWP WCA**
- **France** hit in **Managed Services** revenue
- Continuous **monitoring** in **Global Structure** costs
- Execution of **Tier One Program** new initiatives

	Revenue			Operating margin		Operating margin %	
In € million	**H1 2014**	**H1 2013***	***% growth***	**H1 2014**	**H1 2013***	***H1 2014***	***H1 2013****
United-Kingdom & Ireland	812	797	*+1.9%*	54.4	58.3	*6.7%*	*7.3%*
Germany	784	809	*-3.1%*	51.9	50.4	*6.6%*	*6.2%*
France	505	516	*-2.0%*	1.1	8.4	*0.2%*	*1.6%*
Benelux & The Nordics	500	546	*-8.4%*	50.5	49.2	*10.1%*	*9.0%*
Central & Eastern Europe	388	400	*-3.0%*	32.8	30.0	*8.4%*	*7.5%*
North America	292	298	*-2.2%*	22.9	20.8	*7.9%*	*7.0%*
Iberia	146	148	*-1.5%*	3.4	3.1	*2.3%*	*2.1%*
Other BUs	214	211	*+1.7%*	20.2	21.3	*9.4%*	*10.1%*
Global structures**				-42.6	-45.4	*-1.2%*	*-1.2%*
Total IT Services	**3,641**	**3,724**	***-2.2%***	**194.6**	**196.0**	***5.3%***	***5.3%***
Worldline	**535**	**534**	***+0.2%***	**80.0**	**77.5**	***15.0%***	***14.5%***
TOTAL GROUP	**4,176**	**4,258**	***-1.9%***	**274.6**	**273.5**	***6.6%***	***6.4%***

** at constant scope and exchange rates*

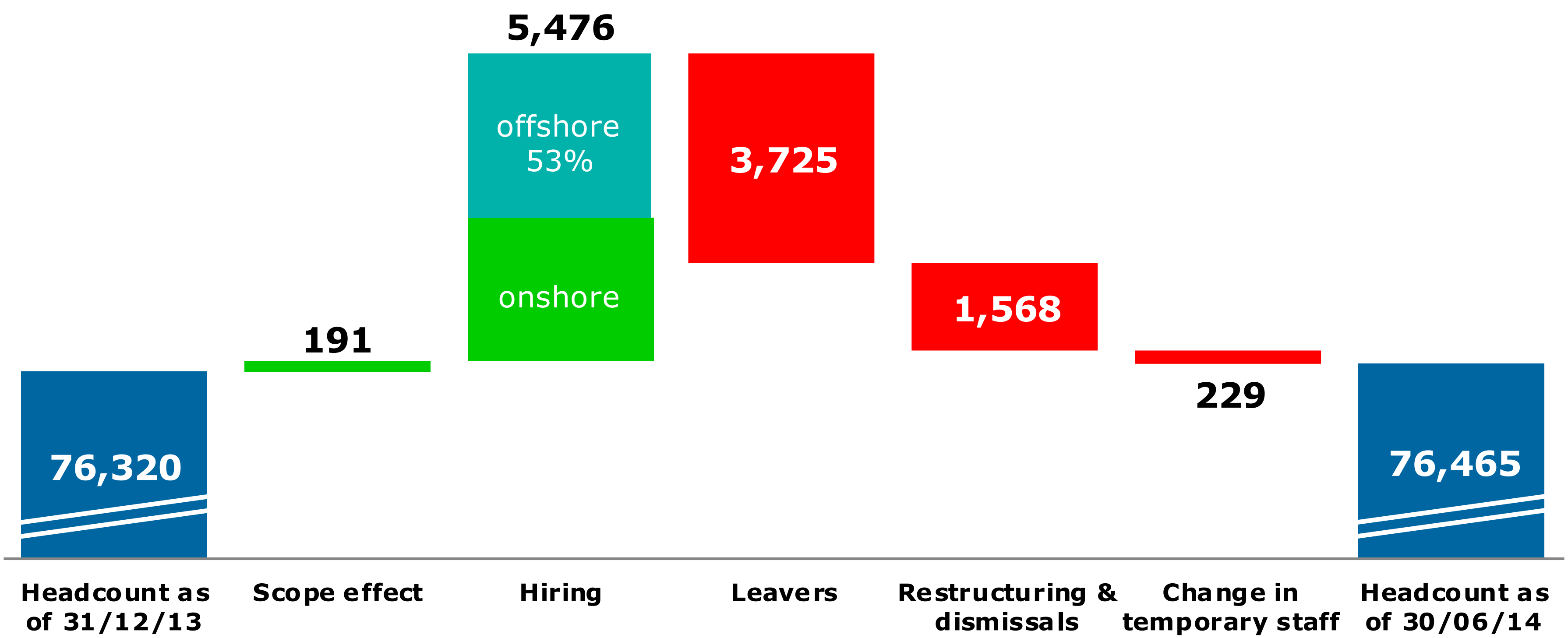
*** Global structures include the Global Delivery Lines costs not allocated to the Group Business Unit and the Corporates costs*

Headcount evolution

First half 2014

July 29, 2014

- **Stable number of staff**
- **Strong level of hiring at circa 10,000 on a yearly basis**



Income statement

In € million	**H1 2014**	**H1 2013***
Revenue	**4,176**	**4,290**
Operating Margin	**274.6**	**279.0**
Staff reorganization	-81.7	-48.3
Rationalization and associated costs	-22.5	-21.2
Integration & acquisition costs	-7.1	-10.4
Customer relationships amortization (PPA)	-22.1	-22.0
Others	-11.8	14.5
Operating income	**129.4**	**191.6**
Net financial expenses	-21.0	-22.5
Tax charge	-29.2	-53.4
Non-controlling interests and associates	-2.8	0.6
Net income Group Share	**76.4**	**116.3**

