Atos

Press Release

First half 2014 results

€ 500 million of new significant contracts won in June 2014

Strong commercial activity in Q2 with 127% book to bill ratio
Revenue: € 4,176 million
Operating margin: € 275 million, increased by +20bps to 6.6%
Net income Group share: € 76 million
Free cash flow: € 124 million

Worldline IPO successfully completed according to initial planning
Current offer on Bull until July 31, 2014

All 2014 objectives confirmed

Bezons, July 29, 2014 - Atos, an international IT services company, today announced its results for the first half of 2014. **Revenue** was **€ 4,176 million**, representing an **organic evolution** of **-1.9%** compared to the first half of 2013. **Operating margin** was **€ 274.6 million**, representing **6.6%** of revenue, an improvement of **+20bps** compared to the same period last year. The Group generated **€ 124 million** of **free cash flow** in the first half of 2014. **Net cash position** was **€ 845 million** at the end of June 2014 including € 628 million restricted cash for the Bull acquisition (excluding € 639 million from the Worldline IPO received in July). **Order entry** was **€ 4,360 million**, representing a **book to bill ratio** of **104%** for the first half of the year. **Net income Group share** was **€ 76 million**.

Thierry Breton, Chairman and CEO of Atos said: *"The first half of this year was particularly active for the Group. We started to roll out our three-year plan with the completion of the Worldline IPO and by strengthening our skills and technologies in innovative offerings through the planned acquisition of Bull. As part of the Tier One Program, we also launched numerous actions to improve our efficiency and the Group continued to improve its operating margin. As planned, in what was still a slow economic environment we significantly increased our order entry during the second quarter, notably by signing **new contracts** worth € 500 million in June. This shows a strong commercial momentum which is expected to accelerate during the second half of the year. Over the long term, all these actions will position Atos to drive growth and deliver higher value for its stakeholders."*

Commercial activity

The Group **order entry** in the first half of 2014 totaled **€ 4,360 million**, representing a **book to bill ratio** of **104%**, with **127% in Q2** as anticipated. Book to bill was 113% in Managed Services in particularly driven by the UK, Benelux & The Nordics, France and Asia Pacific. Book to bill was 99% in Consulting & Systems Integration, mainly led by France. Book to bill was 87% for Worldline. Excluding Siemens (backlog closed in July 2011), the total book to bill was **107%**.

During the second quarter, on top of renewals, the Group signed several **new large contracts** which are going to fuel organic growth as early as the second half of 2014. These include a 10-year mainframe contract with Airbus in Germany, a 5-year infrastructure management contract with a large postal and delivery company in the UK, a 5-year Cloud based full outsourcing contract in France with one of the Big Four accounting firms, a contract with Disclosure Scotland, an executive agency of the Scottish Government, a 3-year infrastructure management contract with a large electronics company in the Benelux, a 5-year Datacenter management contract with a large Dutch technology company, and a 6-year Financial BPO contract with NS&I in the UK which demonstrates the value of the B-to-B strategy with this customer. These seven key contracts totaled more than € 500 million of order entry.

Thanks to its investment and high skills developed in innovative offerings, the Group reached an agreement with Siemens in the area of Data Center security. For this solution Atos and Siemens signed a 3-year extension from 2018 to 2021 as a specific part of the long term IT contract for Managed Services. Finally, as part of the Global Alliance between the two Groups, Siemens and Atos committed to a joint investment plan above € 20 million for Data Analytics.

On June 30, 2014, the **full backlog** was strong at **€ 15.3 billion** and 1.8 years of revenue and the **full qualified pipeline** remained healthy at **€ 5.0 billion** in the same range as that at the end of 2013.