Most of 2014 actions performed in H1

DWP WCA provisions + acquisition fees

Pensions + FX

ETR at 27%

Including €20m exceptional real estate sale

** Statutory figures*

Cash-flow statement

In € million	H1 2014	H1 2013	
OMDA*	**400.7**	**380.9**	**c. 10% of revenue**
Capital Expenditures	-154.5	-169.8	
Change in working capital requirement	31.3	63.3	Renegotiated payment conditions with suppliers
Cash from operations	**277.5**	**274.4**	
Reorganization	-70.8	-59.8	FY 2014 target €-20m compared to 2013
Rationalization & associated costs	-19.1	-27.4	
Integration & acquisition costs	-7.1	-10.4	
Net financial investments	-1.6	2.6	
Taxes paid	-74.8	-36.9	Timing effect on 2013 income tax
Net cost of financial debt paid	-6.1	-17.4	
Profit sharing amounts payable transfered to debt	-1.0	-2.6	
Other changes	26.8	35.3	Higher number of stock-options exercised in 2014
Free cash flow	**123.8**	**157.8**	
Net material (acquistions) / disposals**	-648.4		Cambridge + Bull planned acquisition
Share buy-back	-138.7		
Dividends paids to owners of the parent	-38.3	-17.3	Higher portion in cash on increased dividend
Change in net cash	**-701.6**	**140.5**	
Impact of foreign exchange rate fluctuation	12.9	- 14.0	
Opening net cash / debt	**905.4**	**232.1**	
Closing net cash	**216.7**	**358.6**	

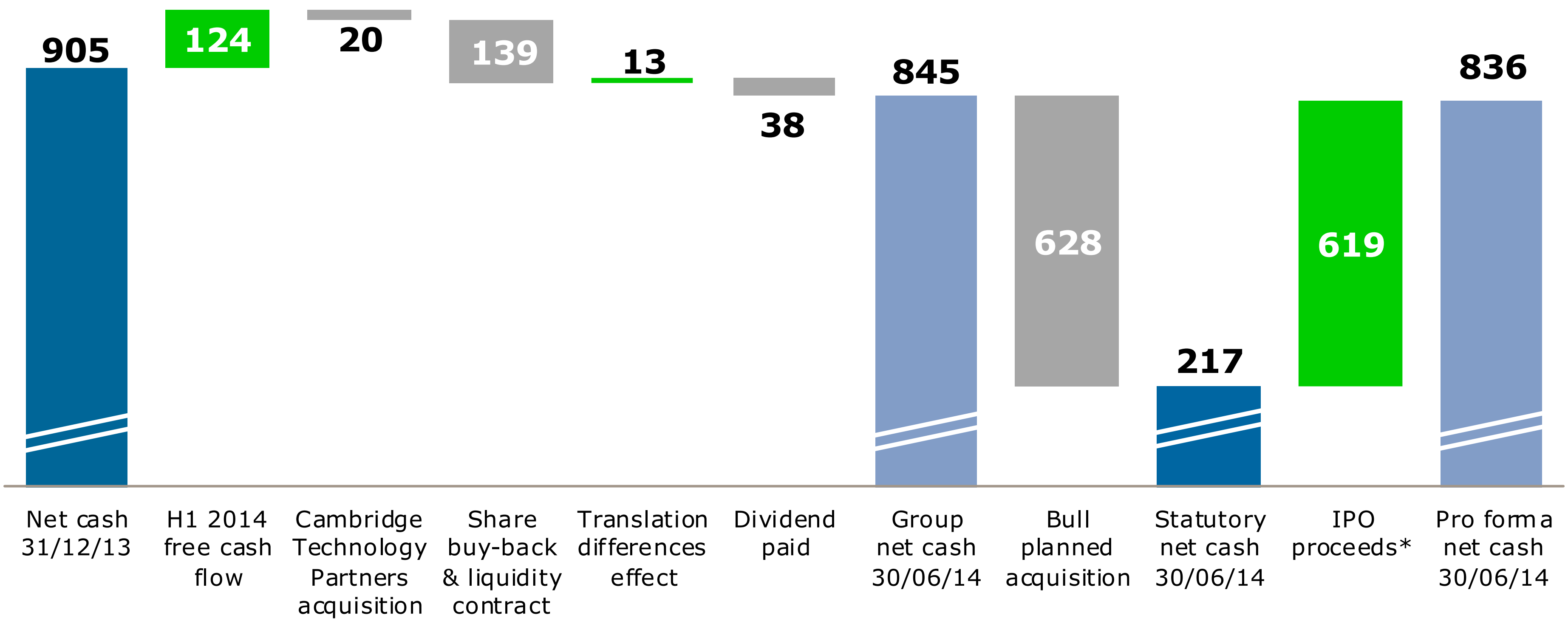
* *Operating Margin before Depreciation and Amortization*

** *Of which € 628.3 million of restricted cash in escrow account for Bull planned acquisition*

Net cash evolution

(in € million)

- Group net cash position on June 30, 2014 excludes € 628 million in escrow account for the Bull planned acquisition
- IPO proceeds collected in July

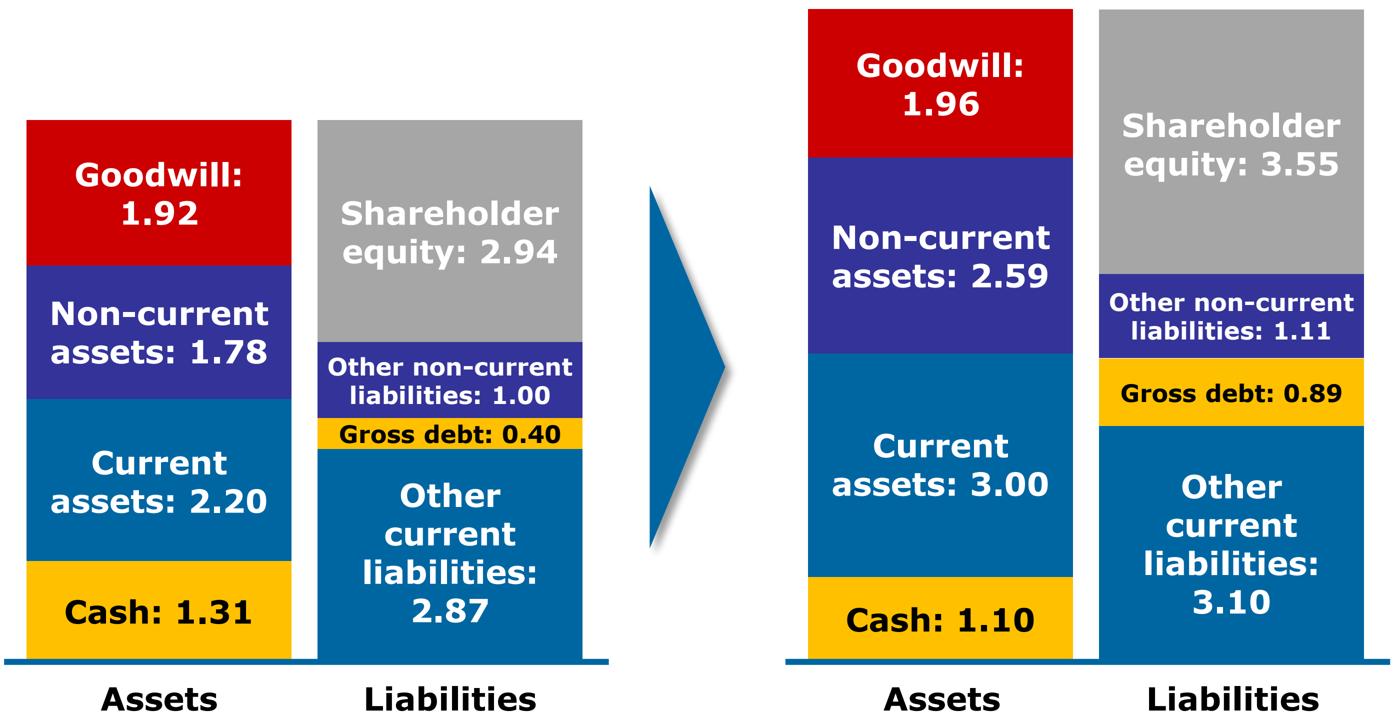


* *Net of fees*

Simplified balance sheet evolution
(in € billion)

31 December 2013
€ 7.2 billion

30 June 2014
€ 8.6 billion



Total balance sheet: +20%

- Shareholder equity +21%
- Net pension provision: €376m
- Net cash position: €255m
- Gearing: -7%