H1 2014 performance by Service Line

	Revenue			Operating margin		Operating margin %	
In € million	**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

Representing 51% of the Group, Managed Services **revenue** including BPO was **€ 2,138 million**, down **-2.3%** compared to the same period last year. Growth was reported in the United Kingdom (+3.7%) thanks to a positive dynamic in the Public Sector, mostly with business increase with the Department of Health and NS&I. North America grew by +2.0% thanks to the ramp-up of several contracts in Public Sector and Media. The Service Line also grew in several geographies such as Iberia, Middle East, and India. In Germany, despite new contracts ramping-up in Telcos and Financial Services, revenue declined due to the end of the transition period with Bayer and a committed price decrease with Siemens. Revenue declined in Benelux & The Nordics on the back of contracts ramping-down in Financial Services and Telcos, more particularly one contract with KPN, while the new infrastructure outsourcing contract with Philips was successfully delivered and started ramping-up. In Central & Eastern Europe, new contracts started to generate revenue in Switzerland, Italy, Poland, and Croatia while the Service Line experienced lower volumes and a base effect in Austria and in Slovakia. In France, a Cloud based contract with one large bank did not fully compensate for some scope reductions with customers in the Energy and Manufacturing sectors.

Operating margin reached **€ 136.1 million**. Three major elements affected the operating margin of the first half of the year and were partly mitigated by continuous actions on operational efficiency. First, the performance in France faced one-off transition overruns and some revenue decline; second, a base effect due to the pension plan amendment recorded in the first half of 2013; and finally the Group decided to increase its operational expenditures in development to further enhance the Canopy Cloud platform. Several Business Units performed well with margin gains such as the United Kingdom, North America and to a lesser extent Asia Pacific, Latin America and IMEA. More particularly UK & Ireland benefited from the ramp-up of several major Public Sector contracts, while productivity earnings were generated on the Siemens IT Outsourcing contract through continuous transformation actions.

Consulting & Systems Integration

Representing 36% of the Group, **revenue** in Consulting & Systems Integration reached **€ 1,503 million**, down **-2.1%** compared to the first half of 2013. Revenue growth in Germany was fuelled by the NSN global contract and in Major Events by the ramp-up of several games projects. France remained stable during this period. The Service Line faced lower activity with some customers, particularly in Benelux & The Nordics (KPN), North America (AIG), and UK & Ireland (a large media company). In terms of practices, Consulting grew by +12.3%, still benefiting from the strong dynamic in the UK and an increased utilization rate. Application Management grew +2.1% and all geographies reported growth in this practice except the Netherlands which was impacted by one contract with KPN.

In Systems Integration, utilization rate increased to 84.8% in 2014 compared to 81.2% in the first half of 2013.

Operating margin was **€ 100.5 million** at **6.7% of revenue**, an increase of **+170bps** representing an important step of the three-year plan "Ambition 2016". The improvement came mainly from Germany, Central & Eastern Europe, Benelux & The Nordics, and France. The Service Line continued to benefit from the offshore delivery transformation on several large contracts. France contributed to the margin expansion through the cost base reduction on flat revenue. Thanks to strong cost monitoring in a context of revenue decline, margin increased in Benelux & The Nordics and remained almost stable in Iberia.

Worldline

Worldline **revenue** represented 13% of the Group at **€ 535 million**, up **+0.2%** year-on-year. From a **standalone** perspective, Worldline as a public company increased its revenue by **+2.2%**. The variance between the two figures came from additional revenue made with Atos or the customers of Atos as part of the sale synergy program.

Operating margin was **€ 80.0 million**, representing **15.0% of revenue**, compared to 14.5% in the first half of 2013, an improvement in line with full year expectations.

Detailed Worldline review can be found on worldline.com, in the investors section, or by clicking here.

H1 2014 performance by Business Unit

	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*

By geography, in an economic environment which continued to be slow in Europe, the Group focused on protecting or enhancing its operational profitability by executing Tier One Program new initiatives in order to compensate for revenue decline in several geographies. All the Business Units improved their operating margin with the exception of United Kingdom & Ireland and France. The UK faced a difficult contract with Transport for the Greater Manchester (TfGM) which led to a €-10 million loss recorded in the first half. At the same time, the WCA contract with DWP also impacted operating margin. France was primarily impacted by a lack of revenue in Managed Services partly mitigated by a strong monitoring of indirect costs. In a still difficult economic environment and declining revenue, Benelux & The Nordics reached a double digit margin rate. The Group continued to reduce its Global structure costs, both in IT Services and in Worldline.