→ Solid financial structure

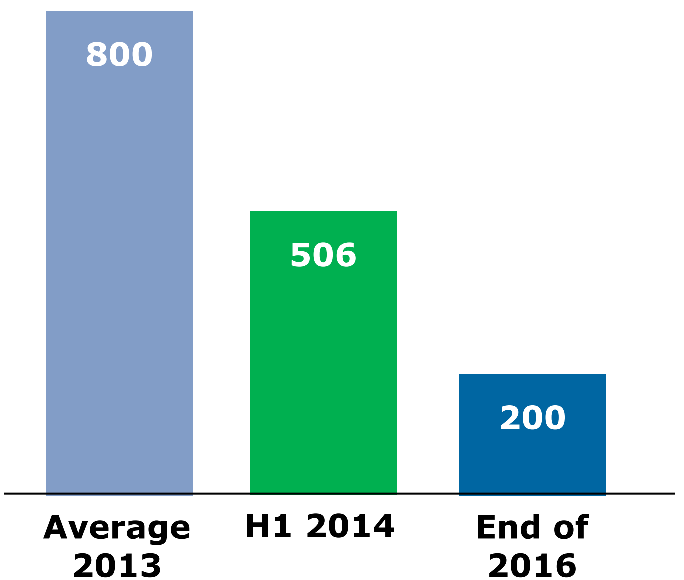
→ Capacity for development

Charles Dehelly,
Senior Executive Vice President, Global Operations

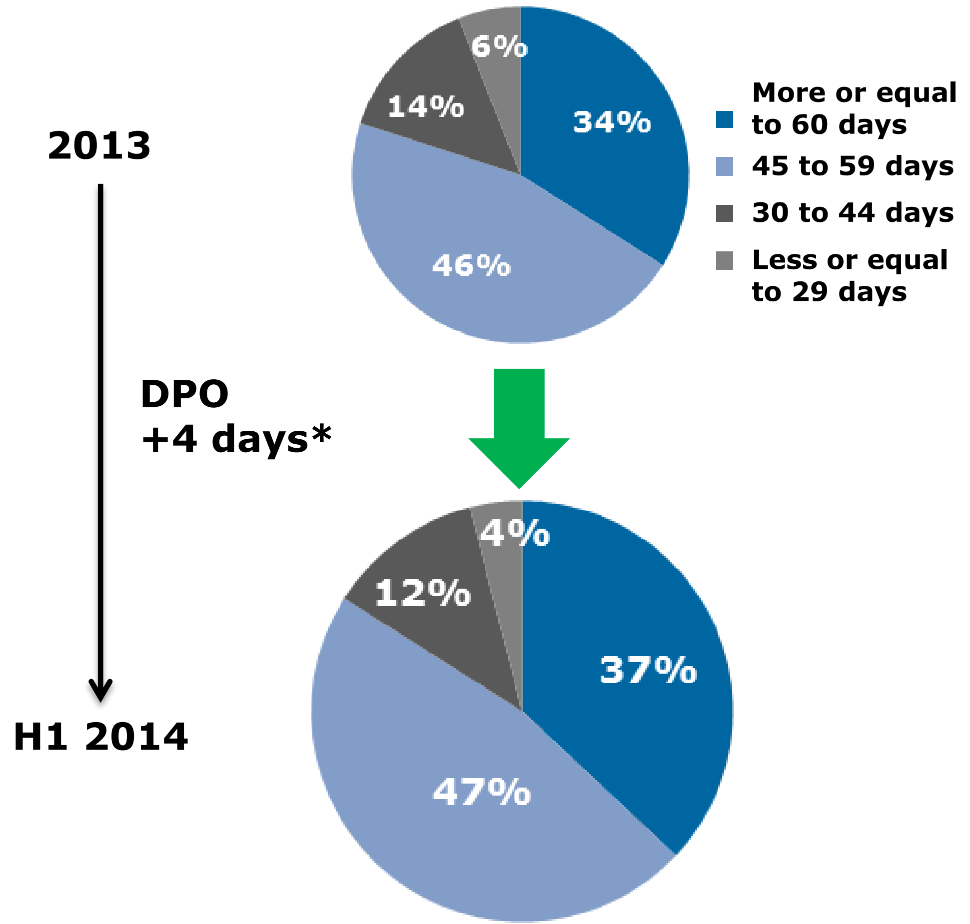
Follow-up on Tier One program

Procurement consolidation progresses quickly with positive impact on DPO

Number of vendors representing 80% of external spend



Impact of consolidation on DPO



* c. € 40 million working capital improvement in the first half 2014

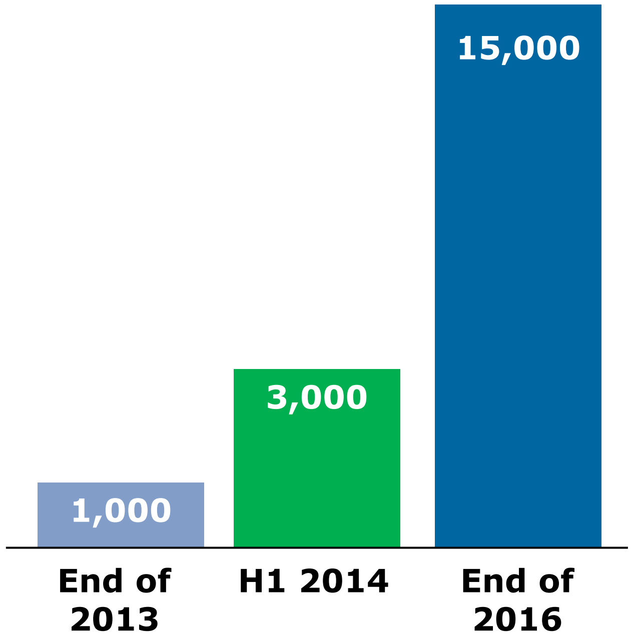
Direct costs benefit from productivity delivered through Tier One Program

First half 2014

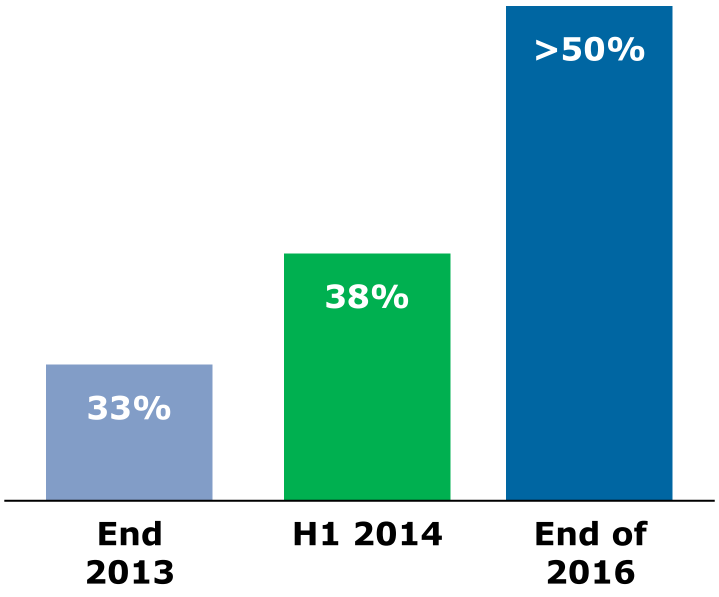
July 29, 2014

End-to-end coverage in FTE

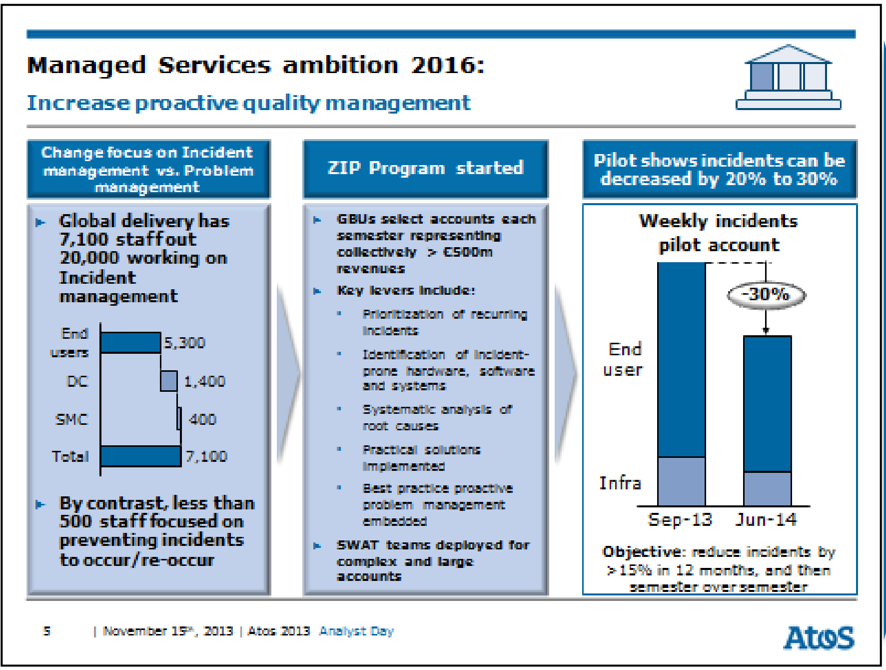
(Managed Services + Systems Integration)



Systems Integration offshore ratio



Quality program (zero incident program) also contributes to cost reduction



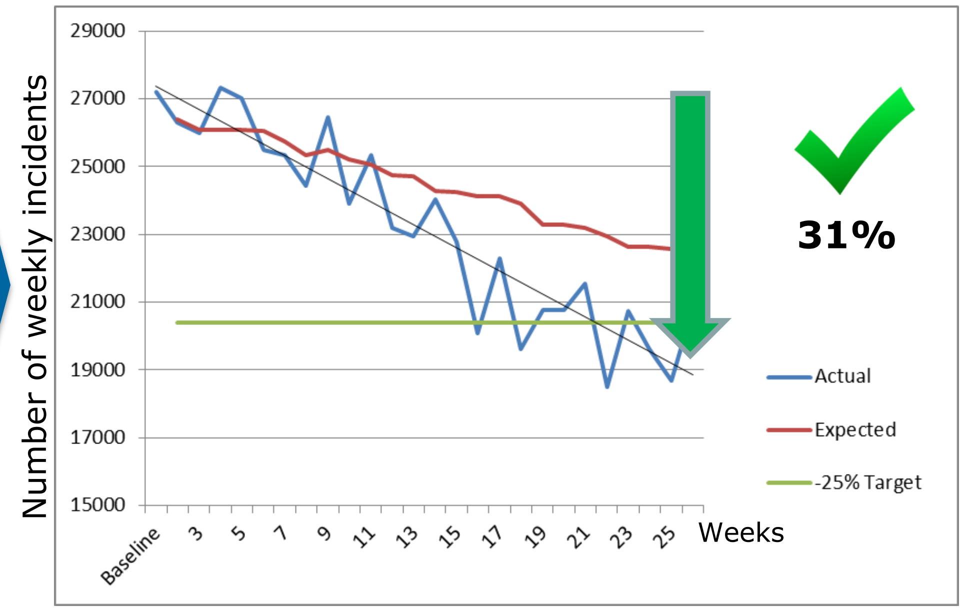
Managed Services ambition 2016:

Increase proactive quality management

Change focus on Incident management vs. Problem management	ZIP Program started	Pilot shows incidents can be decreased by 20% to 30%
Global delivery has 7,100 staff out 20,000 working on Incident management End users 5,300; DC 1,400; SMC 400; Total 7,100 By contrast, less than 500 staff focused on preventing incidents to occur/re-occur	GBUs select accounts each semester representing collectively > €500m revenues Key levers include: - Prioritization of recurring incidents - Identification of incident-prone hardware, software and systems - Systematic analysis of root causes - Practical solutions implemented - Best practice proactive problem management embedded SWAT teams deployed for complex and large accounts	Weekly incidents pilot account End user; Infra; Sep-13; Jun-14; -30% Objective: reduce incidents by >15% in 12 months, and then semester over semester

5 | November 15th, 2013 | Atos 2013 Analyst Day

Managed Services incident reduction vs baseline (average number of incident in H2 2013)



Scope: 22% of Managed Services revenue, with a focus on large accounts

Direct impact on
- **Costs**
- **Customer satisfaction**
- **Incremental revenue**

Bull Integration methodology: application of Atos proven turnaround program TOP and specific

expand / wellbeing @work

Join transversal workstreams (alignment/weekly)

Workstreams

- I1 Financial processes
- I2 Social processes
- I3 Purchasing
- I4 Internal IT
- I5 Managed services (MS)
- I6 System integration (SI)
- I7 Big Datas and Security
- I8 Cloud / Canopy
- I9 Communication WB@W & Talents

Acquisition process

- B1 Public offer
- B2 Merge process I
- B3 Deal closing

TOP workstreams (with 1 Bull actions) (Recurring improvements/monthly)

Workstreams

TOP Sales	T1 quality/customer Sat
	T2 Project Improvement Margin
TOP Efficiency	T3 SI industrialization
	T4 MS industrialization
	T5 IT process standardization
	T6 Utilization rate optimization
TOP Indirect	T7 Finance optimization
	T8 HR optimization/WFM
	T9 S G&A optimization
	T10 Real Estate optimization
	T11 Standard of living
TOP Cash	T12 WIP/CAPEX