Operating income and net income

Most of the actions regarding reorganization and rationalization were launched at the beginning of the year in order to maximize the full year effect. Therefore, **operating income** for the first half of the year was **€ 129 million** as a result of the following items:

Expenses for **staff reorganization** were **€ 82 million** as a consequence of:

- a restructuring plan in Germany agreed with the Unions in June 2014 for the employees located in Frankfurt further to the termination of the Application Management contract with Dresdner Bank acquired by Commerzbank;
- the adaptation of the Group workforce in several countries such as Benelux & The Nordics, Iberia, UK, and Germany;
- the streamlining of middle management layers, including Global Structures.

Costs for **rationalization** were **€ 22 million** as a consequence of closing office premises and consolidating datacenters, mainly in Germany and Benelux & The Nordics, linked to the restructuring plans. This amount also includes external costs for the implementation of Worldline's TEAM Program.

€ 7 million were recorded for **integration & acquisition costs** and represented mainly remaining costs for the migration and the standardization of internal IT platforms.

In the first half of 2014, **€ 22 million** was recorded as **amortization** of the SIS intangible assets and recognized as part of the Purchase Price Allocation (PPA), at the same level as in the same period last year.

Financial result was a charge of **€ 21 million** including a cost of debt at € 6 million, strongly decreased compared to the same period last year, which included the two convertible bonds. Remaining financial items were related to pensions and foreign exchange expenses.

Total **tax charge**, was **€ 29 million**, representing an **effective tax rate** of **27.0%**, compared to 31.6% in the first half of 2013.

Therefore, **net income Group share** was **€ 76 million**.

Net cash and free cash flow

The Group confirms the full year amount planned for **reorganization, rationalization, and integration costs, decreasing by €-20 million compared to 2013** as stated last February at the FY 2013 results presentation.

OMDA was **€ 401 million** representing 10% of revenue, compared to € 381 million in the first half of 2013.

Staff reorganization was **€ 71 million** cash out and **rationalization** of premises represented **€ 19 million**, as part of the real estate reduction plan.

Net capital expenditures totaled **€ 155 million**, representing 3.6% of revenue.

Working capital improved by **€ 31 million**. Indeed, as part of the purchasing optimization program aiming to reduce the number of suppliers, payment conditions were renegotiated with an effect as of the first half of 2014.

Finally, **tax paid** was **€ 75 million** and the Group **free cash flow** totaled **€ 124 million**.

At the end of the first half of 2014, the Group paid **€ 20 million for the acquisition of Cambridge Technology Partners**, a well reputed consulting firm located in Switzerland which generated € 35 million revenue in 2013.

The cash-out resulting from the option for the payment in cash of **dividend** on 2013 results was **€ 38 million**.

During the first half of 2014, the Group repurchased Atos shares for **€ 139 million** as part of the **buy-back program** and the liquidity contract.

Group **net cash position** as of June 30, 2014 was **€ 845 million**, including € 628 million restricted cash for Bull acquisition and excluding Worldline's IPO proceeds received in July (€ 639 million).

Human Resources

The **total headcount** was **76,465** at the end of June 2014, almost stable compared to June 2013.

The number of direct employees at the end of June 2014 was 70,892, representing 92.7% of the total headcount, compared to 91.5% at the end of the first half of 2013.

In the first half of 2014, 5,476 new employees were recruited of which 53% in offshore countries. Offshore headcount totaled 16,778 staff and represented 22% of total staff at the end of June 2014, up by +16% compared to one year earlier. 56% of them were located in India, mainly for Systems Integration, and 26% in Central & Eastern Europe, mainly for Managed Services.

Attrition during the first half was 9.7% at Group level, and 17.1% in emerging countries.