Integration Steps

Integration preparation

Anticipation on expected closing in order to start integration from Day 1

Integration as of confirmation of control by AMF

- Appointment of integration stream leaders
- Weekly worlstream review
- Monthly Top/Expand/WB@W meeting

Goal for new organisation fully in place: Jan 1st 2015

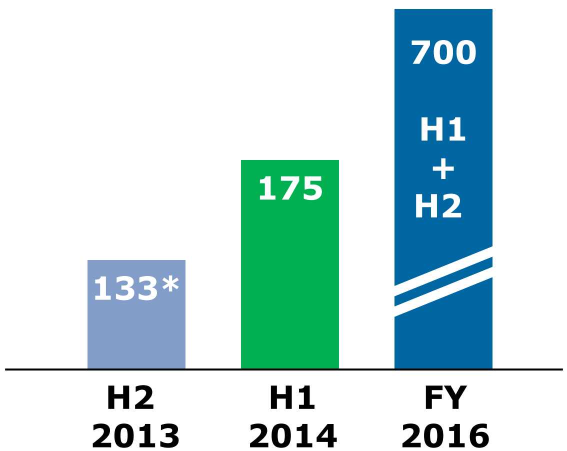
Integration preparation

- Definition of integration process capitalizing on Atos proven methodologies
- Planification of joint sales seminar to share portfolios
- Preparation of joint workforce management board

Goal for new organization fully in place: January 1, 2015

Canopy showed high growth rate while preparing the future with IP

Canopy pro forma revenue



- **+31% H1 2014 vs H2 2013**
- **>€200M order entry in H1 2014**

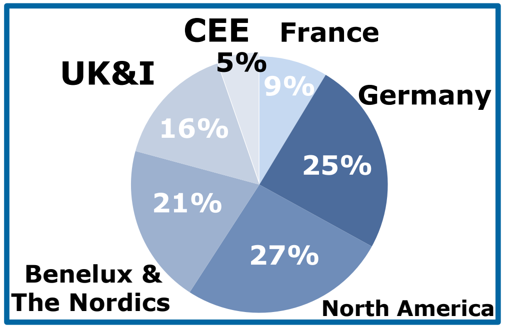
Examples of R&D investments:

- **Enterprise Private Cloud:** standardized turnkey managed or unmanaged private cloud solution
- **Cloud Infrastructure Services:** enterprise grade secure mutualized IaaS platform for business critical workloads

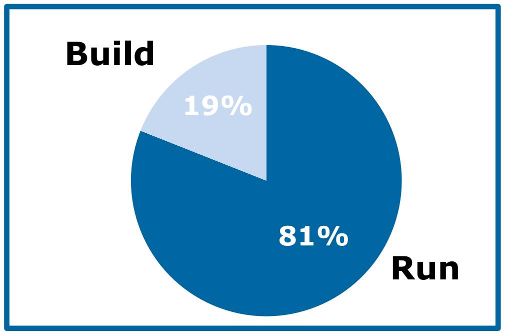
Some deals signed in the first half of 2014: achmea, NXP, Disclosure Scotland, mobily, Siemens, Daikin, Philips, VGZ

** Pro forma annualized revenue € 267 million in 2013*

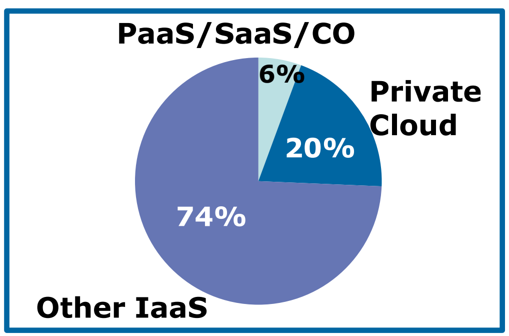
Canopy business mix is ready for growth



- Strong European presence with further growth potential
- Good initial footprint in North America
- Seeding new geographies: sales started (South Africa/Asia Pacific)



- A healthy build/run mix reflecting growth in private cloud, majority in run for existing contracts and mutualized platforms



- Private cloud in high demand in Europe – due to security concerns of large enterprises
- Strong growth in SaaS and PaaS but shadowed by IaaS due to smaller deal size

€ 700 million of Cloud revenues in 2016

“Le cloud by Bull” is planned to be integrated within Canopy and add complementary offerings as well as technical and human capabilities

Complementary offering, capabilities and technologies

- **Roll-out opportunity outside of Europe of new offering brought by Bull:**
  - **PaaS, SaaS, encryption, identification and access management**
- **New technical capabilities (e.g. Security Operation Centers, Cloud engineering)**
- **Accelerated time-to-market on new technologies**
- **Cross-selling opportunities for Atos’ technologies**

- **Larger customer reference base increasing awareness**

Patrick Adiba, Chief Commercial Officer

New commercial momentum

Most relevant wins in Q2 2014

A large aircraft manufacturer	New	Germany	MS	Infrastructure and Mainframe Operations	*10-years*
One of the Big Four accounting firms	New	France	MS	Cloud-based full Outsourcing	*5-years*
A large Dutch technology company	New	Benelux	MS	Datacenter Management	*5-years*
NS&I	Additional work	UK	MS	Financial BPO	*6-years*
A large electronics company	New	Benelux	MS	Infrastructure Management	*3-years*
Disclosure Scotland	New	UK	SI & MS	Cloud Services	*3-years*
A large postal and delivery company	New	UK	MS	Infrastructure Management	*5-years*
Large car manufacturer	Renewal	France	C&SI	Application Management	*5-years*

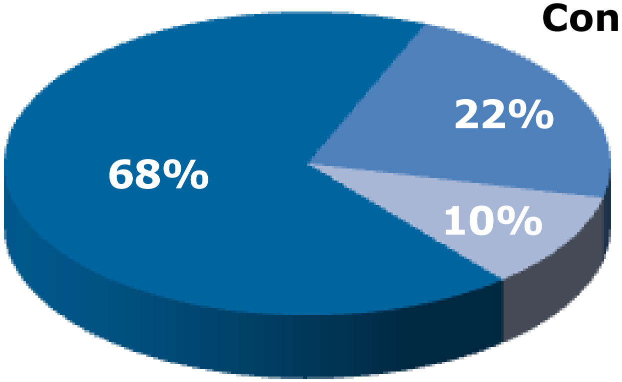
Order entry, backlog, and pipeline

- **Total order entry in H1 2014 at € 4,360 million**

Book to bill	H1 2014	Q2 2014
Managed Services	113%	153%
Consulting & Systems Integration	99%	105%
Worldline	87%	91%
Total Group	**104%**	**127%**

- **Backlog: Strong visibility at € 15.3 billion**

Managed Services
(2.3 years of revenue)



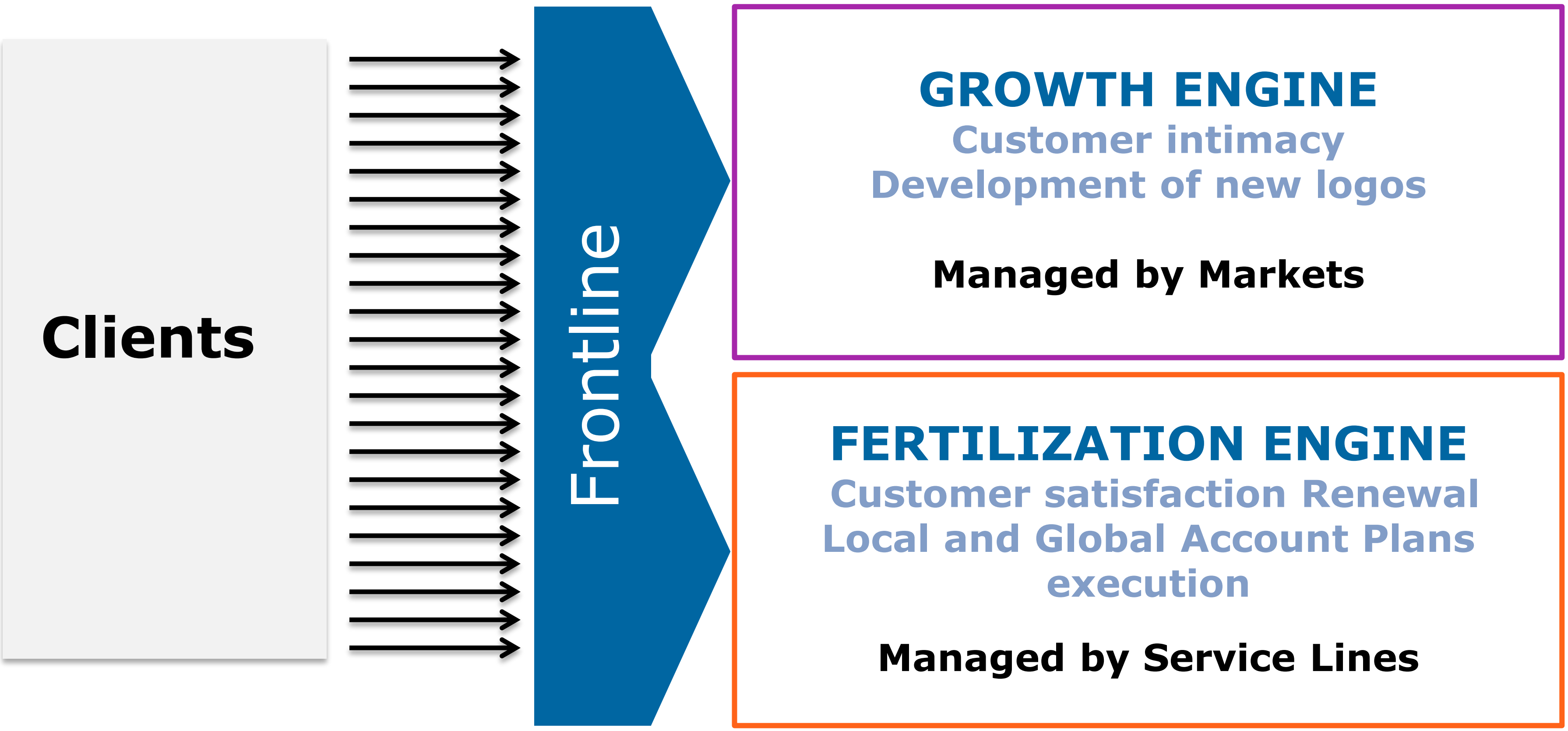
Consulting & Systems Integration
(1.1 years of revenue)

Worldline
(1.4 years of revenue)

- **Healthy weighted pipeline at € 5.0 billion**

New sales organization

- Boosting growth with a customer centric sales model on two engines with Group support



A client driven organization to enable organic growth in line with the Ambition 2016