Final results of Worldline IPO

On June 27, 2014, as per the initial planning, Worldline, an Atos SE subsidiary, one of Europe's leading providers of electronic payment and transactional services and one of the largest such providers worldwide, was successfully listed on Euronext Paris, at an introduction price of € 16.40 per share, representing a market capitalization of € 2.2 billion.

The over-allotment option ended on July 25, 2014 and had been exercised for 75%. It resulted in the sale by Atos of an additional 3,923,452 Worldline shares at a unit price of € 16.40.

At the term of this operation, the final size of the offering was **€ 639 million**, of which € 255 million raised by Worldline and a gross proceed cashed by Atos amounting to € 384 million.

Finally, Atos owns a remaining percentage of interest and voting rights of 70.4% in Worldline.

Tender offer on Bull

The acquisition of Bull represents for Atos a unique opportunity to build the European global IT leader in Cloud and critical technologies (Big Data and Cybersecurity) through cost synergies and strong value creation. The tender offer is closing on July 31, 2014.

Indicative timeline of the transaction:
- 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 is ultimately reached or implementation of a merger process

2014 objectives

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.

Appendix

Revenue and operating margin at constant scope and exchange rates reconciliation

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%***	

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).

Exchange rates effect resulted mainly from the Argentine peso, the Brazilian real and the US dollar depreciating versus the euro and from the British pound strengthening versus the euro.

H1 2014 revenue by Market

	Revenue		
In € million	**H1 2014**	**H1 2013***	***% growth***
Manufacturing, Retail & Transportation	1,441	1,502	*-4.0%*
Public & Health	1,010	969	*+4.3%*
Telcos, Media & Utilities	936	996	*-6.0%*
Financial Services	789	792	*-0.4%*
TOTAL GROUP	**4,176**	**4,258**	***-1.9%***

* *At constant scope and exchange rates*

Conference call

Today, July 29, 2014, Chairman and CEO Thierry Breton, along with Senior Executive Vice President in charge of Global Operations Charles Dehelly, Chief Financial Officer Michel-Alain Proch, and Patrick Adiba, Chief Commercial Officer, will comment on Atos' first half 2014 results and answer questions from the financial community during a **conference call** in English starting at 8:15 am (CET - Paris).

The audio conference numbers are:	France dial-in:	+33 1 70 99 32 12	code 946633
	UK dial-in:	+44 207 1620 177	code 946633
	US dial-in:	+1 334 323 6203	code 946633

The conference (audio and webcast) and the presentation will also be available on our website at: atos.net, in the Investors section.

Forthcoming event

November 7, 2014 Third quarter 2014 revenue

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About Atos

Atos SE (Societas Europaea) is an international information technology services company with 2013 annual revenue of € 8.6 billion and 76,300 employees in 52 countries. Serving a global client base, it delivers IT services in 3 domains, Consulting & Technology Services, Systems Integration and Managed Services & BPO, and transactional services through Worldline. With its deep technology expertise and industry knowledge, it works with clients across the following market sectors: Manufacturing, Retail & Transportation; Public & Health; Financial Services; Telcos, Media & Utilities.

Atos is focused on business technology that powers progress and helps organizations to create their firm of the future. It is the Worldwide Information Technology Partner for the Olympic & Paralympic Games and is quoted on the NYSE Euronext Paris market. Atos operates under the brands Atos, Atos Consulting & Technology Services, Worldline and Atos Worldgrid. For more information, visit: atos.net.

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 Marchés Financiers (AMF) on April 2nd, 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, Sweden, and Estonia), **Worldline**, **Central & Eastern Europe** (CEE: Austria, Bulgaria, Croatia, Serbia, Poland, Czech Republic, Russia, Romania, Slovakia, Hungary, Switzerland, Italy, and Turkey), **North America** (USA and Canada), **Iberia** (Spain, Portugal, and Andorra), and **Other Business Units** including Major Events, 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 (UAE, Qatar, and Saudi Arabia), Morocco, South Africa, and Cloud & Enterprise Software.

Revenue organic growth is presented at constant scope and exchange rates.