1. **Chief Commercial Officer** in charge of **steering overall sales effort**
2. **Empower Client Executives** to grow existing and new accounts
3. **Empower the Service Lines** to ensure sustained revenues on existing clients
4. **Global market heads** focused on leading the 200 Clients Executives
5. **Rapid Growth Market Board** to proactively propose to our customers solutions that anticipate on the demand

Target of "2016 Ambition": +2% to +3% organic revenue growth over the 2014-16 period

Thierry Breton, Chairman & CEO

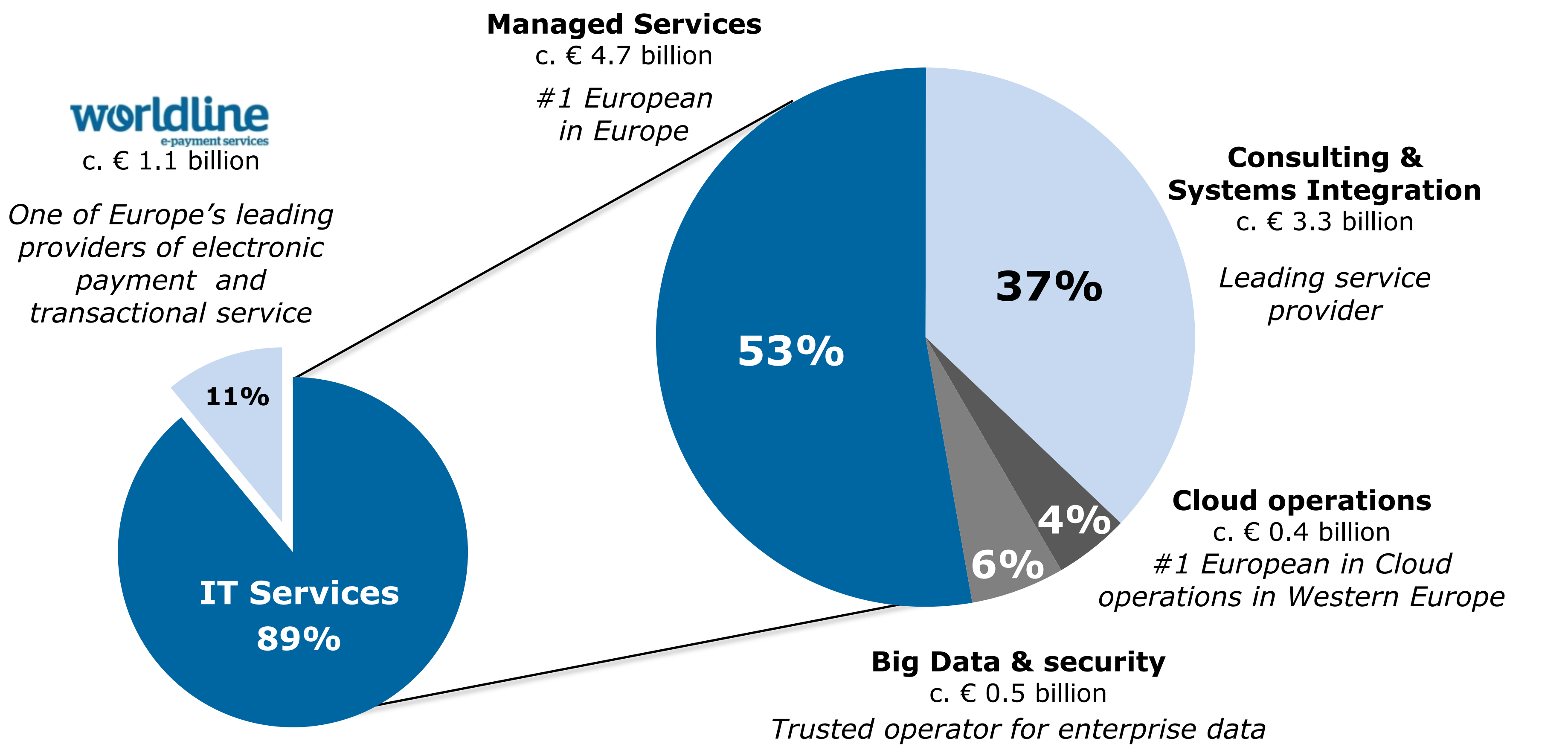
Conclusion

The new Atos: An integrated Digital Services leader

First half 2014

July 29, 2014

€ 10 billion 2013 combined revenue and circa 85,500 headcount*



* *as of end of 2013*

The new Atos: a strong engine for value creation

Market capitalization: € 5.9 billion *as of July 25, 2014*

Net cash: € 845 million*

Market capitalization:

€ 2.2 billion *as of July 25, 2014*

Net cash:

€ 150 million

Percentage of interest owned by Atos: 70.4%

Implied value in Atos:

€ 1.5 billion

IT Services

2016 Ambition
(Analyst Day – November 2013)**:**

+100 to +200 bps operating margin improvement compared to 2013

+

€ 80 million cost synergies on Bull acquired perimeter**

Significant value creation for shareholders considering "Ambition 2016" plan and Bull integration with cost synergies

**including € 628 million restricted cash for the Bull acquisition **subject to the success of the ongoing tender offer*

Key takeaway

First half 2014 achievements

- Successful completion of **Worldline IPO** according to the initial planning
- Current Offer on **Bull** until **July 31, 2014**
- Atos new **sales organization up** and **running**
- **Tier One Program** delivering as planned
- **Strengthening** of **Atos** skills and **technologies** (**Cloud**, **Big Data,** and **Cybersecurity**)

All 2014 objectives confirmed

Ambition 2016 well on track

The new Atos: a strong engine for value creation

Management team

Q&A session

From Questions to Answers

Thank you